AUDIT COMMITTEE

Statement of Accounts Update

19 March 2025

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, 2022/23 and 2023/24 Statement of Accounts, and the progress in preparation of the 2024/25 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 and 2024/25 Statement of Accounts**

2. **Preparation for production of the 2024/25 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 November 2024. The paper covers the following areas.

- External Audit position of the Council's Statement of Accounts 2019/20 – 2023/24
- Preparation for closedown 2024/25 and production of the 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 BACKGROUND

2.1 At the last meeting of this Committee, Members considered a report providing details of the Government's proposals to clear the backlog of unaudited Statement of Accounts that has built up over recent years. In the case of this Council, this applies to the Statement of Accounts for 2019/20, 2020/21, 2021/22 and 2022/23.

2.2 As outlined in the last report, the Government set out various 'backstop' dates by which Councils are required to publish financial statements. These dates are as set out in the table below.

Financial Years Statements	Audit Backstop Deadline	Achieved
All years up to and including 2022/23	13 December 2024	Yes
2023/24	28 February 2025	No
2024/25	27 February 2026	N/A
2025/26	31 January 2027	N/A
2026/27	30 November 2027	N/A
2027/28	30 November 2028	N/A

2.2 Progress against achieving these deadlines is provided in the paragraphs below

3.0 OUTSTANDING EXTERNAL AUDIT OPINIONS 2019/20 – 2022/23

2019/20 & 2020/21

3.1 The Audit of the 2019/20 & 2020/21 Financial Statements has now been concluded, and the auditors issued unmodified opinions for each year 5th December & 12th December 2024 respectively. A copy of the audited financial statements were published on the Council's ahead of the 13th December 2024 backstop deadline.

2021/22 & 2022/23

3.2 The Audit of the 2021/22 & 2022/23 Financial Statements has now been concluded and in line with the backstop arrangements the auditors issued a disclaimed opinions for each year 12th December 2024. A copy of the audited financial statements were published on the Council's ahead of the 13th December 2024 backstop deadline.

3.3 The s151 Officer would like to remind Members of the Committee that the issuing of a disclaimed opinion attributable to the backstop date do not indicate significant financial reporting or financial management issues. Deloittes Annual Audit Report for the Financial Years 2020/21 to 2022/23 has been presented elsewhere on this agenda.

2023/24

3.4 KPMG have been appointed as the Council's External Auditors for the 5-year period 2023/24 to 2028/29. As previously reported the delays in issuing the audit opinions and addressing the objection to the prior year's financial statements have impacted their ability to undertake work on the 2023/24. Similar to previous years audits a backstop date of 28th February 2025 was provided to issue an audit opinion. Regrettably **we did not achieve this deadline**, and a note has been published on the Councils website Statement of Accounts - Lancaster City Council

3.5 Members should recall that the s151 Officer did advise that given the volume of work outstanding from previous years and the changes to the backstop dates requiring both Deloitte and KPMG requiring officer support over the same period was always going to be a challenge. Priority was given to finalising the outstanding audit work to enable Deloitte to issue their opinions and also to the work of the Council which included the delivery of

- General Fund & HRA budgets
- 10 Year Capital Programme
- Capital & Treasury Management Strategies
- Medium Term Financial Strategy
- Quarterly Monitoring Reports
- Technical issues including IFRS 16 transitions and VAT
- Staff induction and training

3.6 To reassure Members there are no financial consequences to the Council for not achieving the backstop date. MHCLG have published a list of all of the bodies on their website and we are 1 of 58 other public sector bodies, including 18 other District Councils who did not meet the 28th February 2025 backstop date
Addressing the local audit backlog in England: Non-compliance lists - GOV.UK
February 2025 - audit opinion data - PSAA

3.7 The Committee should note that only 1 non-material item is currently outstanding although a number of queries have been submitted after the backstop deadline, which are being dealt with. It is expected that KPMG will issue a disclaimed opinion by the end of this month.

4.0 OUTSTANDING OBJECTIONS TO THE FINANCIAL STATEMENTS

4.1 Members of the Committee will be aware of a number of longstanding objections to the Councils Financial Statements and the impact on both the Audit Opinions and Certification. The following paragraphs provide detail of the current position and any matters currently outstanding.

2019/20

4.2 The objection the 2019/20 Financial Statements was concluded 17th June 2021, and we are awaiting confirmation of the audit certificate from Deloitte.

2020/21 to 2022/23

4.3 The outcome of the objections were formally communicated to the objector by Deloitte 25th February 2025. The communication outlined in detail the External Auditors considerations and conclusion against each of the 34 objections and confirms that for a number of reasons **none** of the objections have been upheld.

