

Regulation, Audit and Accounts Committee

8 March 2021

Financial Statements 2020/21 — Plans and Progress

Director of Finance and Support Services

Summary

Project plans have again been prepared for the closure of the 2020/21 accounts for the County Council and the West Sussex Pension Fund. The deadline for the draft statements to be produced is currently being consulted upon and if approved, will result in the deadline for draft accounts being put back from 31 May to 31 July, and the deadline for audited accounts from 31 July to 30 September, for an initial period of two years covering 2020/21 and 2021/22. This is in response to the findings of the Redmond Review and also in recognition of the pressures that local authorities are operating under as a result of the coronavirus pandemic. Based on this timetable, the draft external audit report for both the County Council and the Pension Fund accounts will be available in August 2021 (subject to confirmation), ahead of the Regulation, Audit and Accounts Committee meeting on 22 September 2021. Members will have the opportunity to participate in a briefing session (to be arranged in July 2021) to walk through the financial statements for both the County Council and Pension Fund.

The accounts are prepared under the requirements of statute and accounting standards, which are consolidated into the Code of Practice on Local Authority Accounting. Officers' interpretation of these requirements is set out in the accounting policies. The policies have been updated to reflect accounting changes along with other minor changes.

Recommendations

The Committee is asked to:

- (1) Note the project plans for the County Council and Pension Fund accounts (Appendices A and B) and consider progress to date.
 - (2) Consider the draft accounting policies for both the County Council and Pension Fund accounts for 2020/21 as set out in full in Appendices Ci and Cii and approve them for application in preparing this year's accounts.
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Proposal

1 Introduction

- 1.1 This paper sets out the planning framework for closing the 2020/21 accounts for both West Sussex County Council and the West Sussex Pension Fund. It also presents a draft set of accounting policies for both the County Council and the Pension Fund accounts.

2 Planning Framework and Draft Accounting Policies

Planning Framework

- 2.1 Due to coronavirus pandemic, there was a temporary revision to the legislative deadlines for 2019/20, with the date when the draft accounts were required to be submitted for audit moving from 31 May 2020 to 31 August 2020 and the date of publication of the audited accounts moving from 31 July to 30 November. The 2019/20 accounts were closed in line with these statutory deadlines. A provisional set of accounts for the County Council, which excluded the adjustments relating to the Collection Fund entries, the Narrative Report which was delayed so that the disclosure could fully consider the impacts of Covid-19 on the Authority and its finances and the Going Concern disclosures, were submitted to EY for audit on 5 June 2020. The Pension Fund submitted a complete set of draft accounts to EY on the same date. A complete draft set of accounts were then certified by the Director of Finance and Support Services for both the County Council and the Pension Fund on 7 August.
- 2.2 External audit started their work on the audit in June 2020 with the majority of the work being undertaken during June and July, with further work specifically on valuations, continuing into November 2020. EY again issued an unqualified opinion on both the County Council and Pension Fund accounts at the November meeting of this committee. As part of the value for money conclusion, EY concluded that, except for arrangements for informed decision making, adequate arrangements have been in place throughout 2019/20. In relation to informed decision making, EY acknowledged the steps that had been taken to improve over the period referencing the changes in the Council's governance processes including collective decision making and the progress made responding to the Commissioner's report on Children's Services. However, as the majority of the improvements were made in the second half of the year, they concluded that effective arrangements were not in place for informed decision making throughout 2019/20.
- 2.3 Due to the continuing unprecedented circumstances during 2020 and the delayed conclusion of the 2019/20 audit, the timing of the external audit planning and interim visits for the 2020/21 audits have been impacted and these are now scheduled to take place in March 2021. In addition, further changes to the Accounts and Audit Regulations are currently being consulted upon, which if approved, will result in the deadline for draft accounts being put back from 31 May to 31 July, and the deadline for audited accounts from 31 July to 30 September, for an initial period of two years covering 2020/21 and 2021/22. This is in response to the findings of the Redmond Review and also in recognition of the pressures that local authorities are operating under as a result of the coronavirus pandemic.

