

Audit Committee Annual Report 2024/25

23 April 2025

Report of the Audit Committee Chairman

PURPOSE OF REPORT

To inform the Council of the current position on issues being dealt with by the Audit Committee.

This report is public.

1.0 INTRODUCTION

- 1.1 This report details the work undertaken by the Audit Committee since it was last reported to Council on the 24 April 2024
- 1.2 The Terms of Reference of the committee are set out in Part 3, Section 8 of the Council's Constitution. The scope of its activity is summed up in the statement of purpose:

The audit committee is a key component of Lancaster City Council's corporate governance. It provides an independent high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of an audit committee is to provide those charged with governance, independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of Lancaster City Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place."

2.0 AUDIT COMMITTEE MEETINGS

- 2.1 The Audit Committee (the Committee) has met several times during the financial year 2024/25 and covered significant areas such as

- Statement of Accounts
- Effectiveness of Risk Management Framework
- Effectiveness of Internal Control Environment
- Counter Fraud & Corruption
- Annual Governance Statement

- 2.2 A link to the website for further details on the reports and minutes is included here:
[Browse meetings - Audit Committee - Lancaster City Council](#)

3.0 STATEMENT OF ACCOUNTS

- 3.1 Council will be aware of the significant ongoing issues within the Public Sector Audit regime and 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, it applied to the Statement of Accounts for 2019/20, 2020/21, 2021/22 and 2022/23.
- 3.2 The Government set out various 'backstop' dates by which Councils are required to publish the outstanding financial statements. These dates are as set out in the table below, with progress against achieving these deadlines included.

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

Outstanding Audit Opinions

2019/20 & 2020/21

- 3.3 The Audit of the 2019/20 & 2020/21 Statement of Accounts 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 of December 2024 backstop deadline.

2021/22 & 2022/23

- 3.4 The Audit of the 2021/22 & 2022/23 Statement of Accounts 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 of December 2024 backstop deadline.

- 3.5 The s151 Officer would like to inform Council that the issuing of a disclaimed opinion attributable to the backstop date does not indicate significant financial reporting or financial management issues. Deloitte's Annual Audit Report for the Financial Years 2020/21 to 2022/23 is presented elsewhere on this agenda and includes the External Auditors assessment of the Council's arrangements to secure Value for Money for the use of its resources.

2023/24

- 3.6 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 Council's website [Statement of Accounts - Lancaster City Council](#)

- 3.7 The s151 Officer advised Members that given the volume of work outstanding from previous years and the changes to the backstop dates that required both Deloitte and KPMG needing significant officer support over the same period (December – February) it was always going to be a challenge to achieve the 28th of February deadline. The s151 Officers priority was to focus on finalising the outstanding audit work, enabling Deloitte to issue their audit opinions and on delivering the Council's statutory requirements such as:

- 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.

- 3.8 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 of February 2025 backstop date.

[Addressing the local audit backlog in England: Non-compliance lists - GOV.UK February 2025 - audit opinion data - PSAA](#)

- 3.9 There is only 1 non-material item 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 shortly.

Outstanding Objections to the Financial Statements

- 3.10 Members will be aware 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

- 3.11 The objection the 2019/20 Financial Statements was concluded 17th June 2021, and the audit certificate issued.

2020/21 to 2022/23

- 3.12 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.

- 3.13 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 there is no right of appeal against the decision not to issue a report in the Public Interest.

- 3.14 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.

- 3.15 Deloitte have advised that based on the time incurred and the cost of 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 Members should note that this cost excludes a considerable amount Council officer time and external legal costs, 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

- 3.16 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 they have been cross referenced to those from previous years and the findings from Deloitte.

- 3.17 KPMG will need to form their own view on the validity of the objections which 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.

