

2021/22 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 statements 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.

As part of its response to the 'Redmond Review' into the effectiveness of external audit and transparency of financial reporting in local authorities, Government made a temporary amendment to the Accounts and Audit Regulations 2015. This extended the deadlines for the publication of draft accounts to 31 July (from 31 May) and audited accounts to 30 September (from 31 July), for an initial period of two years commencing 2020/21. The deadline for the publication of the 2021/22 audited accounts was subsequently further extended to 30 November for one year only (subject to consultation) as part of a [series of measures](#) announced by the Department for Levelling Up, Housing and Communities (DLUHC) in December 2021 which are intended to support the timely completion of local government audits and the ongoing stability of the local audit market.

The Council has developed a project plan to produce draft accounts by the 31 July 2022 statutory deadline. Arrangements have been made with the external auditor, EY, for the audit to take place during August and September. This is with a view to presenting audited accounts alongside the auditor's report to the September meeting of the Regulation, Audit and Accounts Committee. The intention would be for audited accounts to be published by the end of September, ahead of the November 2022 deadline, but this will be subject to audit findings and the timely conclusion of audit work.

In February 2022, CIPFA [launched a consultation](#) on an emergency update to the Code of Practice on Local Authority Accounting. The consultation is on time-limited changes to the Code to help alleviate delays to the publication of audited financial statements, and comprises two primary proposals:

- Issue a 2021/22 Code Update to pause the requirement for professional valuation of operational Property, Plant and Equipment (PPE) assets on a voluntary basis
- Remove the adoption of IFRS 16 Leases from the 2022/23 Code, and defer until at least 2023/24 on a mandatory basis.

The consultation period was set as four weeks, with any final changes to the 2021/22 Code expected to be confirmed by the end of March. The outcome of the consultation cannot be prejudged, and so the Council has little option other than to proceed with the revaluation of PPE for 2021/22 accounts purposes as planned in order to maintain progress against the project plan (valuations were instructed in August 2021 and are currently midway through a lengthy quality assurance process).

A final decision on whether to adopt the PPE valuations currently being prepared will be deferred until CIPFA confirms what (if any) changes will be made to the Code requirements for 2021/22. A key judgement in this decision will be whether any pause in the revaluation requirements is likely to have the desired effect in terms of reducing the audit burden and therefore improving the timeliness (and reducing the cost) of the external audit. The Council has already liaised with EY on this matter and the parties have agreed to hold further discussions once the outcome of the consultation is known.

2. Success Criteria

A number of success criteria have been identified if the assurances set out at the start of this handbook are to be achieved:

- Complete draft Statement of Accounts available for internal senior management QA by 22 July
- Draft accounts certified by Chief Finance Officer (CFO) by 29 July for publication on WSCC website and submission for external audit
- Complete set of compliant electronic working papers are provided to the external auditors, EY, by 5 August (provisional file to be provided on 29 July to facilitate commencement of financial statements audit)
- External audit to be substantively concluded by 9 September (including agreement of audit adjustments)
- 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 (audit certificate is subject to resolution of Whole of Government Accounts and any objections raised by local electors)
- Audited accounts to be published on the WSCC website by 30 September (note legislative deadline 30 November)
- Audit completed within advised fee scale (see section 7)
- RAAC and EY feedback endorses that the accounts have been closed effectively.

3. Dependencies & Stakeholder Analysis

The achievement of the success criteria identified above is dependent on a number of stakeholders outside of the core project team (see sections 4 and 6). These stakeholders are identified below:

- **Hymans Robertson (IAS 19 Reports)** – these reports, issued by the Pension Fund actuary, analyse the performance of the West Sussex Local Government 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 20 May.
- **Bruton Knowles (Property Valuations)** – the capital accounts are largely dependent on the certificates provided by our external valuers as part of the rolling revaluation programme. Bruton were instructed to provide draft valuation certificates to Corporate Finance by 13 December, and a final valuation report is due to be delivered by 22 April.
- **Members/Senior Officers (Related Party Transactions)** – the Authority surveys its Members and Senior Officers in the spring to identify any related party transactions during the financial year. The deadline for responses this year will be 29 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.

