

AUDIT COMMITTEE

Statement of Accounts Update

24 May 2023

Report of Chief Finance Officer

PURPOSE OF REPORT

To provide the Committee with an updated position regarding the conclusion of the audits of the 2019/20, 2020/21 and 2021/22 Statement of Accounts and the preparations for production of the 2022/23 Financial Statements.

This report is public.

RECOMMENDATIONS

The Audit Committee is recommended to note the following areas.

- 1. The progress of the audit of the 2019/20, 2020/21 & 2021/22 Statement of Accounts**
- 2. The state of preparation in closure and production of 2022/23 Statement of Accounts**

1.0 INTRODUCTION

- 1.1** Members will be aware of the long standing issues in relation to the 2019/20, 2020/21 and 2021/22 Statement of Accounts. This paper seeks to inform Members on their current progress and provide updates on the Council's actions to prepare for production of the 2022/23 statements.
- 1.2** The position in regard to the Statement of Accounts audits has progressed from previous updates, the schedule of outstanding work required to conclude the 2019/20 and 2020/21 audits provided by the External Auditor 01 March 2023 is now substantially complete and includes all responses to supplementary questions and requests with the exception of work to support the Value for Money (VfM) Conclusion.
- 1.3** Details of the outstanding works for each of the financial years together with a summary of the progress and impact of the work currently outstanding is included in the paragraphs below.

2.0 2019/20 STATEMENT OF ACCOUNTS POSITION

- 2.1 In line with previous updates, the only significant matters that remain outstanding are the objection from a local Council Taxpayer in regard to Note 42: Contingent Liabilities, and the impact of the national infrastructure assets issue as previously reported, both of these issues are discussed at section 5 below.

3.0 2020/21 STATEMENT OF ACCOUNTS POSITION

- 3.1 As noted previously all audit matters that have been brought to officers' attention and requests for additional information to date have been addressed and any required revisions made to the draft 2020/21 financial statements.

- 3.4 The Committee will also be aware that, as with 2019/20 statement, Note 42: Contingent Liabilities, was once again subject to formal objections by a local Council Taxpayer. The External Auditor is still considering the objections in accordance with regulatory guidance. As noted above the impact of the national infrastructure assets issue will impact the 2020/21 Statements.

4.0 2021/22 STATEMENT OF ACCOUNTS POSITION

- 4.1 The draft 2021/22 Statement of Accounts were published on the Council's website ahead of the 31 July 2022 deadline. A link was sent to Council Members, and paper copies are available on request.

- 4.2 The External Auditors are yet to formally provide the Committee with a plan for the delivery of the 2021/22 Audit and neither the s151 Officer nor key members of the finance team are aware of any substantial audit work having been undertaken on the 2021/22 Financial Statements to date.

- 4.3 The Committee should also note that, as with the 2019/20 & 2021/20 Statement of Accounts, Note 42: Contingent Liabilities, is subject to formal objections by local Council Taxpayer. The External Auditor is still considering the objections in accordance with regulatory guidance but it is hoped that the information supplied will assist in resolving all outstanding matters in this area. Further discussion is provided below.

5.0 OUTSTANDING MATTERS

- 5.1 The following paragraphs provide a summary of the significant issues that still remain outstanding, which should on completion allow the 2019/20 and 2020/21 audits to be concluded.

Objections to the Financial Statements

- 5.2 The Committee will recall that the 2019/20, 2020/21 and 2021/22 Statement of Accounts are subject to formal objections by local Council Taxpayer. In order to finally conclude the audit, the External Auditors requested that the Council seek assurance from a number of external third parties. Officers from Legal and Economic Growth and Regeneration services have been collating this information with two of the assurances requested having been presented to the External Auditors for consideration and, without any information to the contrary, are assumed to have been accepted by them.

- 5.3 Following a meeting in December with the remaining third party a number of additional items have now been provided to the External Auditor and we await confirmation from them that they are satisfied, or, if not, what further assurances they require.

- 5.4 To address the final outstanding source of assurance a meeting has now been arranged in early June with the external third party to discuss any issues in relation to information supplied as part of previous discussions, and what is required to resolve this matter. It is critical that, rather than the repetitive pattern of question, response, delay, further questions from the Auditor that has been experienced, he now clearly states what specific further assurances, he seeks to enable discussions to be concluded.
- 5.5 Committee Members should be aware that the annual Audit Fee does not contain an amount for dealing with objections and so the associated costs will be borne by the Council. Current estimates are an additional cost to the Council of c£31K.