4.0 EFFECTIVENESS OF RISK MANAGEMENT FRAMEWORK

- 4.1 The Audit Committee is responsible for the ongoing review of the Council's risk management framework. It looks at how the Council applies its principles, approach and processes to the identification, assessment, and management of risks. An initial review of the Council's Risk Management arrangements was undertaken in July 2022 by the Council's Internal Auditors who identified that there was no or very limited central operational or strategic risk management oversight processes in operation.
- 4.2 Since the review, the Council's Risk Management Strategy & Policy has been updated several times and approved by the Committee. The latest updated Risk Management Policy was considered and approved at its meeting 20th March 2024 [Agenda for Audit Committee on Wednesday, 20th March 2024, 6.00 p.m. - Lancaster City Council](#). All of the recommendations have been completed, a further review has been completed, providing substantial assurance reflecting the excellent on-going work in this area.
- 4.3 The Council's Strategic Risk register is considered on a quarterly basis by Cabinet prior to scrutiny by both the Audit Committee and Budget & Performance Panel.

5.0 EFFECTIVENESS INTERNAL CONTROL ENVIRONMENT

- 5.1 To enable the Committee to consider the effectiveness of the Council's Internal Control Environment it obtains assurance from a variety of sources, as outlined below.

Internal Audit Risk Based Plan and Ongoing Monitoring

- 5.2 The Internal Audit Plan defines the scope and reasoning behind the approach being adopted. Overall, the objectives are:
- to fulfil Internal Audit's own statutory obligations.
 - to provide assurance, support, and advice to Chief Officers on matters under their control; to support the s151 Officer's statutory obligations to maintain an adequate and effective audit of the Council's accounting records and its systems of internal control.
 - to assist the Audit Committee in gaining independent assurance on the Council's risk management, governance, and control arrangements.
 - to report compliance with the Public Sector Internal Audit Standards (PSIAS); and
 - to contribute to the development of Council corporate standards
- 5.3 The Plan is mapped to the Council's strategic objectives and risks and is reviewed as part of the risk assessment process to ensure that it remains focused on the Council's key risks and challenges and adds value. It was approved by Audit Committee 20th March 2024 [Agenda for Audit Committee on Wednesday, 20th March 2024, 6.00 p.m. - Lancaster City Council](#)
- 5.4 A separate report is presented to each Audit Committee detailing progress against the agreed plans and highlighting key messages for Audit Committee attention.

Overall Head of Internal Audit Opinion

- 5.5 The Accounts and Audit Regulations, require Internal Audit to form an opinion on the adequacy and effectiveness of the Council's internal control environment. This includes consideration of any significant risk or governance issues and control failures that have been identified throughout the year. In arriving at an opinion, the Head of Internal Audit will give consideration to.
- An assessment of the design and operation of the underpinning strategic governance, risk management arrangements and supporting processes.
 - An assessment of the range of individual assurances arising from risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account the relative materiality of systems reviewed and management's progress in respect of addressing control weaknesses identified.
 - An assessment of the Council's response to Internal Audit recommendations, and the extent to which they have been implemented.

- 5.6 The 2023/24 Head of Internal Audit Opinion was presented to Audit Committee 22nd May 2024 [Agenda for Audit Committee on Wednesday, 22nd May 2024, 6.00 p.m. - Lancaster City Council](#). Work to deliver the 2024/25 Audit Plan is still on-going with the Head of Internal Audit Opinion to be presented at the Audit Committee at its meeting 21st May 2025.

6.0 COUNTER FRAUD & CORRUPTION

- 6.1 In addition to the responsibilities previously noted the Committee's terms of reference place responsibility to "monitor counter fraud, actions and resources and review the assessment of fraud risks and potential harm to the Council from fraud and corruption". In order to enable the Committee to discharge this responsibility it has oversight and approval for key anti-fraud and corruption policies such as:

- Anti-Fraud, Corruption and Bribery Policy,
- Money Laundering,
- Sanctions Policy,
- Contract Procedure Rules, and
- Financial Procedure Rules

- 6.2 At various points the year the Committee has considered and approved each of these policies.