- **Financial Planning (Performance and Resources Report)** – the Performance and Resources Report (PRR) 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 PRR will be considered by the Executive Leadership Team (ELT) on 5 May and at the Cabinet Briefing on 28 June, before being formally scrutinised at Performance and Finance Scrutiny Committee on 13 July and approved at Public Cabinet on 20 July.
- **Capita HR Reporting Team** – the team provides two reports by the end of April each year which are crucial to the preparation of the financial statements. An establishment report is used to calculate the accumulated absences accrual required by the Code in accordance with IAS 19. Additionally, the 'bandings' report identifies the number of officers with remuneration in excess of £50,000 in bands of £5,000 for disclosure in the financial statements. This is in addition to monthly 'gross-to-net' payroll files supplied throughout the year which form part of the audit working paper file.
- **Billing Authorities (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. DLUHC's deadline for the finalisation of business rates data via the NNDR3 is anticipated to be 30 June, and so WSCC is requesting collection fund detail from its billing authorities (including for council tax) by 1 July.
- **Schools (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 2021/22, the deadline for schools to submit their reconciliations is 8 April to align with the last day of the Spring term.
- **Treasury (Whole of Government Accounts)** – as part of their audit procedures, EY reviews the Council's 'Whole of Government Accounts' (WGA) submission to HM Treasury. EY cannot issue its certificate to formally conclude the annual audit until this WGA work is complete. Typically production of the WGA is timetabled to run alongside the main financial statements, but this has been subject to significant delay in 2020/21, in part a fallout from HMT's implementation of the OSCAR II system the previous year. At the time of writing, HMT has yet to issue the WGA Data Collection Tool for 2020/21, which has prevented EY from issuing its 2020/21 audit certificate. Any repeat of this delay in 2021/22 will again risk the conclusion of the audit by the end of September target. Note however that the impact is limited to the issuance of the audit certificate, and should not affect the audit opinion and publication of audited financial statements.
- **CIPFA** – as described in section 1, CIPFA has issued an emergency consultation in relation to the Code of Practice on Local Authority Accounting. The outcome of this consultation will determine the requirements for the revaluation of operational Property, Plant and Equipment in 2021/22. Any resultant Code update is expected to be published by the end of March. Additionally, CIPFA releases an annual 'Closedown Bulletin' to provide practitioners with further guidance on emerging accounting issues. This is typically published by the end of April.
- **EY** – the timely conclusion of the audit is dependent upon (amongst other things) the allocation of sufficient resource by EY. This is a challenge for EY (and the other audit firms) due to competing demands (all local government audits need to be scheduled during the same window) and limited supply of suitably qualified staff (a consequence in part of dramatically reduced audit scale fees over the past decade). Additionally, in recent years the local audit team has relied on central experts ('EY Real Estates') to gain assurance over the property valuations undertaken by the Council's valuer, which has proved to be a further bottleneck.

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 (Financial 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. 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
Letter of instruction issued to property valuers	31 August 2021	SMc
Bruton Knowles provide draft property valuation certificates for Corporate Finance review	13 December 2021	VEM
CIPFA Emergency Code Consultation closes	3 March 2022	CIPFA
Issue closedown timetable to practitioners	4 March 2022	VC
EY commence 7-week Planning/Interim Audit	7 March 2022	EY
RAAC considers accounting policies and handbook	14 March 2022	DEM
CIPFA Consultation outcomes to be confirmed; Code update to be issued as appropriate	31 March 2022	CIPFA
Deadline for submission of school bank reconciliations	8 April 2022	SFS
Service & consolidated capital monitors submitted for outturn PRR	14 April 2022	SFBP/ FPM
Outturn management accounts finalised	20 April 2022	FPM
Bruton Knowles provide final valuation report	22 April 2022	VEM
Member & Senior Officer Related Party survey deadline	29 April 2022	DEM
Anticipated receipt of HR establishment & bandings reports	29 April 2022	CAP
CIPFA Closedown Bulletin due to be published	29 April 2022	CIPFA
Executive Leadership Team considers outturn PRR	5 May 2022	FPM
Anticipated receipt of IAS19 pensions actuary reports	20 May 2022	WSPF
Senior Officer Remuneration disclosure available for review by Finance and HR Directors	20 May 2022	VC
Fixed Asset Register "lockdown" – QA complete and disclosures handed over for financial statements	10 June 2022	SMc
Cabinet Briefing considers outturn PRR	28 June 2022	DEM
Council Tax and Business Rates outturn collection funds requested from billing authorities	1 July 2022	VC
Ledger closed – no further transactions	8 July 2022	SMc

