

## External Auditors Annual Report Financial Years 2020-21 to 2022-23

23 April 2025

### Report of Audit Committee

#### PURPOSE OF REPORT

To provide Council with the External Auditors Annual Audit Report for the financial years 2020/21, 2021/22 and 2022/23, issued by Deloitte's, noting that no significant weaknesses were identified in respect of the Value for Money assessment categories.

**This report is public.**

#### RECOMMENDATIONS

- That the Council considers the Annual Audit Report for the financial years 2020/21, 2021/22 and 2022/23, issued by the Council's former External Auditors, Deloitte's noting that no significant weaknesses were identified in respect of the Value for Money assessment categories.

#### 1.0 INTRODUCTION

- 1.1 The Council's External Auditors are required to complete a Value for Money (VfM) assessment as part of the audit of the accounts. The National Audit Office (NAO) Code of Practice regulations set out how the auditor is required to report whether an authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Audit Committee considered the Annual Audit Report at its meeting on 19th March 2025 and has referred it to Council for noting ahead of publication on the Council's website.

#### 2.0 BACKGROUND

- 2.1. Under the Local Audit and Accountability Act 2014 and 2020 National Audit Office Code of Audit Practice, Auditors are required to carry out a value for money audit in line with the NAO code.
- 2.2. The Value for Money report includes the auditor's assessment of VfM arrangements against three required reporting criteria:
- **Financial Sustainability:** How the Council plans and manages its resources to ensure it can continue to deliver its services
  - **Governance:** How the Council ensures that it makes informed decisions and properly manages its risks
  - **Improving economy, efficiency and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services

- 2.3 In 2020 the External Auditor requirements around VfM assessment moved away from a binary qualified/ unqualified conclusion. It now includes more substantial commentary against each of these three areas and reports on the arrangements put in place by the Council to deliver VfM.
- 2.4 The purpose of preparing and issuing Annual Audit Reports is to communicate to the Council and key external stakeholders, including members of the public, the key issues arising from the Auditors' work, which they consider should be brought to the attention of the Council. To enable this, it is a requirement that the report be presented to Council for consideration and published on the Council's website alongside the audited Statement of Accounts.
- 2.5 Council Members will be aware there has been several ongoing issues within the Public Sector Audit Regime which has severely impacted the audit of the Councils Statement of Accounts for 2019/20, 2020/21, 2021/22 and 2022/23. In order to address this failure within the system, Government introduced a number of arrangements including the use of disclaimed audit opinions and the establishment of "backstop" dates by which all outstanding audits should be concluded
- 2.6 Details of these arrangements have been previously presented to the Audit Committee as part of the Chief Finance Officers Statement of Accounts Update reports, with the current position presented within the Chair of the Audit Committee's annual report elsewhere on this agenda. However, a fundamental requirement of the backstop provisions is the completion of the VfM conclusion.
- 2.7 This is the last report prepared by Deloitte, with the Councils External Auditor changing to KPMG from 2023/24. As noted within the Chair of the Audit Committee's Annual Report the audit of the 2023/24 financial statements is still on going. Once concluded the Annual Audit Report 2023/24 will be considered by Audit Committee before being presented to Council.

### 3.0 SUMMARY FINDINGS 2020/21 TO 2022/23

- 3.1 The External Auditors can make a number of recommendations which are classified into a hierarchy of levels:
- Statutory Recommendations – Actions which should be taken where significant weaknesses are identified with arrangements. These are made under Schedule 7 of the Local Audit and Accountability Act 2014 and require discussion at Full Council and a public response.
  - Key Recommendations – Actions which should be taken by the Council where significant weaknesses are identified within arrangements.
  - Improvement Recommendations – Actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements
- 3.2 The Value for Money report is included within the Auditor's Annual Report attached at **Appendix A**. Summary details of the Risk Assessment and Conclusions for the applicable years is copied in table 1 below.

**Table 1 Summary Findings**

| Financial Year | Risk Assessment                 | Conclusion                         |
|----------------|---------------------------------|------------------------------------|
| 2020/21        | No risk of significant weakness | No significant weakness identified |
| 2021/22        | No risk of significant weakness | No significant weakness identified |
| 2022/23        | No risk of significant weakness | No significant weakness identified |

- 3.3 The report includes a small number of improvement recommendations many of which the Council has already actioned and will continue to implement over the coming year. An action plan detailing managements response, action owners and dates are included at **Appendix B**

#### **4.0 DETAILS OF CONSULTATION**

- 4.1 No formal consultation is required; however, the Annual Audit Report was presented to Audit Committee 19<sup>th</sup> March 2025.

#### **5.0 OPTIONS AND OPTIONS ANALYSIS**

- 5.1 As the report is for noting no alternative options are put forward, but Council could make supplementary commentary regarding any matters arising.

#### **6.0 CONCLUSION**

- 6.1. Deloitte's conclusion of the Council's Value for Money assessment is included in the Auditor's Annual Report attached at **Appendix A**.
- 6.2. The Council accepts the findings that no significant weaknesses have been found in respect of financial sustainability, governance or improving economy, efficiency and effectiveness.
- 9.3. The Council accepts recommendations made to continually improve its value for money practices which will be reported back to Audit Committee in subsequent external audit reviews.

#### **CONCLUSION OF IMPACT ASSESSMENT**

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

No implications directly arising.

#### **LEGAL IMPLICATIONS**

The basic requirement for the Council to prepare accounts is set out in section 3 of the Local Audit and Accountability Act 2014. The detailed requirements are set out in the Accounts and Audit Regulations 2015. The External Auditor is required to publish an annual commentary on value for money arrangements as part of the auditor's annual report. This is to comply with the requirements of the 2020 Code of Audit Practice and Auditor Guidance Note 3.

#### **FINANCIAL IMPLICATIONS**

The scale audit fee for 2018/19 to 2022/23 (£44,950) was set by Public Sector Audit Appointments Ltd (PSAA) and was previously approved by the Audit Committee. Unfortunately, the scale fee does not include the additional work required under the change in standards for the years 2020/21, 2021/22 and 2022/23. An additional amount of £14,000 in total for the three years has been agreed, which recognises that this was performed as one single piece of work

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

No implications directly arising.

#### **SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has assisted in authoring this report and his comments are reflected within it.

## MONITORING OFFICER'S COMMENTS

The Councils' Constitution provides that the Audit Committee is responsible for the provision of independent assurance of the adequacy of the risk management framework and the associated control environment. The Terms of Reference of the Audit Committee require it to provide an independent assurance of the risk management framework and the associated control environment. Noting and commenting upon the Annual Audit Letter before it is considered by Full Council is an important part of this assurance

## BACKGROUND PAPERS

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](#)

**Contact Officer:** Paul Thompson

**Telephone:** 01524 582603

**Email:** pthompson@lancaster.gov.uk

**Ref:**