

2020/21 Final Accounts Closedown

West Sussex County Council (WSSC)

Project Management Handbook

1. Background & Overview

This Project Management Handbook has been prepared in recognition of the importance to the organisation of achieving an unqualified set of financial accounts in accordance with legislative deadlines, for the assurance this gives:

- In providing a reliable foundation for decision-making and planning
- In ensuring that reputation of the public organisation is not brought into disrepute
- In ensuring key processes are identified and adhered to.

Proposed changes to the Accounts and Audit Regulations are currently being consulted upon. If enacted, this 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 into the effectiveness of the external audit framework, and also in recognition of the pressures that local authorities are operating under as a result of the coronavirus pandemic.

The Council has developed a project plan which facilitates the production of draft accounts by 30 June, 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. The timetable set out in the following sections reflects this intention. It should however be noted that the voluntary finalisation of draft accounts at this earlier date is dependent on a number of external factors as set out in section 3, including the provision of collection fund data by billing authorities, and that any delay in this respect could have knock-on implications for subsequent stages including the commencement of the external audit. Additionally, given the ongoing nature of the consultation, the scheduling of the audit has yet to be agreed with EY, and so all such dates should be considered as indicative only.

2. Success Criteria

- Complete draft Statement of Accounts available for internal senior management QA by 23 June
- Draft accounts certified by Chief Finance Officer (CFO) by 30 June for publication on WSSC website and submission for external audit
- Complete set of compliant electronic working papers are provided to the external auditors, EY, by 9 July, to facilitate commencement of financial statements audit
- External audit, including agreement of audit adjustments and provision of draft results report, to be concluded by 20 August (audit timetable subject to agreement with EY)
- CFO authorises despatch of audited Statement of Accounts to Regulation, Audit and Accounts Committee (RAAC) by 13 September
- EY despatches final Audit Results Report to RAAC by 13 September
- RAAC approves audited financial statements at its meeting of 22 September
- EY to provide an unqualified audit opinion and audit certificate following September meeting of RAAC
- Audited accounts to be published on the WSSC website by 30 September
- Audit completed within advised fee scale (see section 7)
- RAAC and EY feedback endorses that accounts have been closed effectively

3. Dependencies & Stakeholder Analysis

At various stages during the closedown process, input will be required from individuals outside of the Finance and Support Services Directorate. These are summarised below:

- **Outturn Report** – the management accounts (outturn QPM) confirms the outturn position, including any approved carry forwards. These management accounts are the foundation from which the financial statements are built; as such, large aspects of the Statement of Accounts cannot be progressed until the management accounts are finalised. The outturn QPM will be considered by the Executive Leadership Team (ELT) on 6 May and at the Cabinet Briefing on 25 May (TBC), before formally being approved at Public Cabinet on 8 or 15 June (TBC).
- **IAS19 Actuary Reports** – these are issued by the Authority's actuary, Hymans Robertson. The reports analyse the performance of the West Sussex and Firefighters' pension schemes. The detail in these reports informs the pension disclosure notes, and also impacts on all four core financial statements. These reports are anticipated to be delivered no later than 14 May.
- **Capital Asset Valuations** – the capital accounts are largely dependent on the certificates provided by our external valuers as part of the rolling revaluation programme. New valuers, Bruton Knowles, have been appointed effective October 2020, and so additional work is required this year to integrate processes and ensure that all valuations supplied meet our requirements (see also section 10). Bruton were instructed to provide draft valuation certificates to Corporate Finance by 1 February, and a final valuation report is to be delivered by 23 April.
- **Related Party Transactions** – the Authority surveys its Members and Senior Officers in the spring to identify any related party transactions. The deadline for responses this year will be 23 April. For the purposes of this survey, senior officers shall be defined as direct reports to the Chief Executive, and any other officers undertaking statutory roles.
- **Employee Benefits** – a personnel data spreadsheet is provided by Capita (HR Management Information) by 30 April. This is captured on the HR reporting log. The spreadsheet is used to calculate the employee benefits accrual required under the Code of Practice.
- **Bandings** – this report identifies the number of officers with remuneration in excess of £50,000 in bands of £5,000 for disclosure in the financial statements. The report is supplied by Capita HRMI and is due to be provided by 30 April.
- **Collection Funds** – as part of the preparation of the accounts, an adjustment is posted which impacts on the Movement in Reserves Statement, Balance Sheet, Comprehensive Income & Expenditure Statement, and multiple disclosure notes. Billing authorities provide balance sheets for their collection funds, which are then analysed to calculate the required adjustments. Whilst the statutory deadline for the finalisation of business rates data is anticipated to be 30 June, WSCC is requesting this information by 1 June in order to facilitate the earlier submission of draft accounts for audit (see section 1). Data on the council tax collection fund will be requested alongside the business rates collection fund. In addition, billing authorities will again be required to provide details of provisions raised in respect of appeals against rateable values.
- **School Bank Reconciliations** – as part of school banking arrangements, transactions that are initiated locally by schools are routinely 'swept' into the County Fund for cash flow purposes and to ensure that all activity is captured in the consolidated WSCC accounts. In order to reconcile its overall bank position, WSCC therefore requires each of its maintained schools to submit an individual bank reconciliation at year-end. For 2020/21, the deadline for schools to submit their reconciliations is 1 April to align with the last day of the Spring term.