Infrastructure Assets Restatement

- 5.6 As initially reported to the Committee 25th May 2022 and subject of several updates, CIPFA was made aware of issues relating to the derecognition of parts of infrastructure assets. Specifically, where Councils have incurred on the replacement, or enhancement of existing infrastructure assets they may not be readily able to identify the cost and accumulated depreciation relating to the original asset components being replaced or enhanced.
- 5.7 This has been a long running and contentious issue and has caused significant delays to a significant number of Councils across the Country, which now appears to have been resolved. The restatement exercise is well underway, having been delayed by the work to address the auditors schedule of outstanding work during March, and subsequently by the closure of the 2022/23 accounts. It will be presented to the auditors for review at the earliest opportunity.

Work to support the Value for Money Conclusions

- 5.8 In addition to providing an opinion of the Council's Financial Statements the External Auditor is required to consider and report on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
- 5.9 Information requested by the External Auditor to support their consideration is being collated across the Council. However, as the assessments relate to both 2019/20 and 2020/21 the information requested can stretch back to 2017/18 and earlier. It is hoped that all the documents and internal assessment will be available to present to the External Auditor by mid-June.

Statement of Accounts 2021/22

- 5.10 Although a substantial amount of work has been undertaken to address the 2019/20 and 2020/21 Statement of Accounts neither the s151 Officer nor key members of the finance team are aware of any substantial audit work having been undertaken on the 2021/22 Financial Statements to date.
- 5.11 As noted in previous updates this lack of work on the 2021/22 Financial Statements should be of concern to the Committee as this significant volume of work will need to be undertaken at some point which will severely impact staff, from both a well-being perspective and also prevent them from supporting other Council projects such as Eden, Mainway, OBR, Canal Quarter. In addition, the Council's incoming External Auditors, KPMG will require both the 2021/22 and 2022/23 audits to be concluded before they can commence their work in 2023/24.

6.0 PREPARATION FOR 2022/23 STATEMENT OF ACCOUNTS

- 6.1 At previous meeting the Committee noted the revised submission for the draft statement of accounts deadline has reverted to its pre COVID deadline of 31st May, a reduction of 2 months from the previous 31st July.
- 6.2 At its meeting 22nd March the Committee supported the s151 Officers proposal to delay submission of the 2022/23 Draft Financial Statements. Given the continued backlog of work and lack of progress in addressing 2021/22 financial statements there was limited benefit in stretching the already under resourced finance team in achieving the shorter deadline. The closedown of the 2022/23 Financial Statements is progressing and we aim to have the draft statements published on the Council's website by 31st July 2023
- 6.3 Although disappointing not to achieve the 31st May 2023 deadline the additional time has enabled the Finance Team to assist the auditors in moving forward with the 2019/20 and 2020/21 backlog, as well offer continuing to support the Council's significant projects and assist the recent local elections whilst simultaneously producing the 2022/23 Financial Statements
- 6.4 The Council is required to publish a notice on its website advising of the delay and once available they must publish the formal Notice of the Commencement of the Period for the Exercise of Public Rights. This is the 30 day period during which any person interested or any journalist may, on reasonable notice, inspect and make copies of the accounts or any Local Government Elector may raise an objection to any item of account.

7.0 DETAILS OF CONSULTATION

- 7.1 The report provides the Committee with an update on the progress of the audit of the Statement of Accounts 2019/20 to 2021/22 and preparation for the 2022/23 Statement production and so consultation has been limited to discussion with the External Auditors.

8.0 OPTIONS AND OPTIONS ANALYSIS

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

9.0 CONCLUSION

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

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing):

No implications directly arising.

LEGAL IMPLICATIONS

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.

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 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 additional audit fees 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

Statement of Accounts 2019/20

<http://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts>

Statement of Accounts 2020/21

<http://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts>

Statement of Accounts 2021/22

<https://www.lancaster.gov.uk/the-council-and-democracy/budgets-and-spending/statement-of-accounts>

External Audit Plan 2020/21

[Agenda for Audit Committee on Wednesday, 23rd March 2022, 6.10 p.m. - Lancaster City Council](#)

Statement of Accounts Updates

[Agenda for Audit Committee on Wednesday,](#)

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Ref:

[23rd November 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 25th May 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 23rd March 2022, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 24th November 2021, 6.10 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 22nd March 2023, 6.10 p.m. - Lancaster City Council](#)