

# AUDIT COMMITTEE

## Statement of Accounts Update

21 May 2025

## Report of Chief Finance Officer

### PURPOSE OF REPORT

To provide the Committee with an updated position regarding the outstanding issues relating to the, 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 outstanding issues relating to the 2020/21, 2021/22, 2022/23 and 2023/24 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 19 March 2025. The paper covers the following areas.

- External Audit position of the Council's Statement of Accounts 2019/20 – 2023/24
- Closedown and production of the Statement of Accounts 2024/25.

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 Council's progress in addressing the outstanding Statement of Accounts for 2019/20, 2020/21, 2021/22 and 2022/23 against the "Audit Backstop" deadlines of the 13 December 2024 and 28th February 2025 for 2024/25 financial statements

### 3.0 THE FINANCIAL YEARS 2019/20 – 2022/23

3.1 The Audit of the 2019/20 – 2022/23 Financial Statements has been concluded. Our former External Auditors, Deloitte issued unmodified opinions for 2019/20 & 2020/21 and in accordance with the backstop arrangements issued disclaimed opinions for the financial years 2021/22 and 2022/23.

- 3.2 Copies of the audited financial statements were published on the Council's ahead of the 13<sup>th</sup> of December 2024 backstop deadline.
- 3.3 To enable Deloitte to issue their audit opinions the backstop arrangements required them to complete the work to support their value for money conclusion. Although this work was reported separately to Audit Committee a summary of the results is included 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

#### **FINANCIAL YEAR 2023/24**

- 4.0 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 28<sup>th</sup> 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](#)
- 4.1 Members should recall that the s151 Officer advised 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 fulfilling the Council's statutory obligation in regard to the 2025/26 budget cycle.
- 4.2 All outstanding adjustments have now been agreed with KPMG and are now reflected within the Council's Statement of Accounts. These have been passed to KPMG for final review and once agreed should allow them to issue a disclaimed audit opinion.
- 4.3 In regard to KPMG's Value for Money conclusion all responses and supporting information was presented to KPMG earlier in the year. To date no questions, or queries have been received although a final review is yet to be concluded.
- 4.4 To reassure Members there are no financial consequences to the Council for not achieving the backstop date. MHCLG initially published a list of all of the bodies on their website and we were 1 of 58 other public sector bodies, including 18 other District Councils who did not meet the 28<sup>th</sup> of February 2025 backstop date. This list is expected to be updated shortly. [Addressing the local audit backlog in England: Non-compliance lists - GOV.UK](#)  
[February 2025 - audit opinion data - PSAA](#)
- 5.0 OUTSTANDING OBJECTIONS TO THE FINANCIAL STATEMENTS**
- 5.1 Members of the Committee will be aware of a number of longstanding objections to the Council's Financial Statements and the impact on the certification and closure of the audits. The following paragraphs provide detail of the current position and any matters currently outstanding.

#### 2020/21 to 2022/23

- 5.1 The position remains largely unchanged from that reported to the Committee in March. The outcome of the objections were formally communicated to the objector by Deloitte 25<sup>th</sup> 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.
- 5.2 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. Correspondence is on going between Deloitte and PSAA Ltd around this issue.
- 5.3 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.
- 5.4 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

- 5.5 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.
- 5.6 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.

### **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 30<sup>th</sup> June 2025. Preparation is proceeding well, with a number of key areas completed and it hoped that they will be published ahead of this deadline.

### **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.

**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 – 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, 19th March 2025, 6.00 p.m. - Lancaster City Council](#)

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

**Contact Officer:** Paul Thompson

**Telephone:** 01524 582603

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

**Ref:**

[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](#)