4. Roles & Responsibilities and Project Organisation

- Katharine Eberhart (Director of Finance and Support Services), as s151 officer, will be the **project owner** who will certify the accounts presented to the Regulation, Audit and Accounts Committee. Katharine will be responsible and accountable for ensuring the project is resourced and prioritised in order to achieve the success criteria as defined in Section 2 above.
- Vicky Chuter, as Financial Reporting Manager, will be the **project manager** and will oversee the preparation of the WSCC accounts on behalf of the project owner. Vicky will be responsible for delivering the accounts and monitoring the progress of the project team against the agreed project plan.

Other key personnel in the **project team** include:

- Sean McEwan, Finance Manager (Accounting, Systems and Control), will be responsible for managing the project team with responsibility for day-to-day project control and ensuring technical compliance with CIPFA's Code of Practice.

5. Project Plan Milestones

Corporate Finance has prepared a detailed Project Plan, which details in excess of 400 component tasks of preparing the Statement of Accounts. Each task has a responsible officer, due date, and identified dependencies. As stated in section 1, the accounts and audit legislation is subject to ongoing consultation, and so the dates below should be considered provisional and are subject to agreement with EY where applicable.

The project plan is the primary control document for the closedown process, and progress against the plan will be reviewed on a weekly basis by the Project Manager. The key milestones from this project plan are identified in the table below.

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

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

Leads: **CAP** CAPITA HR Management Information; **DEM** Democratic Services; **EY** External Auditors;
KE Katharine Eberhart; **SFBP** Strategic Finance Business Partners; **SFS** Schools Financial Services;
SMc Sean McEwan; **VC** Vicky Chuter; **VEM** Valuation & Estates Management; **WSPF** West Sussex Pension Fund

6. Human Resource Requirements

Within Corporate Finance, the Accounting Team, working alongside the Finance Manager (Accounting, Systems and Control), will effectively be working full-time on the preparation of the Statement of Accounts throughout March, April, May and June. Operating at a combined 4fte, this equates to approximately 2,400 hours over the four-month period. However, the total resource requirement is likely to be far in excess of this figure. Within Corporate Finance, there are significant inputs outside of the Accounting, Systems and Control Team, particularly from the Treasury Management, Capital Accounting and Accounts Receivable functions. There is also significant input from the Financial Reporting Manager as Project Manager. Strategic Finance also has a fundamental role in the process, particularly during April when accounts are closed and subsequently in the provision of supporting working papers. There is also a substantial requirement from all the above teams throughout the audit period (provisionally scheduled for July/August). Finally, there are numerous inputs from outside the Finance function, as illustrated by the dependencies identified in section 3.

7. Other Budget Requirements

The audit scale fee, as agreed nationally by Public Sector Audit Appointments Ltd (PSAA), has been notified as £90,561 for 2020/21.

However, it is anticipated that additional fees will be chargeable for the 2020/21 audit. EY's final proposed fee for 2019/20 included an additional amount of £66,426 for 'scale fee rebasing', to reflect a perceived change in work arising at a sector level to address professional and regulatory requirements and scope associated with risk. Additionally, a local 'scale fee variation' of £60,500 was proposed for additional work arising from the pandemic (e.g. property valuation uncertainty and financial sustainability) and the Value for Money audit. It is likely some or all of these additional fees will again be proposed for 2020/21. Final charges will be subject to the approval of the PSAA.

The Authority adopts a rolling approach to its valuation of non-current assets. As part of this on-going programme, approximately 300 valuations are expected to be commissioned from our external valuers, Bruton Knowles, during the 2020/21 closedown process. The cost of this exercise is estimated at £30,000.