- 2.4 A formal project plan has again been produced for the 2020/21 accounts both for the County Council and Pension Fund accounts, enabling the Council's scarce resources to be allocated, to identify a critical path and formally evaluate risks. A briefing session for members will be arranged, anticipated to be in July 2021, to help members gain a greater understanding of the accounts including a walkthrough of the financial statements.
- 2.5 The County Council's project plan is to produce draft accounts by 30 June, which is a month ahead of the proposed extended deadline. This reflects a desire to conclude the process as efficiently as possible, and enable the commencement of the statutory external audit at the earliest possible date, but also recognising a number of risks which officers are managing, including internal resourcing issues, the impact of the pandemic and officer's working arrangements, the change in the Council's valuers and the impact of the major project which is underway to change from SAP to Oracle. A further dependency on finalising the Council's draft accounts is the provision of collection fund data by the billing authorities. In the event that this information is not available by 30 June, it is anticipated that EY will adopt the same approach as last year and still continue with the majority of their audit work as planned during July and audit the collection fund entries when they become available.
- 2.6 The plan for the Pension Fund is to produce their draft accounts by 31 May, in line with the original deadline.
- 2.7 The project plans for each body are attached as Appendices A and B. Each plan includes a table of milestones which are set out below.

Figure 1: WSCC Closedown Milestones

Task	Due date
Corporate Project Plan issued	30 September 2020
Letter of instruction issued to property valuers	30 October 2020
Bruton Knowles provide draft non-current asset valuation certificates for Corporate Finance review	1 February 2021
Working paper requirements agreed with EY	1 February 2021
Issue closedown timetable and guidance notes to practitioners	1 March 2021
EY commence 5-week 'Interim Audit'	1 March 2021
RAAC considers accounting policies and handbook	8 March 2021
Deadline for submission of school bank reconciliations	1 April 2021
Service monitors submitted for outturn QPM	16 April 2021
Outturn management accounts finalised	20 April 2021
Member & Senior Officer Related Party survey deadline	23 April 2021
Bruton Knowles provide final valuation report	23 April 2021
Anticipated receipt of HR establishment & bandings reports	30 April 2021
Executive Leadership Team considers outturn QPM	6 May 2021
Anticipated receipt of IAS19 pensions actuary reports	14 May 2021
Senior Officer Remuneration disclosure available for review by Finance and HR Directors	14 May 2021
Cabinet Briefing considers outturn QPM	25 May 2021 (TBC)
Fixed Asset Register "lockdown" – QA complete and disclosures handed over for financial statements	28 May 2021

Task	Due date
Council Tax and Business Rates outturn collection funds requested from billing authorities	1 June 2021
Outturn QPM approved by Public Cabinet	8 or 15 June 2021 (TBC)
Ledger closed – no further transactions	11 June 2021
Handover of financial instrument disclosures	18 June 2021
Complete draft Statement of Accounts (SoA) available for senior management QA	23 June 2021
Provisional start date for commencement of County financial statements audit	28 June 2021
CFO certifies draft SoA for publication on WSCC website & submission to EY	30 June 2021
Start of accounts inspection period	1 July 2021
Finalisation of audit working paper file	9 July 2021
RAAC Member Briefing – walkthrough draft financial statements	Early July 2021 (TBC)
RAAC meeting; progress update	19 July 2021
Draft WGA submitted to HMT and available for audit	30 July 2021
End of accounts inspection period	11 August 2021
Schedule of audit amendments agreed	13 August 2021 (TBC)
EY to provide draft Audit Results Report for comment	17 August 2021 (TBC)
Scheduled conclusion of financial statements audit	20 August 2021 (TBC)
EY provides WGA Assurance Statement	Early September TBC
CFO authorises audited SoA for RAAC despatch	13 September 2021
EY despatches final Audit Results Report to RAAC	13 September 2021
RAAC approves audited SoA	22 September 2021
EY provides audit opinion and certificate	29 Sept 2021 (TBC)
Audited SoA published on website	30 September 2021
Anticipated deadline for submission of audited Whole of Government Accounts to Treasury	30 September 2021 (TBC)

- 2.8 Attention is drawn to the County Council risk register which is attached as an annex to the project plan. Six risks have been identified, none of which are red, and mitigations are in place for each of them.