4.4 Section 28 (3) (b) of the Local Audit & Accountability Act 2014 allows the objector 21 days from the date of receipt to appeal against the decision to the court. It is understood that the objector has communicated his desire to exercise this right to Deloitte. Members should note this is no right of appeal against the decision not to issue a report in the Public Interest.

4.5 Until the issue of the objections is finally resolved the External Auditor will not be able to issue the Audit Certificate and formally close the 2020/21 to 2022/23 audits.

4.6 Deloitte have advised that based on the time incurred and the external legal advice, their proposed fee for the objection is **£48,191** to cover the 2020/21, 2021/22 and 2022/23. This is below their previous estimates, but the Committee should note that this cost excludes a considerable amount Council officer time with the true cost of the objection far exceeding this amount. The fee for the objection will be disclosed within the 2024/25 Statement of Accounts.

2023/24

4.7 Members will recall that similar to previous years the 2023/24 Financial Statements are subject to ongoing objections by a local Council Taxpayer. The objections appear to be similar in nature and to assist KPMG have been cross referenced to those from previous years and the findings from Deloitte.

4.8 KPMG will need to form their own view validity of the objections and may well result in the Council incurring additional fees. It will also impact on their ability to issue the audit certificate and conclude the 2023/24 audit.

5.0 FEES FOR DISCLAIMED AUDITS

5.1 Public Secor Audit Appointments Ltd (PSAA) have published guidance on how audit fees are to be determined for disclaimed audits. However, the guidance is unclear pending, pending discussion with MHCLG about the funding for "good faith" work, that is carried out that eventually made no contribution towards satisfying the auditor's responsibilities. Update on audit fees for disclaimed audit opinions including potential refunds - PSAA

5.2 Even the most basic disclaimed audit such as ours for 2021/22 and 2022/23 will have required some significant expense in meeting the requirements of Auditing Standards for the steps to be taken before an auditor can issue a disclaimer. In addition, work was completed to enable the External Auditor to provide their VFM commentary. Once the MHCLG discussions are concluded, we will be sent an interim fee variation statement, which will provide an opportunity to agree or disagree before PSAA impose a final fee variation.

5.3 Although no final variation fee has been received from PSAA there have been initial discussions with Deloitte who have suggested the following

- 2021/22 –25% of the scale fee, £44,959 which is £11,239.75, and propose £11,230.
- 2022/23 –25% of the scale fee, £44,959 which is £11,239.75, and propose £11,230.
- Value for Money – The scale fee does not include the work required under the change in standards for the years 2020/21, 2021/22 and 2022/23. The proposal is £14,000 in total for the three years, which recognises that this was performed as one single piece of work

5.4 Subject to final discussions with PSAA it is proposed that these fee values are accepted

2023/24

5.5 The scale fee for 2023/24 is £161,380 (2022/23 £44,959). The fee is set by PSAA and attempts to address some of the challenges faced in previous years across the audit sector. However, similar to previous years it is expected that a disclaimed opinion will be issued and there remains uncertainty in regard to the final fee charged.

6.0 PREPARATION OF THE 2024/25 FINANCIAL STATEMENTS

6.1 The deadline for publishing the Council's Unaudited 2024/25 Statement of Accounts is 30th June 2025. In preparation for the production of the Statement of Accounts finance staff have undertaken a number of actions including.

- The Council's Accounting Polices & Critical Judgements have been reviewed and are presented elsewhere on this agenda for approval.
- Budget Holder Guidance Notes on Closure of Accounts 2024/25 highlighting all critical deadlines has circulated to relevant staff – **See Appendix A**
- Key members of the finance team have attended on-line training to ensure they are aware of the changes to the 2024/25 Code of Practice
- Internal planning documents have been revised to reflect the revised deadline and changes within the Code of Practice.
- Early work has been undertaken around some significant areas including Related Party Transactions, VfM etc

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 2023/24 and preparation for 2024/25 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 commentary 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.
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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	**Contact Officer:** Paul Thompson **Telephone:** 01524 582603 **Email:** pthompson@lancaster.gov.uk **Ref:**
Statement of Accounts 2019/20 – 2023/24 http://www.lancaster.gov.uk/the-council-and-	

democracy/budgets-and-spending/statement-of-accounts Statement of Accounts Updates Agenda for Audit Committee on Wednesday, 27th November 2024, 6.00 p.m. - Lancaster City Council Agenda for Audit Committee on Wednesday, 31st July 2024, 6.00 p.m. - Lancaster City Council 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	