Costs of approximately £11,500 are expected to be incurred for the provision of LGPS and Firefighters' Pension Scheme IAS19 reports by the pensions actuary.

8. Project Control & Quality Assurance

A number of controls will be put in place to ensure that the project is completed to deadline and to a high quality:

- Weekly monitoring of progress against the project plan by the Project Manager
- Project Manager to feed back to Project Owner on an ad-hoc basis (minimum fortnightly), with focus on milestones as identified in section 5 and risks as identified in section 10 and Annex A
- Draft accounts to be finalised by 23 June to enable technical review of statements by Project Manager and other senior officers. This will be in addition to the review of individual components of the accounts as they are prepared
- Electronic working papers to be produced in accordance with the protocol as agreed with EY
- All balances to be reconciled against SAP.

9. Communications Plan

A Communications Plan has been established to liaise with two key stakeholders, RAAC and EY, throughout the closedown process:

With RAAC

- 8 March – sign-off Accounting Policies and Project Management Handbook
- Early July (date TBC) – briefing session to walkthrough draft financial statements
- 19 July – officers to provide progress update
- 22 September – approve audited accounts and consider Audit Results Report.

With EY

- Pre-audit planning meetings in January and February
- Regular meetings throughout interim audit (March)
- Weekly liaison meeting throughout financial statements audit (July/August TBC)
- EY to report Audit Plan to RAAC in July and Audit Results to RAAC in September.

10. Risk Analysis

A number of risks to the achievement of the success criteria as specified in section 2 have been identified:

- As described in section 1, there is still significant uncertainty over the accounts and audit timetable for 2020/21. A particular concern is that billing authorities may work to the proposed legislative deadline of 31 July for draft accounts, which will prevent the Council as a precepting authority from certifying a complete set of draft accounts until this date. This will have implications for the commencement of the audit, and audit firms may experience difficulties scheduling all of their audits before the 30 September deadline for audited accounts. This is therefore a risk to the publication of the accounts by the statutory deadline. This is compounded by the knock-on implications of the delayed conclusion of the 2019/20 audit due to the coronavirus pandemic, which has for example prevented the scheduling of a 'planning' audit, meaning that early work such as system walkthroughs will need to be condensed into later stages of the audit process.
- The legislative deadlines imposed by the Accounts and Audit Regulations are extremely challenging, and require the core project team to be operating at maximum capacity throughout the accounts preparation period. Any staff unavailability risks the ability to issue draft accounts by the deadline, which could delay the commencement of the audit and incur financial and reputational damage. The core accounts preparation team is anticipating some disruption during this period, with one member of staff recently giving their notice and another due to take paternity leave. The ongoing pandemic brings further uncertainty in this area, with the potential for increased staff absence and even redeployment.
- The coronavirus pandemic also has wider implications for the contents of the financial statements. Last year, the Council's property valuers issued a 'material uncertainty' caveat on its valuations given the significant market volatility. Additionally, EY required enhanced disclosures in relation to the Council's financial sustainability and going concern. This creates additional pressure in the accounts preparation timetable, and also increases the scope for challenge during the audit process, which in turn can lead to increased audit fees.
- The Authority is currently in the design phase of its 'Smartcore' project to replace its current SAP Enterprise Resource Planning software with Oracle Fusion. This is a time pressured and therefore very resource-intensive project, and Subject Matter Experts from across the Finance function are engaged to work with our Implementation Partners to ensure the solution meets our organisational requirements. Whilst these SME's have been sourced from outside the direct final accounts project team, it is inevitable that the expertise of the team will be drawn upon at various intervals to ensure that delivery remains on track, particularly in areas of specialism such as GL and Fixed Assets where the detailed technical knowledge does not exist outside of one or two core team members. This is an additional resourcing risk that will exist throughout the accounts preparation and audit process, and prioritisation at the project owner level may be required to balance two key corporate priorities.

