

# **Regulation, Audit and Accounts Committee**

**23 March 2020**

## **Financial Statements 2019/20 – Plans and Progress**

### **Report by Director of Finance and Support Services**

#### **Executive Summary**

Project plans have again been prepared for the closure of the 2019/20 accounts for the County Council and the West Sussex Pension Fund and reflect the regulation changes which came into effect for the 2017/18 accounts. The deadline for the draft statements to be produced is 31 May 2020 and the audited statements need to be on the council's website by 31 July 2020. The draft external audit report for both the County Council and the Pension Fund accounts will be available by 14 July 2020 (subject to confirmation), ahead of the Regulation, Audit and Accounts Committee meeting on 23 July 2020. Members will have the opportunity to participate in a briefing session arranged for 25 June 2020 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**

- (1) Members note the project plans for the County Council and Pension Fund accounts (Appendices 1 and 2) and consider progress to date.
- (2) Members consider the draft accounting policies for both the County Council and Pension Fund accounts for 2019/20 as set out in full in Appendices 3(a) and 3(b), and approve them for application in preparing this year's accounts.

#### **1. Introduction**

- 1.1 This paper sets out the planning framework for closing the 2019/20 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 The 2018/19 accounts were closed in line with the statutory deadlines as set out in the Accounts and Audit Regulations 2015, which came into effect from the 2017/18 accounts, with the deadlines for both the production and audit of the statements being brought forward to 31 May and 31 July respectively. Officers finalised the statements for the County Council and the Pension Fund by the end of May and these were signed off by the Director of Finance and Support Services on 31 May 2019. External audit then started their work on the audit on 3 June 2019 and were on site for six weeks having rephased a significant amount of their audit work throughout the year at both the planning and interim visits in October and March. EY again issued an unqualified opinion on both the County Council and Pension Fund accounts, although as part of the value for money conclusion, EY concluded that our arrangements are adequate except for informed decision-making arrangements. This opinion reflects the outcome of the Ofsted inspection of the Council's Childrens Services, which judged the overall effectiveness of the service as inadequate.
- 2.2 In preparation for the audit of the 2019/20 accounts, EY have again rephased a significant amount of their audit work throughout the year at both the planning and interim visits in January and March, including substantive testing of the period April to January at their March visit.
- 2.3 A briefing session has again been arranged for 25 June 2020 to help members gain a greater understanding of the accounts including a walkthrough of the financial statements; this will take place whilst the audit is in progress.
- 2.4 A formal project plan has again been produced for both the County Council and Pension Fund accounts, enabling scarce resources to be allocated, to identify a critical path and formally evaluate risks. The project plans for each body are attached as Appendices 1 and 2. Each plan includes a table of milestones which are set out below.

Figure 1: WSCC Closedown Milestones

<b>Task</b>	<b>Due date</b>
Corporate Project Plan issued	2 September 2019
Letter of instruction issued to property valuers	4 October 2019
EY commence 3-week 'Planning Visit'	6 January 2020
Montagu Evans provide draft non-current asset valuation certificates for Corporate Finance review	3 February 2020
Working paper requirements agreed with EY	7 February 2020
EY commence 5-week 'Interim Audit'	24 February 2020
Issue closedown timetable and guidance notes to practitioners	6 March 2020
RAAC considers accounting policies and handbook	23 March 2020
Service monitors submitted for outturn TPM	16 April 2020
Anticipated receipt of IAS19 pensions actuary reports	17 April 2020
Outturn management accounts finalised	20 April 2020
Member & Senior Officer Related Party survey deadline	24 April 2020
Montagu Evans provide final valuation report	24 April 2020
Executive Leadership Team considers outturn TPM	29 April 2020
Anticipated receipt of HR establishment report	30 April 2020
Council Tax and Business Rates outturn collection funds due from billing authorities	1 May 2020
Anticipated receipt of P11d data (Benefits in Kind)	1 May 2020
Cabinet Briefing considers outturn TPM	5 May 2020
Complete draft Statement of Accounts (SoA) available for senior management QA	22 May 2020
CFO certifies draft SoA for publication on WSCC website & submission to EY	29 May 2020
Start of accounts inspection period	1 June 2020
EY commence on-site audit	1 June 2020
Finalisation of audit working paper file	5 June 2020
RAAC Member Briefing – walkthrough draft statements	25 June 2020
End of accounts inspection period	10 July 2020
Schedule of audit amendments agreed; EY to provide draft Audit Results Report for comment	10 July 2020 (TBC)
Complete audited SoA available for management QA	13 July 2020
CFO authorises audited SoA for RAAC despatch	14 July 2020
EY despatches final Audit Results Report to RAAC	14 July 2020
Scheduled conclusion of on-site audit	17 July 2020
RAAC approves audited SoA	23 July 2020
EY provides opinion on financial statements	24 July 2020 (TBC)
Audited SoA published on website	31 July 2020
EY provides signed WGA Assurance Statement and audit certificate	21 August 2020 (TBC)
Deadline for submission of audited Whole of Government Accounts to Treasury	28 August 2020 (TBC)

- 2.5 Seven milestones on the above plan should have been achieved by the date of this committee. A verbal update will be given at the meeting.
- 2.6 Attention is drawn to the County Council risk register which is attached as an appendix to the project plan. Seven risks have been identified, none of which are red, and mitigations are in place for each of them.

