

# AUDIT COMMITTEE

## Statement of Accounts Update

31 July 2024

### 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, 2021/22 and 2022/23 Statement of Accounts, and the preparations for production of the 2023/24 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, 2022/23 Statement of Accounts
2. Preparation for production and audit of the 2023/24 Statement of Accounts

#### 1.0 INTRODUCTION

1.1 This report provides an update on key areas and events of the since the last Audit Committee meeting 24 March 2024. The paper covers the following areas.

- Addressing the Audit Backlog
- Statement of Accounts 2019/20 – 2022/23
- Preparation and audit of the 2023/24 Statement of Accounts

1.2 Links to previous Statement of Accounts updates can be found at the end of this document as part of the Background Papers

#### 2.0 ADDRESSING THE AUDIT BACKLOG

2.1 As previously reported a series of proposals for addressing the significant national audit backlog and embedding timely audit have been published The proposals have 3 stages but currently provide substantial discretion to auditors to determine how to prioritise their work in the run-up to each backstop date.

- Phase 1: Reset - clearing the backlog of audit opinions up for 2022/23 and earlier years by 30 September 2024
- Phase 2: Recovery – preventing a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform – addressing systemic challenges in the system and embedding timely financial reporting and audit.

- 2.2 On 30 July 2024 The Right Honourable Jim McMahon Minister of State for Local Government and English Devolution made a statement regarding the local audit backstop dates [Local Government Statement](#). The statement confirms the new Government is to retain the backstop approach, but is proposing to amend the dates to

Financial Years Statements	Original Audit Deadline	Revised Audit Deadline
All years up to and including. 2022/23	30 September 2024	13 December 2024
2023/24	31 May 2025	28 February 2025
2024/25	31 March 2026	27 February 2026
2025/26	31 January 2027	31 January 2027
2026/27	30 November 2027	30 November 2027
2027/28	30 November 2028	30 November 2028

- 2.3 The statement also provided detail of when an authority would be exempt from a backstop date:
- where auditors are considering a material objection
  - where recourse to the court could be required
  - from 2023/24, where the auditor is not yet satisfied with the body's Value for Money arrangements.
- 2.4 If an authority fails to publish the final statement of accounts by a backstop date it will be required to publish an explanation, which it must send to the Secretary of State. The Government will publish a list of authorities and auditors that miss a date. Further mechanisms might be explored for taking action where authorities provide inadequate reasons for delay.
- 2.5 The previous proposals for fees are confirmed, i.e.:
- where an auditor has carried out work in good faith, they are due the appropriate fee, even if the audit is disclaimed
  - where an authority has paid fees that are more than the total work carried out, the auditor must return the balance.
- 2.6 The Council's incoming Auditors (KPMG) will need to plan and undertake their audit of the 2023/24 financial statements across the same time period. As previously reported KPMG does not have the assurance over a range of areas including closing balances that would normally support opening balances for 2023/24 and so an increase in audit work is expected in the short term and achieving the February 2025 deadline will present operational challenges as the revised deadlines coincide with the Council's annual budget cycle.
- 2.7 Although discussed in in more detail paragraph 3 below, to remind all Members audit work on the 2019/20 and 2020/21 financial statements is substantially complete. However, work on the 2021/22 and 2022/23 Financial Statements is yet to commence. As a result, it is likely that the Council will receive a disclaimed audit opinion for 2021/22 and 2022/23.
- 2.8 The s151 Officer would like to inform Members of the Committee that given the long-established and reported issues with the audit the Council will receive a disclaimed opinion for its 2021/22 and 2022/23 financial statements. To be clear any disclaimed opinions attributable to the backstop date do not necessarily indicate significant financial reporting or financial management issues.

### **3.0 STATEMENT OF ACCOUNTS 2019/20 – 2022/23**

#### Objections to the Statement of Accounts

- 3.1 The Committee will recall that the 2019/20, 2020/21, 2021/22 and the 2022/23 Statement of Accounts are subject to formal objections by a local Council Taxpayer. In order to discharge its duties in regard to the objection and finally conclude the audits, the External Auditors requested that the Council seek assurances from a number of external third parties. Whilst two of the requests were presented to the External Auditor several months ago Members of the Committee will recall delays in obtaining the final assurance.
- 3.2 Following a series of meetings in April and May between the remaining party and the Council's solicitors an agreement has now been reached to draw this matter to a conclusion. Details of this agreement have been shared with the External Auditor who has not raised any issues and feels, subject to sight of the final agreement is sufficient to allow him to address the substantive nature of the objections and finally conclude this matter.
- 3.3 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£60K. This figure does not include a significant amount of internal officer time.

#### Work to Support the Value for Money Conclusions

- 3.4 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.
- 3.5 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. The External Auditors have requested additional information relating to 2 major projects, unfortunately staff absence and upcoming audit work in one area has resulted in delay.
- 3.6 Satisfactory conclusion of these areas of work should allow the External Auditor to issue his opinion of the 2019/20 and 2020/21 statements.

### **4.0 PREPARATION AND AUDIT OF THE 2023/24 STATEMENT OF ACCOUNTS**

- 4.1 Members will recall that at its March meeting the Committee noted the s151 Officers request to delay publication of the draft 2023/24 Financial Statements. In line with regulation a notice was published on the Council's website advising of this delay.
- 4.2 Preparation of the Statement of Accounts is progressing well with only minor areas outstanding. The aim is to publish the draft Statement of Accounts on the Council's website **Friday 2<sup>nd</sup> August 2024**. Regulation requires that all Councils provide a 30-day inspection 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. Notice will shortly be given that the required 30-day inspection period will run 5<sup>th</sup> August – 16<sup>th</sup> September 2024.
- 4.3 The External Auditors are currently undertaking their initial planning work and required to present an annual audit plan setting out their approach to auditing the financial statements. It is expected that KPMG will present their plan to this Committee shortly.

## **5.0 DETAILS OF CONSULTATION**

5.1 The report provides the Committee with an update on the progress of the audit of the Statement of Accounts 2019/20 to 2022/23 Statement production and so consultation has been limited to discussion with the current and incoming External Auditors.

## **6.0 OPTIONS AND OPTIONS ANALYSIS**

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

## **7.0 CONCLUSION**

7.1 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>

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Statement of Accounts 2021/22

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

Statement of Accounts 2022/23

[Statement of Accounts - Lancaster City Council](#)

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, 22nd May 2024, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 20th March 2024, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 22nd November 2023, 6.00 p.m.](#)

[Agenda for Audit Committee on Wednesday, 26th July 2023, 6.00 p.m. - Lancaster City Council](#)

[Agenda for Audit Committee on Wednesday, 24th May 2023, 6.10 p.m. - Lancaster City Council](#)

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

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