

2019/20 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.

2. Success Criteria

- Complete draft Statement of Accounts available for internal senior management QA by 22 May
- Draft accounts certified by Chief Finance Officer (CFO) by 29 May for publication on WSSC website and submission for external audit
- Complete set of compliant working papers (in electronic format) are provided to the external auditors, EY, by 5 June
- EY agrees schedule of audit amendments and provides draft Audit Results Report for comments by 10 July (date subject to EY confirmation)
- Complete audited Statement of Accounts available for senior management QA by 13 July
- CFO authorises despatch of audited Statement of Accounts to Regulation, Audit and Accounts Committee (RAAC) by 14 July
- EY despatches final Audit Results Report to RAAC by 14 July
- RAAC approves audited financial statements at its meeting of 23 July
- EY to provide unqualified audit opinion following July meeting of RAAC
- Audited accounts to be published on the WSSC website by 31 July
- EY to provide WGA Assurance Statement and audit certificate by 21 August (TBC)
- 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 TPM) 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 TPM will be considered by the Executive Leadership Team (ELT) on 29 April, and at the Cabinet Briefing on 5 May.
- **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 17 April.

- **Capital Asset Valuations** – the capital accounts are largely dependent on the certificates provided by our external valuers, Montagu Evans, as part of the rolling revaluation programme. Montagu were instructed to provide draft valuation certificates to Corporate Finance by 3 February, and a final valuation report is to be delivered by 24 April.
- **Related Party Transactions (Members)** – Democratic Services survey Members in the spring to collate related party transactions. This informs a disclosure note to the accounts. The deadline for responses will follow the 3 April meeting of Full Council.
- **Related Party Transactions (Senior Officers)** – senior management are surveyed annually every April. In 2019/20, senior managers will be required to respond to the survey by 24 April. For the purposes of this statutory survey, the officers identified on the published leadership structure chart (primarily Directors and Executive Directors) are considered to be the senior managers of the organisation.
- **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.
- **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. WSCC is requesting that all returns are received by 1 May this year (date subject to confirmation by billing authorities). Data on the non-domestic rates collection fund will be requested alongside the council tax collection fund. In addition, billing authorities will again be required to provide details of provisions raised in respect of appeals against rateable values.
- **P11D** – this details the value of Benefits in Kind received by employees, and is required for two remuneration disclosure notes in the accounts. Whilst the report is ultimately provided by Capita IT, a number of teams are involved in the data compilation process, including Capita HR & Payroll, Transport Co-ordination and the Fire & Rescue Service. It is anticipated that the 2019/20 P11d report will be available by 1 May.

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

Leads: **CAM** Capital & Asset Management; **CAP** CAPITA; **DEM** Democratic Services; **EY** External Auditors; **KE** Katharine Eberhart; **SFBP** Strategic Finance Business Partners; **SMc** Sean McEwan; **VC** Vicky Chuter

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 and May. Operating at a combined 4fte, this equates to approximately 1,924 hours for the 13 week 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 during June and July. 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 2019/20.

However, EY have advised that additional fees are likely to be chargeable. This relates to additional work required to address risks identified by EY in their Audit Plan, which includes some of those recognised in section 10 below, and also those arising from the inspection findings for the Children's and Fire services in 2018/19 and the associated 'Value for Money' audit qualification. EY have estimated these additional fees (which will be subject to agreement by the PSAA) to be £25,000.

The Authority adopts a rolling approach to its valuation of non-current assets. As part of this on-going programme, approximately 500 valuations are expected to be commissioned from our external valuers, Montagu Evans, during the 2019/20 closedown process. The cost of this exercise is estimated at £25,000.

Costs of approximately £6,000 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 22 May 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

- March – sign-off Accounting Policies and Project Management Handbook
- June – briefing session (walkthrough draft statements)
- July – meet to approve audited Statement of Accounts and consider Audit Results Report.

With EY

- Pre-audit work during planning visit (January) and interim visit (February/March)
- Weekly liaison meeting throughout on-site audit (June/July)
- EY to report Audit Plan to RAAC in March and Audit Results to RAAC in July.

10. Risk Analysis

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

- The new legislative deadlines introduced by the Accounts and Audit Regulations require draft accounts to be certified no later than 31st May. This is an extremely challenging timetable and requires 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 likelihood of this risk materialising has been increased to reflect the potential impact of the Coronavirus on the wider workforce, the height of which is projected to coincide with the accounts preparation period.
- 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 (Hymans Robertson) and property valuers (Montagu Evans). 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 May deadline.
- There have been a number of developments during the year for which there are accounting implications in the 2019/20 financial statements. This includes the various changes to the cabinet member portfolio restructure (which require the restatement of prior year comparators in the Comprehensive Income and Expenditure Statement), the contract variation on the Recycling and Waste PFI entered into in May 2019, the potential deficit on the DSG Reserve arising in-year, and the forthcoming introduction of the new accounting standard for leases (IFRS 16). Each of these requires consideration as part of the accounts preparation process so that an appropriate accounting treatment and/or disclosure can be determined. In some instances (such as for the treatment of negative DSG balances), this will require consideration of yet-to-be-published guidance from CIPFA. The prompt resolution of these issues is a further risk to the timely submission of draft accounts for audit.

