

# AUDIT COMMITTEE

## Statement of Accounts Update

18 March 2026

### Report of Chief Finance Officer

#### PURPOSE OF REPORT

To provide the Committee with an updated position regarding the conclusion of the audits of the 2023/24, 2024/25 Statement of Accounts, and the progress of the audit of the 2025/26 Financial Statements.

**This report is public.**

#### RECOMMENDATIONS

- That the report be noted and following the conclusion of the 2024/25 audit, the Chair, in consultation with the Section 151 Officer, be authorised to approve the Statement of Accounts.
- The Audit Committee refer the External Auditors Annual Audit Report 2024/25 to Full Council for consideration.
- The External Auditors audit fee for 2025/26 be noted

#### 1.0 INTRODUCTION

1.1 This report provides an update on key areas and events of the since the last Audit Committee meeting 19 November 2025. The paper covers the following areas.

- External Audit position of the Council's 2023/24 & 2024/25 Statement of Accounts
- Closedown and production of the Statement of Accounts 2025/26.
- Audit fees 2026/27

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 progress on all the Councils outstanding audits.

### **3.0 FINANCIAL STATEMENTS 2023/24**

3.1 At its meeting 19<sup>th</sup> November 2025 the Chair of the Audit Committee signed the Financial Statements, and the Committee considered the following reports from the Council's External Auditors, KPMG

- Auditor's Annual Report 2023/24
- ISA260 Audit Completion Report 2023/24

3.2 Since this meeting several subsequent amendments have been actioned and a final set of accounts presented to the External Auditors 4<sup>th</sup> March 2026. In addition, the s151 Officer signed the Management Letter of Representations 6<sup>th</sup> March 2026. Subject to the conclusion of the on-going objection the s151 Officer is unaware of any further work pending in regarding the financial statements and we are currently awaiting the External Auditors to issue their disclaimed audit opinion.

3.3 The s151 Officer would like to remind Members of the Committee once more that the issuing of a disclaimed opinion attributable to the backstop date do not indicate significant financial reporting or financial management issues. It simply reflects the impact of the issues within the audit regime.

### **4.0 FINANCIAL STATEMENTS 2024/25**

#### Financial Statements

4.1 The deadline for publishing the Council's Unaudited 2024/25 Statement of Accounts was 30<sup>th</sup> June 2025. The s151 Officer is pleased to inform Members that we achieved this publication deadline. [Statement of Accounts - Lancaster City Council](#)

4.2 Subject to final confirmation from the External Auditors the audit of the Financial Statements has now been concluded and the required ISA 260 report considered by the Audit Committee elsewhere on this agenda.

4.3 The Council is required to provide a Management Letter of Representations. to the External Auditors before they issue their audit opinion. To date the detailed requirements of the letter is year to be provided by the External Auditors. The Audit Committee would ordinarily be asked to review the Management Letter of Representations, following which the s151 Officer would sign it on behalf of the Council. In its absence a copy of the 2023/24 version has been provided for reference **APPENDIX A**

4.4 Similar to previous years given the issues with the sector the Council can expect to receive a Disclaimed Audit Opinion for 2024/25 and for several years beyond.

#### Value for Money Conclusion

4.5 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 External Auditors achieve this through issuing its Auditor's Annual Report.

4.6 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.

4.7 The purpose of preparing and issuing an AAR 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

#### Summary Of Findings

4.8 The External Auditors can make several 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

4.9 The Value for Money report is included within the Auditor's Annual Report presented elsewhere on the agenda and will be referred to Council 22<sup>nd</sup> April 2026.

### **5.0 AUDIT BACKSTOP DEADLINES**

5.1 As outlined in previous reports, 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.

<b>Financial Years Statements</b>	<b>Audit Deadline</b>	<b>Status</b>
All years up to and including 2022/23	13 December 2024	Achieved
2023/24	28 February 2025	Outstanding
2024/25	27 February 2026	Outstanding
2025/26	31 January 2027	
2026/27	30 November 2027	
2027/28	30 November 2028	

5.2 The Council has regrettably not achieved the backstop deadlines for 2023/24 or the 2024/25 Financial Statements. An Audit Committee meeting was convened on 18 February 2026 to support delivery of the February backstop deadline. All requested information was provided; however, the External Auditors were unable to complete their work, and the meeting was regrettably cancelled at their request.

### **6.0 OBJECTIONS TO THE FINANCIAL STATEMENTS**

6.1 Members will recall like previous years, both the 2023/24 and 2025/26 Financial Statements are subject to ongoing objections by a local Council Taxpayer(s). The objections appear to be similar in nature to those that were rejected by the Council's previous External Auditors (Deloitte) in February 2025. To assist KPMG the findings were cross referenced to those from previous years this information was provided to the External Auditors 26<sup>th</sup> February 2025 and despite a number of update requests remains outstanding.

6.2 As noted in previous update reports KPMG will need to form their own view on the validity of the objections. The scale audit fee 2024/25 £176,597 (2023/24 £161,380) does not include any amount for dealing with objections and so it is expected that the Council will again incur

additional audit fees regarding this matter.

- 6.3 The audit certificate which formally concludes the audit for the year can only be issued once the auditors have considered the merits of the objection.

## 7.0 PREPARTION FOR STATEMENT OF ACCOUNTS 2025/26

- 7.1 In preparation to produce the 2026/27 Statement of Accounts finance staff have undertaken several actions have been undertaken.

- The Councils Accounting Policies & Critical Judgements have been reviewed and are presented elsewhere on this agenda for approval.
- Budget Holder Guidance Notes on Closure of Accounts 2025/26 highlighting all critical deadlines has circulated to relevant staff. **(APPENDIX B)**
- Training has been provided to all relevant service staff **(APPENDIX C)**
- Key members of the finance team have attended on-line training to ensure they are aware of the changes effecting 2025/26

- 7.2 Members should also note that the deadline for publication of the unaudited financial statements has been extended to 30<sup>th</sup> June 2026 to allow commencement of public inspection period by 1 July at latest.

## 8.0 AUDIT FEES

- 8.1 Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014. In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government authorities for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Since 2018/19 PSAA is responsible for appointing an auditor and setting scales of fees

- 8.2 Scale fees represent the amount charged by the appointed auditor to deliver the “core” Financial statements audit and is based on the expectation Council’s will provide the auditor with complete and materially accurate financial statements with supporting working papers. Where this is not the case, the auditor may need to undertake further work.

- 8.3 PSAA are required to set a fee scale before the beginning of the relevant financial year, and the amount set cannot be amended after the financial year has begun. However, the Regulations allow the audit fee for an individual body to be varied if substantially more or less audit work is required than envisaged by the scale of fees.

- 8.4 Members should also be aware that PSAA Ltd has set the scale audit fee for 2025/26 at £181,341. The table below shows the change in audit fee over the past 10 years

Audit Years	Annual Audit Fee	Audit Provider
2015/16 & 2017/18	£58,388	KPMG
2018/19 – 2022/23	£44,959	Deloittes
2023/24	£161,380	KPMG
2024/25	£176,597	KPMG
2025/26	£181,341	KPMG

## 9.0 DETAILS OF CONSULTATION

- 9.1 The report provides the Committee with an update on the progress of the audit of the Statement of Accounts and so consultation has been limited to discussion with the External Auditors.

## 10.0 OPTIONS AND OPTIONS ANALYSIS

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

## 11.0 CONCLUSION

11.1 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**

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

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

[Agenda for Audit Committee on Wednesday, 21st May 2025, 6.00 p.m. - Lancaster City Council](#)

[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](#)

[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](#)

**Ref:**