Task	Due date	Lead
Outturn PRR scrutinised by Performance & Finance Scrutiny Committee	13 July 2022	DEM
Handover of financial instrument disclosures	15 July 2022	VC
RAAC meeting; progress update	18 July 2022	VC/EY
Outturn PRR approved by Public Cabinet	20 July 2022	DEM
Complete draft Statement of Accounts (SoA) available for senior management QA	22 July 2022	SMc
CFO certifies draft SoA for publication on WSCC website & submission to EY	29 July 2022	KE
Commencement of County financial statements audit	1 August 2022	EY
Start of accounts inspection period	1 August 2022	VC
Finalisation of audit working paper file	5 August 2022	SMc
Draft WGA submitted to HMT and available for audit	31 August 2022	SMc
Scheduled conclusion of financial statements audit – schedule of audit adjustments agreed with EY	9 September 2022	EY
End of accounts inspection period	12 September 2022	VC
CFO authorises audited SoA for RAAC despatch	13 September 2022	KE
EY despatches final Audit Results Report to RAAC	13 September 2022	EY
RAAC Member Briefing – walkthrough audited financial statements	15 September 2022	DEM
RAAC approves audited SoA	22 September 2022	DEM
EY provides audit opinion	Late September TBC	EY
EY provides WGA Assurance Statement and audit certificate	Late September TBC	EY
Audited SoA published on website	30 September 2022	SMc
Target date for submission of audited Whole of Government Accounts to Treasury	30 September 2022	SMc

Leads: **CAP** CAPITA HR Reporting Team; **DEM** Democratic Services; **EY** External Auditors; **FPM** Financial Planning Manager; **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

The Project Team primarily comprises Financial Control, led by Sean McEwan (Finance Manager). Three members of the team will be effectively working full-time on the preparation of the Statement of Accounts from April to July, equating to approximately 1,900 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 Financial Control, particularly from the Treasury Management, Income & Banking and Capital Finance 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 the management accounts are closed and subsequently in the provision of supporting working papers. There is also a substantial demand on all of the above teams throughout the audit period (scheduled for August/September). 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 2021/22.

However, it is anticipated that additional fees will be chargeable for the 2021/22 audit. EY's final fee for 2019/20, which has just been confirmed by the PSAA, included an additional charge of £80,135. This comprises a mixture of 'scale fee rebasing' (to reflect a perceived increase in work arising at a sector level to address professional and regulatory requirements and scope associated with risk) and local fee variations arising from additional audit work undertaken in-year. It is therefore likely that EY will request the PSAA to approve additional fees to reflect both the rebasing and local variations in 2020/21 and subsequent years.

The Authority adopts a rolling approach to its valuation of property assets. As part of this on-going programme, approximately 270 valuations are expected to be commissioned from our external valuers, Bruton Knowles, during the 2021/22 closedown process, at a cost of c£25,000. Additionally, the Council has (in response to a recommendation made by EY in its 2020/21 Audit Results Report) instructed a full development appraisal for Horsham Enterprise Park to reduce the estimation uncertainty associated with the valuation of this complex site. The cost of this appraisal is expected to be in the region of £5,000, taking the full cost of the revaluation exercise to around £30,000.

The Council has also instructed its Pension Fund actuary, Hymans Robertson, to provide reports revaluing the LGPS and Firefighter's Pension Scheme assets and liabilities in accordance with the requirements of IAS 19. The cost of these exercises is forecast to be in the region of £5,000 (Fire) and £3,500 (LGPS), with the latter providing for two bulk academy transfers and the Council's share of costs recharged by the Fund for work undertaken by the actuary to support EY's assurance work.

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 July 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 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

- 14 March – sign-off Accounting Policies and Project Management Handbook; EY to present Audit Plan
- 18 July – officers to provide progress update; EY to update on Audit Plan as necessary
- 15 September – briefing session to walkthrough audited financial statements
- 22 September – approve audited accounts and consider Audit Results Report.

