

Report to Regulation, Audit and Accounts Committee

20 March 2023

Financial Statements 2022/23 – Plans and Progress

Director of Finance and Support Services

Summary

Project plans have again been prepared for the closure of the 2022/23 accounts for the County Council and the West Sussex Pension Fund. The current deadlines are 31 May for the publication of the draft accounts and 30 September for the publication of the audited accounts. Based on the attached project plans, the draft accounts for West Sussex County Council (WSSCC) and the West Sussex Pension Fund (WSPF) will be available by the 31 May 2023 deadline. The draft Audit Results Reports for both the County Council and the Pension Fund will be available in September 2023, ahead of the Regulation, Audit and Accounts Committee (RAAC) meeting on 21 September 2023.

The Department for Levelling Up, Housing and Communities (DLUHC) launched a consultation on 16 February 2023, seeking council's views regarding the suitability of the 31 May draft accounts deadline. The consultation closed on 2 March, and so the outcome was unknown at the time these papers were despatched for Committee. If there is any further update from DLUHC than this will be shared verbally at Committee.

Members will have the opportunity to participate in a briefing session which is arranged for 11 July 2023 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 for West Sussex County Council have been updated to ensure ongoing alignment with the example accounting policies in CIPFA's Code of Practice Guidance Notes where appropriate, and to provide update, clarification, streamline, or to address previous omissions. There is one minor change to the accounting policies for the Pension Fund to address a previous omission.

Recommendations

The Committee is asked to:

- (1) Note the project plans for the County Council and Pension Fund accounts (Appendices A and B) and consider progress to date.
- (2) Consider the draft accounting policies for both the County Council and Pension Fund accounts for 2022/23 as set out in full in Appendices Ci and Cii and approve them for application in preparing this year's accounts.

Proposal

1 Introduction

- 1.1 This paper sets out the planning framework for closing the 2022/23 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 legislative timetable for accounts production has been subject to much iteration in recent years. Under the Accounts and Audit Regulations 2015, draft accounts are required to be published annually by 31 May, with audited accounts to be approved by 31 July. For 2021/22, these deadlines were extended to 31 July (draft) and 30 November (audited).
- 2.2 As part of the measures announced by DLUHC to improve local audit delays in December 2021, it was confirmed that, commencing 2022/23 and for the duration of the next five-year round of local audit contracts starting in 2023/24, the legislative deadline for publishing audited accounts would be put back from 31 July to 30 September. This 'extension' brings the deadline for audited accounts two months forward from the temporary arrangements which applied in 2021/22 (and requires the audit to be concluded five months earlier than it was for 2021/22 accounts). Furthermore, no further changes to the deadline for the publication of draft accounts were made and so this reverts to 31 May, two months earlier than these were certified for 2021/22.
- 2.3 The 2021/22 accounts were closed in line with the statutory deadlines of 31 July 2022. A complete set of accounts for the County Council were submitted to EY for audit on 29 July 2022, while the Pension Fund submitted a complete set of accounts to EY on 20 June 2022. External audit started their audit work, initially of the Pension Fund accounts, on 27 June and the County Council on 1 August 2022. At the Regulation, Audit and Accounts Committee meeting on 22 September 2022, it was reported that the audit of the Pension Fund accounts was complete whilst there were a few areas of work outstanding for the County Council accounts, largely relating to queries on the Property, Plant and Equipment valuations and the national issue on infrastructure assets. At the committee meeting on 1 February 2023, members approved the County Council accounts, subject to EY carrying out some final checks and an unqualified opinion for both the County Council and Pension Fund accounts was then issued by EY on 28 February 2023. As part of the value for money work, EY did not identify any significant weaknesses in the Council's VFM arrangements. The audit certificate has yet to be issued for either 2020/21 or 2021/22 due to ongoing issues relating to the Whole of Government Accounts (WGA).
- 2.4 Due to the continuing unprecedented circumstances during 2022, the external audit planning and interim visits for the 2022/23 audits have been scheduled to take place in March 2023.

- 2.5 DLUHC launched a consultation on 16 February 2023, seeking views regarding the suitability of the 31 May draft accounts deadline. This consultation closed on 2 March, and so the outcome was unknown at the time these papers were despatched for Committee. When launching the consultation, DLUHC were clear that government was “minded” for the May deadline to remain in place, and so the handbooks and underlying project plans have been prepared on that basis. If there is any further update from DLUHC than this will be shared verbally at committee.
- 2.6 A formal project plan has again been produced for the 2022/23 accounts both for the County Council and Pension Fund accounts, enabling the Council’s scarce resources to be allocated, to identify a critical path and formally evaluate risks. A briefing session is arranged for 11 July 2023, to help members gain a greater understanding of the accounts including a walkthrough of the financial statements. The County Council’s and the Pension Fund’s project plans are to produce draft accounts by 31 May with the external audit expected to start in mid June, although this is to be confirmed with EY, initially for the Pension Fund. The project plans for each body are attached as Appendices A and B. Each plan includes a table of milestones which are set out below:

Figure 1: WSCC Closedown Milestones

Task	Due date
Letter of instruction issued to property valuers	28 October 2022
Bruton Knowles provide draft property valuation certificates for Corporate Finance review	10 February 2023
Legislative accounts timetable consultation closes	2 March 2023
Scheduled commencement of 6-week interim audit (TBC)	13 March 2023
Closedown timetable and guidance issued to practitioners	17 March 2023
RAAC considers accounting policies and handbook	20 March 2023
Service & consolidated capital monitors submitted for Outturn Performance & Resources Report (PRR)	19 April 2023
Outturn management accounts finalised	21 April 2023
Deadline for submission of school bank reconciliations	21 April 2023
Bruton Knowles provide final valuation report	21 April 2023
Anticipated receipt of IAS19 pensions actuary reports	21 April 2023
Member & Senior Officer Related Party survey deadline	28 April 2023
Anticipated receipt of HR establishment & bandings reports	28 April 2023
CIPFA 2022/23 Closedown Bulletin and 2023/24 Code of Practice due to be published	28 April 2023
Council Tax and Business Rates outturn collection funds required from billing authorities	28 April 2023
Executive Leadership Team considers Outturn PRR	11 May 2023
Fixed Asset Register “lockdown” – QA complete and disclosures handed over for financial statements	12 May 2023
Handover of financial instrument disclosures	12 May 2023
Senior Officer Remuneration disclosure available for review by Finance and HR Directors	16 May 2023
Ledger closed – no further transactions	19 May 2023
Complete draft Statement of Accounts (SoA) available for senior management QA	26 May 2023
Cabinet Briefing considers Outturn PRR	30 May 2023
CFO certifies draft SoA for publication on WSCC website & submission to EY	31 May 2023
Start of accounts inspection period	1 June 2023
Outturn PRR scrutinised by Performance & Finance Scrutiny Committee	16 June 2023

Task	Due date
Outturn PRR approved by Public Cabinet	20 June 2023
Finalisation of audit working paper file	30 June 2023
Commencement of County financial statements audit (TBC)	3 July 2023
RAAC Member Briefing – walkthrough draft financial statements	11 July 2023
End of accounts inspection period	12 July 2023
RAAC meeting - EY Audit Plan	17 July 2023
Draft WGA submitted to HMT and available for audit	11 August 2023
Anticipated conclusion of financial statements audit – schedule of audit adjustments agreed with EY	30 August 2023
CFO authorises audited SoA for RAAC despatch	12 September 2023
EY despatches final Audit Results Report to RAAC	12 September 2023
RAAC approves audited SoA	21 September 2023
EY provides audit opinion	Late September TBC
EY provides WGA Assurance Statement and audit certificate	Late September TBC
Audited SoA published on website	29 September 2023
Anticipated deadline for submission of audited Whole of Government Accounts to Treasury	29 September 2023

Figure 2: WSPF Closedown Milestones

Task	Due date
Interim audit	TBC
Consideration of the accounting policies and project management handbook by Regulation, Audit & Accounts Committee (RAAC)	20 March 2023
Completed quality assurance (QA) of SoA	22 May 2023
CFO certifies draft SoA for publication on WSCC website & submission to EY	31 May 2023
Accounts inspection period commences	1 June 2023
Ensure that the individual electronic working papers are provided in accordance with the agreed protocol with EY, signed off by the Lead Reviewer	19 June 2023 (TBC)
Submission of draft SoA to Ernst & Young (EY)	19 June 2023 (TBC)
Audit Commences	19 June 2023 (TBC)
Member Briefing with RAAC, Pensions Committee and Pension Advisory Board	11 July 2023
End of accounts inspection period	12 July 2023
Completion of EY audit work within advised fee scale	25 August 2023 (TBC)
EY despatches final Audit Results Report to RAAC	12 September 2023
Consideration of final SoA by RAAC	21 September 2023
Opinion on financial statements and signed audit certificate provided	Late September 2023

- 2.7 Attention is drawn to the County Council and the Pension Fund risk registers which are attached as an annex to the respective project plans. For the County Council, five risks have been identified, three of which are red and two are amber, and mitigations are in place for each of them. Eight risks have been identified for the Pension Fund; of which two are red and six are amber, and again mitigations are in place for each.

Accounting Policies

- 2.8 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 Ci and Cii.
- 2.9 There are only minor amendments proposed to the accounting policies for the County Council for 2022/23:
- The policy for Property, Plant and Equipment, which was updated during the 2021/22 audit as a result of the Code Update and Statutory Instrument issued in November 2022 relating to infrastructure assets, has been further augmented to incorporate the provisions of CIPFA Bulletin 12. These policy enhancements do not reflect a change in historic accounting practice.
 - The policy for Intangible Assets has been removed as the Authority does not currently recognise any such assets on its balance sheet.
 - In accordance with a recommendation made by EY last year, the general accruals de minimis (as specified in the policy for Accruals of Income and Expenditure) has been disapplied in relation to exit packages.
 - The policy for Financial Instruments has been updated to reflect the extension of the statutory override relating to fair value movements on pooled investment funds.
 - Other minor revisions have been made to ensure ongoing alignment with the example accounting policies in CIPFA's Code of Practice Guidance Notes where appropriate, and to provide clarification, streamline, or to address previous omissions. These revisions are not intended to reflect a change in existing practice.
- 2.10 There is one minor change to the Pension Fund accounting policies to add the treatment for infrastructure income.

3 Finance

- 3.1 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.

4 Risk implications and mitigations

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

Taryn Eves

Director of Finance and Support Services

Contact Officer

Vicky Chuter, Financial Reporting Manager, 033 022 23414

Appendices

Appendix A – WSCC Project Management Handbook

Appendix B – WSPF Project Management Handbook

Appendix Ci – WSCC Accounting Policies

Appendix Cii – WSPF Accounting Policies

Background Papers

None