Figure 2: WSPF Closedown Milestones

<b>Task</b>	<b>Due date</b>
'Planning Visit' Commences	6 Jan 2020
Consideration of the accounting policies and project management handbook & audit planning report by Regulation, Audit & Accounts Committee (RAAC)	23 March 2020
'Interim Audit'	30 March 2020
Data collection from Pension Service	6 April 2020
Contributions and benefits reconciliation complete	13 May 2020
Investments are reconciled with the fund managers and custodian	15 May 2020
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.	24 May 2020
Draft SoA for QA	26 May 2020
Completed internal quality assurance (QA) of SoA	28 May 2020
Submission of draft SoA to Ernst & Young (EY)	29 May 2020
On site Audit	1 June 2020
Accounts inspection period commences	1 June 2020
Ensure that the individual electronic working papers are provided in accordance with the agreed protocol with EY, signed off by the lead reviewer.	1 June 2020
Member Briefing with RAAC, Pensions Panel and Pension Advisory Board	25 June 2020
Draft Audit Results Report available for comment	10 July 2020 (TBC)
End of accounts inspection period	10 July 2020
EY despatches final Audit Results Report to RAAC	14 July 2020
Completion of EY audit work within advised fee scale	17 July 2020
Consideration of draft SoA and Pension Fund Annual Report by Pensions Panel	22 July 2020
Consideration of final SoA by RAAC	23 July 2020
Sign off audited Financial Statements by RAAC	23 July 2020
Opinion on financial statements provided	24 July 2020
Provision of signed audit certificate	21 August 2020
Deadline for submission of audited Whole of Government Accounts to Treasury	28 August 2020 (TBC)

- 2.7 One milestone on the Pension Fund plan has been achieved by the date of this committee. A verbal update will be given at the meeting.
- 2.8 Attention is drawn to the Pension Fund risk register which is attached as an appendix 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

- 2.9 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 3(a) and 3(b).

- 2.10 Only relatively minor changes in the County Council accounting policies are proposed for 2019/20, including changes to the Property, Plant and Equipment accounting policy. The Council has adapted its policy so that the estimated remaining useful lives of its buildings (including componentised assets) as used for the purposes of calculating depreciation are now provided by its external valuer. Additionally, the Council's policy regarding the recognition of schools' non-current assets has been reworded to ensure alignment with the latest provisions of the Code and to remove duplication with its Critical Judgements disclosure. This has no impact on the recognition of school assets by the Authority. Finally, this policy has been amended to reflect the adoption by the Council of its inaugural Flexible Use of Capital Receipts Strategy.
- 2.11 Changes have also been made to the Charges to Revenue for Non-Current Assets accounting policy, to confirm the arrangements for accounting for lease premiums, such as the cost of the IT equipment refresh, which was incurred during 2019/20.
- 2.12 The opportunity has also been taken to make some other minor changes which are intended to remove unnecessary detail in line with CIPFA's 'Cut the Clutter' initiative, ensure ongoing alignment with the example accounting policies in CIPFA's Code of Practice Guidance Notes where appropriate, along with addressing issues raised by EY during their previous audit. The changes are designed to provide clarification, streamline or to address previous omissions, and none are intended to reflect a change in existing practice.
- 2.13 The Pension Fund policies have been updated to reflect minor changes to address previous omissions or provide clarification.

### **3. Equality - Customer Focus Appraisal**

- 3.1 A Customer Focus Appraisal is not required for this decision as it is a report dealing with internal and procedural matters only.

### **4. Resource Implications and Value for Money**

- 4.1 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.

### **5. Risk Management Implications**

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

### **6. Crime and Disorder Act Implications**

- 6.1 None.

## **7. Human Rights Act Implications**

7.1 None.

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### **Appendices**

Appendix 1 – WSCC Project Management Handbook

Appendix 2 – WSPF Project Management Handbook

Appendix 3(a) – WSCC Accounting Policies

Appendix 3(b) – WSPF Accounting Policies

### **Background Papers**

None