With EY

- Pre-audit liaison meeting in February
- Regular meetings throughout planning/interim audit (March/April)
- Check-ins as necessary during financial statements production (May/June/July)
- Weekly liaison meeting throughout financial statements audit (August/September)
- EY to report Audit Plan to RAAC in March 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:

- The outcome of the live emergency Code consultation launched by CIPFA (see section 1) is a significant unknown and therefore a risk to the successful progression of the project. There are multiple potential scenarios, and the final Code requirements will not be confirmed until late March. At that time discussions will be required with key stakeholders (including EY and Bruton Knowles) to establish the best way forward, and these conversions will need to take place in parallel with the ongoing progression of tasks on the project plan. This approach is likely to be inefficient (with the potential for wasted/duplicated effort) and could cause delays, but these should be accommodated within the extended production timescale for draft accounts. Depending on the outcome of the consultation, further risks may arise, including the availability of any nationally prescribed indices and/or what assurances auditors seek in response to any changes in approach (and the extent therefore to which CIPFA's stated aim of reducing the audit burden is in fact realised).
- 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 inherent risk associated with property valuations last year (the first since the award of the new Asset Valuation Services contract) has therefore been reduced by the establishing of valuation approaches and quality control processes during last year's audit, and further mitigated by the bringing forward of the instruction this year to allow for a more extensive QA period.

- The Financial Control team, managed by Sean McEwan, has experienced significant turnover over the past year. Of the four posts reporting to Sean, only one member of staff was in situ for the 2020/21 accounts; two other team members joined in July and September 2021 respectively, with a further post currently being held vacant. This is a direct risk to the production of the financial statements (as staff are picking up new responsibilities for the first time), and also an indirect risk in that Sean's time (which would otherwise be devoted to the management of the accounts preparation project) may be called upon to support members of his team as they continue to learn their new roles. This risk is mitigated primarily by taking advantage of the extended legislative deadline for the publication of draft accounts.
- 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.
- Auditor resources, both locally and centrally, are a risk to the timely conclusion of the audit and publication of audited accounts by the end of September. As recognised in both the Redmond Review and CIPFA's emergency Code consultation (see section 1), a shortage of appropriately qualified auditors is a contributory factor to delays in audit completions being witnessed nationally. For WSCC, a particular issue in recent years has been EY's reliance on their central Real Estates team (EYRE) to re-perform property valuations. The commissioning of EYRE by dozens of local audit teams concurrently has resulted in delays to the progression of this aspect of work which has in turn delayed the conclusion of the wider audit. This risk is being mitigated in 2021/22 by the early scheduling of the audit (due to conclude in September before EY switch to other local government clients in advance of the November legislative deadline) and also EY's intention to reduce their reliance on EYRE to re-perform property valuations and to undertake more of this work locally.

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			
Impact of CIPFA Emergency Code Consultation	Significant uncertainty given live consultation and therefore final requirements for 2021/22 still unknown. Potential risk to both draft and audited accounts deadlines depending on required accounting treatments and auditor response (testing requirements).	3	3	9 (A)	Proceed with original project plan until changes are confirmed. Extended deadline for draft accounts should provide necessary flexibility (and proposed change in relation to 2021/22 is currently optional). Greater risk (and reward) relates to audit requirement – maintain dialogue with EY to agree approach.	Sean McEwan	April – September 2022
Failure to complete audit in scheduled period	Availability of appropriately qualified audit resource is a risk to the timely conclusion of the audit. Delays potentially increase audit fees and may cause clashes for officers with competing priorities during the Autumn (e.g. budget preparation, Smartcore etc).	3	3	9 (A)	Early scheduling of audit to avoid clash with other EY clients. Early agreement and provision of working papers and prioritisation of audit during defined period to ensure timely resolution of queries. EY to reduce reliance on central EYRE team for re-performance of property valuations. Extension of statutory deadline to 30-Nov reduces impact of missing September target.	Sean McEwan	August to September 2022
Dependency on external suppliers (pensions actuary / property 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 (Pensions Administration, Estates Management) and requirements shared. Early instruction of property valuations and frequent meetings to provide for extensive quality assurance.	Sean McEwan	August 2021 – July 2022
Failure to achieve draft accounts deadline due to internal resourcing issues	Resourcing issues (specifically arising from turnover and holding of vacancy) 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	2	8 (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.	Vicky Chuter	April – July 2022

Risk	Potential Impact	Initial Risk (I – Impact L-Likelihood R- Risk)			Mitigation	Who	Time scal e
		I	L	R			
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	April – September 2022