Figure 2: WSPF Closedown Milestones

Task	Due date
Consideration of the accounting policies and project management handbook by Regulation, Audit & Accounts Committee (RAAC)	8 March 2021
'Interim Audit'	22 March 2021
Verification of information provided by fund managers, custodian and pension services team and reconciliation against SAP to enable full technical review of draft (Statement of Accounts) SoA by lead reviewer	21 May 2021
Draft SoA QA Completed	27 May 2021
Completed internal quality assurance (QA) of SoA	28 May 2021
Submission of draft SoA to Ernst & Young (EY)	21 June 2021
On site Audit	21 June 2021
Ensure that the individual electronic working papers are provided in accordance with the agreed protocol with EY, signed off by the lead reviewer	21 June 2021
Member Briefing with RAAC, Pensions Panel and Pension Advisory Board	Early July 2021 TBC
Accounts inspection period commences	1 July 2021
Completion of EY audit work within advised fee scale	16 July 2021
Consideration of draft SoA and Pension Fund Annual Report by Pensions Committee	21 July 2021
End of accounts inspection period	11 August 2021
Draft Audit Results Report available for comment	17 August (TBC)
EY despatches final Audit Results Report to RAAC	13 September 2021
Consideration of final SoA by RAAC	22 September 2021
Opinion on financial statements and signed audit certificate provided	29 September 2021
Anticipated deadline for submission of audited Whole of Government Accounts to Treasury	30 September 2021 (TBC)

- 2.9 Attention is drawn to the Pension Fund risk register which is attached as an annex to the project plan. Seven risks have been identified, none of which are red, and mitigations are in place for each of them.

Accounting Policies

- 2.10 It is good practice to present the accounting policies to those charged with governance. The accounting policies for both the County Council and the West Sussex Pension Fund are attached as Appendices Ci and Cii.
- 2.11 Only relatively minor changes in the County Council accounting policies are proposed for 2020/21. These changes have been made to ensure ongoing alignment with the example accounting policies in CIPFA's Code of Practice Guidance Notes where appropriate, and to address issues raised by EY during their previous audit. The changes are designed to provide clarification, streamline or to address previous omissions, and are not intended to reflect a change in existing practice.

- 2.12 The new 'going concern' accounting policy, introduced during the audit of the 2019/20 financial statements to confirm the basis of the preparation of the accounts, has been retained for 2020/21 and subsequent financial years. The 'Local Enterprise Partnership' accounting policy has been removed as the Council ceased to be accountable body for the partnership effective 1 October 2018 (the policy was retained in 2019/20 for prior-year comparator purposes).
- 2.13 The Pension Fund policies have been updated to reflect minor changes to address previous omissions or provide clarification.

3 Finance

- 3.1 The accounting policies determine the detailed application of accounting standards, and thus the basis on which the accounts are prepared. Approval of policies inconsistent with the Code of Accounting Practice risks additional audit time and fees, as well as reputational damage. The risks included on the risk register, if not mitigated, may also lead to additional audit time and cost.

4 Risk implications and mitigations

- 4.1 The project plans include an analysis of main risks and mitigating actions.

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Appendices

Appendix A – WSCC Project Management Handbook

Appendix B – WSPF Project Management Handbook

Appendix Ci – WSCC Accounting Policies

Appendix Cii – WSPF Accounting Policies

Background Papers

None