Anti-Fraud, Corruption and Bribery, Money Laundering, & Sanctions Policies

[Agenda for Audit Committee on Wednesday, 19th March 2025, 6.00 p.m. - Lancaster City Council](#)

Contract Procedure Rules

[Agenda for Audit Committee on Thursday, 30th January 2025, 6.00 p.m. - Lancaster City Council](#)

Financial Procedure Rules

[Agenda for Audit Committee on Wednesday, 27th November 2024, 6.00 p.m. - Lancaster City Council](#)

- 6.3 The Council also operates a shared Corporate Enquiry Team with Preston City and Fylde Borough Council. The Team provide the Committee with both a Business Plan and an Annual Report in respect of its work in areas such as

- Right to Buy
- Housing Benefits
- Housing Tenancy
- Council Tax Support
- Single Person Discount
- Employee fraud

Audit Committee reviewed the extent and outcome of counter fraud work during the 2023/24

financial year 27th November 2024.

[Agenda for Audit Committee on Wednesday, 27th November 2024, 6.00 p.m. - Lancaster City Council](#)

- 6.4 Although outside of the Committee's remit, the Council has a wide range of established policies which sit alongside and compliment the counter fraud and corruption framework, including.

- Raising Concerns Policy
- Officers and Members Codes of Conduct.

7.0 ANNUAL GOVERNANCE STATEMENT

- 7.1 All Councils are required to review their governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement (AGS) in accordance with the CIPFA / Solace Delivering Good Governance in Local Government Framework (2016) (the Framework) fulfils this requirement.
- 7.2 The AGS enables the Council to explain to the community, service users, taxpayers, and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. The Council is required to prepare an AGS, which is published alongside the Statement of Accounts.
- 7.3 Although not devised by the Audit Committee it has responsibility for oversight of key areas as outlined in this report that support the AGS and is required to consider its content prior to signed by the Leader and Chief Executive for inclusion in the Statement of Accounts
- 7.4 In preparation for the 2023/24 Statement of Accounts, the Council's AGS was reviewed by the Audit Committee at its meeting 31st July 2024 [Agenda for Audit Committee on Wednesday, 31st July 2024, 6.00 p.m. - Lancaster City Council](#). Progress against any improvement areas are presented to the Committee.
- 7.5 Work to deliver the 2024/25 AGS is still on-going, it will however be presented at the Audit Committee at its meeting 21st May 2025.

8.0 CONCLUSION

- 8.1 The organisation and operation of the Audit Committee is an integral element of public accountability and governance. It plays a key role in regard to the integrity of the Council's financial information, its system of internal controls, and the legal and ethical conduct of management and employees. It has over the year delivered effectively against its terms of reference and provided assurance and challenge across key areas.
- 8.2 The work of the Audit Committee is considered as part of the External Auditor's annual value for money conclusion which has been reported to Council as part of the Annual Audit Report elsewhere on this agenda, with no significant weaknesses noted.
- 8.3 Over the next 12 months, the Audit Committee will be focusing on addressing the areas identified in the Internal Audit Annual Report. I would particularly like to maintain the momentum in respect of embedding Risk Management within Lancaster City Council, as an integral part of strategic and operational management, and to properly inform risk based Internal Audit planning. I would also like to conclude the mapping of the full suite of Council Policies and their review timetable.
- 8.4 I would like to take this opportunity to thank each member of the Audit Committee and also, each and every elected member and Council officer who has assisted in providing effective

systems of corporate governance and internal control and have continued to make an important contribution to the standing and achievements of the Council.

CONCLUSION OF IMPACT ASSESSMENT

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

None directly arising from this report.

LEGAL IMPLICATIONS

None directly arising from this report.

FINANCIAL IMPLICATIONS

None directly arising from this report.

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

None directly arising from this report.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no additional comments.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

[Browse meetings - Audit Committee - Lancaster City Council](#)

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