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## **Regulation, Audit and Accounts Committee**

**1 February 2023**

### **Financial Statements 2021/22**

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

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##### **Summary**

The audits of the Statement of Accounts for 2021/22 for both West Sussex County Council and the West Sussex Pension Fund have now largely concluded. The Committee reviewed and approved the West Sussex Pension Fund Statement of Accounts at its meeting in September 2022, subject to the completion of the audit for the County Council Statement of Accounts.

The audited Statement of Accounts for West Sussex County Council are attached and reflect the changes which Ernst & Young (EY) has identified as part of its audit, details of which are outlined below.

##### **Recommendations**

The Committee is asked to:

- (a) Consider and approve the Statement of Accounts for 2021/22 for West Sussex County Council, as attached at Appendix A,
  - (b) Delegate authority to the Chairman to approve and sign-off any minor changes to the Statement of Accounts for 2021/22 for West Sussex County Council which may be required after the date of the Committee.
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## **1 Background and context**

- 1.1 The Committee considered the audited accounts for the West Sussex Pension Fund at its September meeting. EY reported that there were a couple of closing procedures that it needed to complete for the West Sussex Pension Fund accounts. At this meeting the Committee approved the West Sussex Pension Fund accounts, subject to the completion of the audit for the County Council Statement of Accounts. The closing procedures have now been completed.
- 1.2 A complete set of draft accounts for the County Council were submitted to EY for audit on 29 July 2022. EY commenced its audit on 1 August 2022 and the accounts inspection period ran from 1 August 2022 to 12 September 2022 inclusive.
- 1.3 As part of the County Council audit, EY also consider whether the Council has put in place "proper arrangements" to secure economy, efficiency, and effectiveness in its use of resources. The work undertaken by EY is now complete and it has not identified any risks of significant weaknesses in the Council's arrangements. A narrative commentary on this work is set out in the 2021/22 Auditor's Annual Report considered elsewhere on the agenda.

## 2 Financial Statements

- 2.1 Following the identification of the Infrastructure Assets issue last year, steps have now been taken nationally to resolve this. The Department for Levelling Up, Housing and Communities issued a temporary Statutory Instrument (SI) which came into force on 25 December 2022 and remains in force until the 2024/25 accounts inclusive. The SI allows authorities to treat the value of any replaced component of an infrastructure asset as nil and also allows authorities to assume that the net value of assets brought forward is correct; this latter point evidences the existence of the assets. In addition, Chartered Institute of Public Finance and Accountancy (CIPFA) issued an update to the Code of Practice in December 2022 which removed the requirement to report both the gross book value and the accumulated depreciation separately and instead report the net position only.
- 2.2 At the time of despatch, there is still a small element of work outstanding to conclude the Infrastructure Assets issue. The CIPFA Local Authority Accounting Panel (LAAP) bulletin, issued on 11 January 2023, sets out guidance to practitioners in terms of applying the requirements of the Code of Practice. To ensure that the Council complies with the updated Code, we are documenting our approach for depreciating infrastructure assets in line with the CIPFA LAAP bulletin.
- 2.3 Other than the outstanding work outlined in paragraph 2.2, the audit for the West Sussex County Council Statements of Accounts is complete. The following changes have been identified and are reflected in the set of statements set out in Appendix A:
- Update to the Narrative Report to align with the audited accounts
  - Update the International Accounting Standard (IAS) 19 disclosure notes and statements to reflect the changes to the audited Pension Fund accounts, which reflects the County Council's share of the change in market value of the Pension Fund assets (£3.4m)
  - Update the Property, Plant and Equipment disclosure note (note 4) to remove the need to report gross cost and accumulated depreciation for infrastructure assets in line with the updated Code of Practice and added specific narrative disclosures required by the Code Update and Statutory Instrument
  - Add additional text to the existing footnote on the Senior Officer Remuneration disclosure note (note 30) relating to payments made to East Sussex County Council for the Director of Adults' and Health, to identify the percentage split between authorities.
  - Add additional text to the Pooled Budgets disclosure note (note 31) to disclose the additional contribution made by the West Sussex Clinical Commissioning Group in respect of the Better Care Fund, and the arrangements for the return of any surplus.
  - Update the Contingent Liabilities disclosure note (note 36) to reflect the latest position in relation to the Teachers' Pension Scheme regulatory breach
- 2.4 The changes outlined above have had no impact on the General Fund balance.
- 2.5 There are recommendations included in both the Audit Results Report and the Auditor's Annual Report and the Council's management responses to the recommendations are also included in these reports.

### **3 Consultation, engagement and advice**

- 3.1 An Equality Impact Assessment is not required for this decision as it is a report dealing with internal and procedural matters only.

### **4 Finance**

- 4.1 The level of resources allocated to the preparation and supporting the production and audit of the Statement of Accounts is necessarily tight, making it important that a streamlined, disciplined approach is followed. No additional staffing resources were required throughout the process and in fact any additional resource applied would only be at the expense of other areas within the teams.

EY's proposed audit fee for the West Sussex County Council, as set out in its Audit Results Report (Section 9), is a base scale fee of £90,561. EY has advised there will be further fees of £93,807, subject to approval by Public Sector Audit Appointments Ltd (PSAA).

### **5 Risk implications and mitigations**

<b>Risk</b>	<b>Mitigating Action (in place or planned)</b>
Failure to complete the County Council accounts by the due date and to appropriate standards undermines the Council's reputation and ability to move ahead in its management of the current year and planning for future years. It also increases the risk of additional fees if more audit testing is required for EY to issue its opinion.	Within the project plan which was approved by the Committee in March 2022, there is a detailed risk register which was monitored throughout both the preparation and audit of the County Council statements.

**Taryn Eves**  
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#### **Appendices**

**Appendix A** – West Sussex County Council – Statement of Accounts 2021/22

#### **Background Papers**

None