

AUDIT COMMITTEE

Statement of Accounts 2019/20 25 November 2020

Report of Chief Finance Officer

PURPOSE OF REPORT

This report seeks to provide Members with an update of the progress of the external audit of the Council's 2019/20 Financial Statements, outlining any issues raised to date.

This report is public.

RECOMMENDATIONS

The Audit Committee is recommended

- 1. To note the details progress of the audit of the Statement of Accounts for the year ended 31st March 2020 and the matters arising to date.**

1.0 INTRODUCTION

- 1.1 Members will recall the requirements and timelines for the approval of a Local Authority's 2019/20 Statement of Accounts have changed. Having considered the impact of the COVID-19 pandemic and in consultation with key stakeholders, the Ministry of Housing, Communities and Local Government (MHCLG) introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015.
- 1.2 In accordance with the amended Regulations, the draft Accounts must now be published on the Council's website and submitted for audit by 31 August 2020 rather than 31 May 2020 and the timeline for the conclusion of the audit is now 30 November 2020 rather than 31 July 2020.

2.0 CURENT POSITION

Publication

- 2.1 The draft Statement of Accounts 2019/20 were published on the Council's external website 28 August 2020, ahead of the required deadline. Although Members previously received notification of publication and a PDF version of the draft financial statements they can be viewed via the attached link <https://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts>

Member Training

- 2.2 Training on the statement of accounts has been provided in 2 sessions and was open to all Members.

Session 1 Setting the Scene

- 2.3 Held prior to the Committee meeting 27 August 2020 this initial session provided Members with a broad introduction to the financial reporting framework, the roles of the Chief Finance Officer, Those Charged with Governance and the External Auditor and the key elements of the financial statements.

Session 2 Interlinkages & Significant Items

- 2.4 The second session held 25 November 2020 delivered more detailed training focusing on the interlinkages between the various statements and their supporting notes, also significant balances, accounting adjustments and policies as well financial performance.

External Audit

- 2.4 Due to the COVID-19 pandemic the initial planning audit was halted mid-March as the Audit Team were forced to withdraw from the Town Hall in line with Government advice and Council staff were diverted to support other areas.
- 2.5 Following discussions with the External Auditor the following headline dates have been agreed to enable the audit to progress.

Planning Audit	26 October	-	13 November
Financial Statement Audit	24 November	-	18 December

- 2.6 The External Auditor will present their Audit Plan for the 2019/20 Financial Statements later, on this agenda.
- 2.7 The next Audit Committee meeting is scheduled for 24th March 2021. It is hoped the audit will be concluded ahead of this date and so to allow the External Auditor to present his Audit Finding Report (ISA260) and allow the Committee to formally review and approve the accounts an additional meeting may be required.

3.0 MATTERS ARISING

- 3.1 Although still at the early stages of the audit at the time of writing this report that only one significant issue has been raised by the External Auditor in relation to the 2019/20 Financial Statements.

Objection to the 2019/20 Financial Statements

- 3.2 The External Auditor has received notification of two formal objections to items contained within the 2019/20 Financial Statements from two electors.
- 3.3 The provisions of the Local Audit and Accountability Act 2014 and National Audit Office Code of Practice affords Local Government Electors, or their representatives an opportunity to make written objections to the External Auditor of an item(s) contain within the Council's accounts.

- 3.4 All objections raised with the External Auditor must be in writing and copied to the Council's s151 Officer and must state the facts on which the Elector relies, the grounds on which the objection is being made and particulars of
- i) any item of account which is alleged to be contrary to law; and
 - ii) any matter in respect of which it is proposed that the auditor could make a public interest report
- 3.5 As a result of the Council's classification of the objector and the processes it has put in place the s151 Officer has not formally received a copy of the objection.
- 3.6 The process by which the External Auditor must follow when considering objections and possible actions are set out within the National Audit Office's Audit Guidance Note 4 Auditors' Additional Powers and Duties (February 2018).
<https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2017/01/Auditor-Guidance-Note-04-Auditors-Additional-Powers-and-Duties.pdf>
- 3.7 Committee Members should be aware that the 2019/20 Audit Fee (£44,959) does not contain an amount for dealing with objections. Although it is hoped the initial review and consideration of the grounds of the objection will be quick and so any costs will be relatively contained, should the auditor accept the objection the resulting cost of any additional investigation will be borne by the Council and may be significant.

4.0 OPTIONS AND OPTIONS ANALYSIS

- 4.1 As the report is for noting no alternative options are put forward, but the Committee could make supplementary recommendations regarding any matters arising.

5.0 CONCLUSION

- 5.1 Members should note the progress and matters arising to date.

<p>CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):</p>

<p>No implications directly arising.</p>
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<p>LEGAL IMPLICATIONS</p>

<p>S27 of the Local Audit and Accountability Act 2014 makes provision for an elector of the Council's area to make an objection to the local auditor in respect of the grounds set out at paragraph 3.4 of this Report. On receipt of an objection the local auditor must decide (a) whether to consider the objection, and (b) if the auditor does so, whether to take action within paragraph (a) and (b) of s27(1) in response.</p>
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<p>In considering any objection, the auditor will need to have regard to the provisions of the 2014 Act and the code of audit practice applicable to the Council. The Local auditor must in carrying out functions under the 2014 Act, have regard to guidance issued by the Comptroller and</p>
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Auditor General under paragraph 9 of Schedule 6 of the 2014 Act. This includes the Auditor Guidance Note 4.

An objector aggrieved by a decision of a local auditor not to consider the objection or not to apply for a declaration under s28 of the 2014 Act may within 6 weeks from notification of the decision require the auditor to provide written reasons for the decision and within 21 days from receipt of the written reasons may appeal against the decision to the court.

FINANCIAL IMPLICATIONS

There are no financial implication flowing directly from this report.
However, Member's should be aware of the potential for addition audit fee's that may accrue because of the objection to the financial statements.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces

No implications directly arising.

SECTION 151 OFFICER'S COMMENTS

This report forms part of the Chief Finance Officer's responsibilities, under his role as s151 Officer.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

27 August 2020 Draft Statement of Accounts
<https://committeeadmin.lancaster.gov.uk/documents/s77442/Statement%20of%20Accounts%202019-20%20Final.pdf>

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