- As identified in section 3, the Authority is dependent on external experts for the provision of some estimates which feature in the accounts, such as the pension fund actuary and property valuers. Property and pension fund valuations represent highly material values on the Authority's balance sheet, and impact on many areas of the financial statements. Any delay in the provision of this information by the external experts therefore risks the finalisation of draft accounts by the legislative deadline. The likelihood of this risk has been increased this year due to the implementation of the new Asset Valuation Services contract which took effect in October 2020. Additional time may be taken to re-establish quality control processes that had been developed with the previous supplier, and to ensure that the output properly reflects the specific valuation methodologies applicable to local government.
- Additional risks may be identified in response to EY's Audit Plan, which has yet to be shared with the Council. For example, last year's audit plan advised a significantly reduced materiality threshold, which increased sample sizes during substantive testing and reduced the degree of flexibility when variations arose during the audit process, both of which caused additional pressure during the audit period. Additionally, inappropriate capitalisation was flagged as a specific audit risk as part of the Audit Plan, and the Council was therefore required to provide extensive documentation in support of its approach, for example in relation to its Flexible Use of Capital Receipts Strategy.

These are explored more fully in the Risk Register attached at Annex A, with an assessment of risk based on likelihood and impact. Officers responsible for taking specified mitigating actions are also identified.

Annex A

West Sussex County Council: Closedown Risk Register

Key: **Risk (R):** **Impact x Likelihood**

Impact (I): **1 = insignificant, 2 = minor, 3 = moderate, 4 = significant, 5 = catastrophic**
Likelihood (L): **1 = rare, 2 = unlikely, 3 = possible, 4 = likely, 5 = certain**

Risk	Potential Impact	Initial Risk (I – Impact L-Likelihood R- Risk)			Mitigation	Who	Time scale
		I	L	R			
Dependency on external suppliers (pensions actuary / non-current asset valuations)	Provision of reports for capital and pension accounting purposes is on the 'critical path' for the preparation of the accounts. Reliance on experts provides assurance over extremely material balances in the Authority's core financial statements. Change in property valuation partner increases risk of issues upon transition.	4	3	12 (A)	Early engagement with suppliers and agreement to defined timetable. Internal data dependencies identified (Pensions Administration, Estates Management) and requirements shared. Contract initiation meetings with new property valuer and additional time allowed to embed QA processes.	Sean McEwan	October 2020 – May 2021
Failure to achieve draft accounts deadline due to internal resourcing issues	Resourcing issues (specifically arising from turnover, paternity leave and coronavirus impacts) is a risk to the certification of draft accounts in accordance with the legislative deadline. Consequential implications for commencement of audit and further legislative requirements for approval of audited accounts.	4	3	12 (A)	Development of detailed project plan detailing component tasks, dependencies etc. Restrictions on team leave/study during peak period to ensure sufficient capacity. Extra flexibility provided by extension to draft accounts deadline in legislation mitigates risk.	Sean McEwan	March to June 2021
Compliance with legislative deadlines	Dependency on billing authority submissions may limit flexibility to draft accounts in advance of legislative deadline. Impact on scheduling of audit, firms may experience resourcing issues, potential delay to publication of audited accounts brings reputational risk and affects future work programme.	3	3	9 (A)	Early engagement with EY and billing authorities to agree scheduling. Potential to issue 'provisional accounts' with agreed gaps to facilitate interim audit work. Early agreement of working papers to ensure prompt turnaround of queries.	Sean McEwan	June to September 2021
Additional work arising from Covid-19	Additional work required for enhanced disclosures (e.g. valuation uncertainty, going concern) is a risk to the accounts timetable. Increased audit scrutiny increases likelihood of audit differences and additional fees.	3	3	9 (A)	Additional tasks built into project plan to replicate prior year disclosures. Early dialogue with audit to agree requirements. Fee pressures to be captured as part of budget monitoring arrangements.	Vicky Chuter	March to September 2021
Demands of Oracle implementation project on core project team	Specialism limited in areas such as fixed assets and GL to one or two core project team members. Risk to delivery of draft accounts and support to external audit if these individuals are pulled too heavily into concurrent SAP replacement project.	4	2	8 (A)	Oracle project team has been resourced without direct impact on core final accounts project team. Senior representation on both projects to ensure that resourcing clashes are mitigated appropriately.	Vicky Chuter	March to September 2021

Risk	Potential Impact	Initial Risk (I – Impact L-Likelihood R- Risk)			Mitigation	Who	Time scale
		I	L	R			
Additional Audit Plan risks	Delays in the 2019/20 audit have resulted in the 2020/21 plan being issued later than usual. There is therefore the potential for additional risks to be identified by EY which have not been incorporated in this analysis.	3	2	6 (A)	The Audit Plan is expected to be shared with Committee at its July meeting. Officers to report any additional risks and proposed mitigations at that time. Early sight to be requested for accounts preparation purposes.	Vicky Chuter	May to July 2021