- The new legislative deadlines introduced by the Accounts and Audit Regulations require audited accounts to be published by 31st July. This creates significant pressure on audit firms to resource multiple local authority clients in a condensed audit window. The PSAA reported that more than 40% of audits were not concluded by the end of July in 2019, citing a shortage of appropriately skilled and experienced auditors in some cases. Whilst WSCC and its auditors did achieve this deadline last year, there is a risk that it may not be met in future, be it due to resourcing issues at EY or other factors such as delays to the start of the audit caused by the late submission of draft accounts, incomplete working papers or the failure to resolve audit queries promptly.
- EY have advised that a lower 'planning materiality' of £13m will apply to their 2019/20 audit. This is due to a lower risk tolerance, arising from the Council's current high public profile attributable in part to adverse inspection findings and senior officer turnover. This reduced materiality threshold will increase sample sizes during substantive testing, for example of income, expenditure and accruals. It will also reduce the level of flexibility should any variations in estimates arise between the Authority and its external experts and the auditors during their work, for example in relation to property valuations and the net pension liability. Both factors risk the timely conclusion of the audit by the 31st July statutory deadline.
- County Council approved the Authority's inaugural 'Flexible Use of Capital Receipts' Strategy in October 2019. This takes advantage of a MHCLG Direction which allows Councils to capitalise expenditure on transformation activity which reduces demand or produces ongoing revenue savings. Furthermore, the Authority has incurred expenditure during the year in relation to its IT equipment and infrastructure which it intends to capitalise as finance leases. EY have highlighted the risk of inappropriate capitalisation in their audit plan, and will undertake additional work to ensure the Council has properly adhered to the requirements of the accounting Code and associated legislation (for which additional audit fees are proposed – see section 7 above). This satisfactory completion of this additional work is therefore a further risk to the timely conclusion of the audit.

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 scal e
		I	L	R			
Audit planning materiality	The lower audit materiality threshold is likely to result in increased sample sizes for substantive testing and reduced flexibility for variations in estimates, potentially delaying the conclusion of the audit.	3	4	12 (A)	Early dialogue with EY on issues likely to cause discrepancy. Month 10 substantive testing undertaken at interim audit visit to reduce burden of increased sample size at year end.	Sean McEwan	January to July 2020
Change in Public Health advice relating to Covid-19	Isolation of staff, staff unavailable due to illness, impact on third party providers being able to support closure of accounts.	4	3	12 (A)	Adhere to public health advice and engage with third parties around business continuity plans.	Vicky Chuter	March to July 2020
Submission of draft accounts by 31 May deadline	Risk to certification of draft accounts on May 31 st for publication on website in accordance with legislation. Consequential implications for commencement of audit and further legislative requirements for approval of audited accounts.	3	3	9 (A)	Development of detailed project plan detailing component tasks, dependencies etc. Restrictions on team leave/study during peak period to ensure sufficient capacity.	Vicky Chuter	March to May 2020
Inappropriate capitalisation	Inappropriate capitalisation (through application of flexible use of capital receipts strategy or treatment of IT equipment/ infrastructure) could cause the outturn position to be misstated and delay audit sign-off.	4	2	8 (A)	Reference to CLG guidance to confirm transformation spend capitalisable through flexibility. Early engagement with EY on proposed accounting for IT equipment/infrastructure.	Financial Planning Manager	January to July 2020
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.	4	2	8 (A)	Early engagement with suppliers and agreement to defined timetable. Internal data dependencies identified (Capita Pensions Administration, Capital & Asset Management) and requirements shared.	Sean McEwan	October 2019 – May 2020
Publication of audited accounts by 31 July deadline	Potential for EY resourcing issues, or inability of WSCC to provide complete working papers or respond promptly to audit queries, to risk publication of audited accounts by 31 st July legislative deadline. Potential for reputational risk and increased audit fees, plus impact on work programme post-July 2020.	2	3	6 (A)	Early audit work, including substantive testing and systems walkthroughs, during planning and interim visits. Recruitment and training of additional audit staff by EY. Early agreement of working papers and additional guidance for staff to ensure prompt turnaround of queries.	Vicky Chuter	January to July 2020

Risk	Potential Impact	Initial Risk (I – Impact L-Likelihood R- Risk)			Mitigation	Who	Time scal e
		I	L	R			
Accounting developments (portfolio restatement, PFI, DSG, IFRS 16 Leases)	Uncertainty over intended accounting treatment could cause delay to the submission of draft accounts for audit. Failure to make sound judgements is a risk to the subsequent publication of audited accounts.	3	2	6 (A)	Proposed treatment is agreed prior to closedown wherever possible, with revised statements and disclosures shared with EY as part of planning and interim work.	Sean McEwan	October 2019 – May 2020