

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

**25 March 2019**

### **Financial Statements 2018/19 – Plans and Progress**

#### **Report by Director of Finance, Performance and Procurement**

##### **Executive Summary**

Project plans have again been prepared for the closure of the 2018/19 accounts for the County Council and the West Sussex Pension Fund and reflect the regulation changes which come into effect for the 2017/18 accounts. The deadline for the draft statements to be produced is now 31 May 2019 and the audited statements need to be on the council's website by 31 July 2019. The draft external audit report for both the County Council and the Pension Fund accounts will be available by 8 July 2019 (subject to confirmation), ahead of the Regulation, Audit and Accounts Committee meeting on 22 July 2019. Members will have the opportunity to participate in a training session arranged for 13 June 2019 to walk through the financial statements.

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 2018/19 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 2018/19 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 2017/18 accounts were closed in line with the new statutory deadlines, set out in the Accounts and Audit Regulations 2015, 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, Performance and Procurement on 31 May 2018. External audit then started their work on the audit on 4 June 2018 and were on site for five weeks. EY again issued an unqualified opinion on both the County Council and Pension Fund accounts.
- 2.2 In preparation for the audit of the 2018/19 accounts, EY have again rephrased a significant amount of their audit work throughout the year at both the planning and interim visits in October and March, including substantive testing of the period April to December at their March visit.
- 2.3 A training session has again been arranged for 13 June 2019 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>
<b>Corporate Project Plan issued</b>	3 September 2018
<b>Letter of instruction issued to property valuers</b>	28 September 2018
<b>EY commence 'Planning Visit'</b>	8 October 2018
<b>Montagu Evans provide draft non-current asset valuation certificates for Corporate Finance review</b>	1 February 2019
<b>EY commence 4-week 'Interim Audit'</b>	4 March 2019
<b>Issue closedown timetable and guidance notes to practitioners</b>	8 March 2019
<b>Working paper requirements agreed with EY</b>	8 March 2019
<b>RAAC considers accounting policies and handbook</b>	25 March 2019
<b>Montagu Evans provide final valuation report</b>	12 April 2019
<b>Anticipated receipt of IAS19 pensions actuary reports</b>	12 April 2019
<b>Service monitors submitted for outturn TPM</b>	16 April 2019
<b>Outturn management accounts finalised</b>	18 April 2019
<b>Member &amp; Senior Officer Related Party survey deadline</b>	18 April 2019
<b>Anticipated receipt of HR establishment report</b>	30 April 2019
<b>Executive Leadership Team considers outturn TPM</b>	1 May 2019
<b>Council Tax and Business Rates outturn collection funds due from billing authorities</b>	3 May 2019
<b>Cabinet Board considers outturn TPM</b>	14 May 2019
<b>Anticipated receipt of P11d data (Benefits in Kind)</b>	17 May 2019
<b>Complete draft Statement of Accounts (SoA) available for senior management QA</b>	24 May 2019
<b>CFO certifies draft SoA for publication on WSCC website &amp; submission to EY</b>	31 May 2019
<b>Start of accounts inspection period</b>	3 June 2019
<b>EY commence on-site audit</b>	3 June 2019
<b>Finalisation of audit working paper file</b>	7 June 2019
<b>RAAC Member Briefing – walkthrough draft statements</b>	13 June 2019 (TBC)
<b>Scheduled conclusion of on-site audit</b>	5 July 2019
<b>Schedule of audit amendments agreed; EY to provide draft Audit Results Report for comment</b>	8 July 2019 (TBC)
<b>Complete audited SoA available for management QA</b>	10 July 2019
<b>CFO authorises audited SoA for RAAC despatch</b>	12 July 2019
<b>EY despatches final Audit Results Report to RAAC</b>	12 July 2019
<b>End of accounts inspection period</b>	12 July 2019
<b>RAAC approves audited SoA</b>	22 July 2019
<b>EY provides opinion on financial statements</b>	23 July 2019 (TBC)
<b>Audited SoA published on website</b>	31 July 2019
<b>EY provides signed WGA Assurance Statement and audit certificate</b>	23 August 2019 (TBC)
<b>Deadline for submission of audited Whole of Government Accounts to Treasury</b>	30 August 2019 (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. Six risks have been identified and mitigations are in place for each of them, none of which are red.

Figure 2: WSPF Closedown Milestones

<b>Task</b>	<b>End date</b>
<b>EY commence 'Planning Visit'</b>	29 October 2018
<b>EY commence 4-week 'Interim Audit'</b>	4 March 2019
<b>RAAC considers accounting policies and handbook</b>	25 March 2019
<b>Data collection on transfers/membership data/strain costs from Hampshire CC (Pension Services)</b>	12 April 2019
<b>Contributions and benefits reconciliation complete</b>	7 May 2019
<b>Investments are reconciled with the fund managers and custodian</b>	7 May 2019
<b>Draft Accounts for QA</b>	24 May 2019
<b>Submit Statements to EY</b>	31 May 2019
<b>EY commence on site</b>	3 June 2019
<b>Start of accounts inspection period</b>	3 June 2019
<b>Finalisation of audit working paper file</b>	7 June 2019
<b>RAAC Member Briefing – walkthrough draft statements</b>	13 June 2019
<b>Audit Results Report (draft for comment)</b>	8 July 2019 (TBC)
<b>End of accounts inspection period</b>	12 July 2019
<b>EY despatch final Audit Results Report to RAAC</b>	12 July 2019
<b>RAAC – sign off audited Financial Statements</b>	22 July 2019
<b>EY provides opinion on financial statements</b>	23 July 2019 (TBC)
<b>Pension Panel</b>	24 July 2019
<b>EY signed audit certificate</b>	23 August 2019 (TBC)
<b>Deadline for submission of audited Whole of Government Accounts to Treasury</b>	30 August 2019 (TBC)

- 2.7 Two milestones on the Pension Fund plan should have 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. Six risks have been identified and mitigations are in place for each of them, none of which are red.

#### 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 The County Council policies have been amended to reflect accounting changes arising from the introduction of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts) from April 2018. The opportunity has also been taken to streamline the policies (in line with CIPFA's drive to "cut the clutter") to reflect the recommended format in the Code for Accounting Practice and to update them to reflect feedback from last year's audit and other minor changes.
- 2.11 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.

#### **Katharine Eberhart**

Director of Finance, Performance and Procurement

**Contact:** Vicky Chuter, Financial Reporting Manager – 033 022 23414

#### **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