



Force Internal Audit Recommendations Progress Report

Required for:	Joint Audit Committee (JAC) meeting
Security Classification:	Official
Handling information if required:	N/A
Suitable for publication:	No
Title:	Update on Changes for the 2020/21 Annual Statements of Accounts
Version:	1
Purpose:	To provide JAC members with an update on regulatory changes affecting the 2020/21 Statement of Accounts, production timetable and accounting policies for the year ending 31 March 2021.
ACPO / Strategic Lead:	Peter Gillett
National Decision Model compliance:	Yes
Date created:	18 March 2021
Date to be reviewed:	

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Terms of Reference:

As set out in the Joint Audit Committee's terms of reference, the JAC will provide advice and recommendations to the PCC or CC in relation to the following area;

12. *Review the annual statements of accounts and recommend for approval to the PCC and CC. Consider whether appropriate accounting policies have been followed and consider whether there are concerns arising from the financial statements or from the audit of the financial statements that need to be brought to the attention of the PCC and/or CC.*

Introduction:

- 1.1 The Statements of Accounts are prepared in accordance with the 'Code of Practice on Local Authority Accounting', produced by CIPFA, known as 'The Code' which constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.
- 1.2 The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

Key Risks:

- 2.1 Associated risks have been considered and adequate control measures are being implemented.
- 2.2 **Low risk of not meeting statutory deadlines for 2020/21**
 - Good track record of achieving statutory deadlines.
 - Current year closedown sessions are underway across Surrey and Sussex to inform and engage with all key individuals impacting on or impacted by the accounts closure process.
- 2.3 **Low risk of not complying with new changes to the Code**
 - Experience exists within the current Corporate Finance team of implementing statutory and regulatory changes (including implementation of IFRS and PCC transition) within this sector.
 - The Finance department is currently undergoing a restructure and movement of resources could potentially impact on efficiency and delivery of the annual accounts and external audit work, however we will make all effort to mitigate any such adverse impact.
 - The 2020/21 Code has few changes that will impact on the Surrey Police accounts.

Executive Summary:

The paper sets out the force timetable for preparing the Annual Statements of Accounts and changes in legislation and regulation that impact on the 2020/21 accounts.

Main Issues:**3.1 Code changes 2020/21**

There are few Code changes to 2020/21 which are not anticipated to have significant impact on the Surrey Police accounts for the current year:

- Following UK withdrawal from the remit of the EU-endorsement framework, the Code will be based on standards adopted for UK application under the terms of the International Accounting Standards and European Public Limited Liability Company Regulations 2019 (SI 2019/685).
- Minor definition changes to emphasise that only material information is to be included in the Presentation of Financial Statements (IAS 1) and Accounting Policies, Changes in Accounting Estimates and Errors.
- Changes to reflect current RICS valuation requirement publications have been made.
- Disclosure of Financial Instrument entries within the CIES specified (Fair Value P&L within Financing & Investment section of the I&E) and other minor clarifications on Financial Instruments
- CIES footnote required to clearly explain the meaning of signage (debit/credit brackets)
- PPE movements table to include donated assets
- IAS19 amendment to assumptions must be applied if in-year plan change, curtailment or settlement occurs during the year
- Provisions for back pay arising from unequal pay claims must be charged to revenue and can no longer be deferred until the cash settlement takes place

3.2 Deadline changes 2020/21

MHCLG announced on 17 December (in response to the Redmond Review) a proposed extension of the **audited accounts publication date** to **30 September** for the next two years i.e. 2020/21 and 2021/22.

The Government later laid regulations before Parliament in March 2021 that amend the draft and final accounting deadlines for principal councils, police and fire bodies.

The regulations amend the publication deadlines for the next two accounting year (2020/21 and 2021/22) as follows:

- the **draft accounts deadline changes** from 1 June **to 1 August**
- the **final accounts deadline changes** from 31 July **to 30 September**

The regulations also include a new requirement for all local bodies to post a notice on their website if they fail to publish their draft accounts by 1 August 2021. The Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263) will come into force on 31 March 2021.

Regulation 10(1) of the Accounts and Audit Regulations specifically refers to the publication of audited accounts by 30 September.

10(2) relates to what we should do if the audit is not concluded. We need to make it clear to the public in our statement on 30 September the reason for non-compliance e.g. the Auditor was unable to resource the audit for completion in the statutory timeframe, any "planned to miss" timetable is adequate evidence of that.

3.3 Covid-19 Grants – Recognition as Principal or Agent?

All covid-19 grants will be reviewed to ensure correct classification in relation to Principal or Agent nature of transactions.

An agent arrangement is where Surrey Police acts as an intermediary whereas a principal arrangement is where Surrey Police would be acting on its own behalf.

Agent transactions are only included as a Balance Sheet debtor or creditor whereas the principal transactions are fully included within the financial statements

3.4 Code of Audit Practice Change

The main impact is the Value for Money (VfM) commentary.

The VfM commentary is expected to be more meaningful to stakeholders which in turn is likely to require more work for both Auditors and Police Finance teams, it may therefore also lead to an increase in the Audit fee.

3.5 Financial Management Code of Practice (FM Code)

Implementation of the CIPFA Financial Management Code of Practice for Police and Fire Services (CIPFA FM Code) - **full compliance is expected from 1 April 2021.**

FM Code has 6 Principles and 17 specific standards (A to Q) that need to be addressed to evidence compliance.

2020/21 is a 'shadow' year for the implementation of the FM Code. As such, the annual review of the system of internal control and should include the outcome of any assessment that has been undertaken during the year of the extent to which the organisation's financial management arrangements comply with the FM Code.

If an assessment has not been undertaken, then it will need to be included in the annual review process.

The Annual Governance Statement for 2020/21 should include an overall conclusion of an assessment of the organisation's compliance with the 6 principles of the FM Code. Where

there are outstanding matters or areas for improvement, these should be included in the action plan.

3.6 IFRS16 preparation for transition

Effective date revised to **start from 1 April 2022.**

This will introduce significant changes for lessee accounting and work has already started in preparation within the force.

3.7 Sector Review 2020

Redmond Review and Code of Audit Practice

The Redmond report was published in September 2020 and MHCLG response in December 2020 covering two key areas:

- Oversight of Local Audit and
- Transparency of Local Authority Financial Reporting

Results:

- 1) Fragile audit market with fragmented oversight
 - Six oversight bodies, low audit fees, loss of experienced audit staff, lack of assurance on financial sustainability and VfM with 40% of audits failing to meet the 2018/19 deadline
- 2) Accounts were found to be 'impenetrable'

MHCLG response to Recommendations:

1) Audit oversight

- New body rejected but support for Liaison Committee

2) Audit quality

- Revise fees, train auditors, make better use of Internal Audit and move deadline to 30 September

3) Governance arrangements

- Auditor to report to all those charged with governance, Independent Audit Committee member, Audit partner to meet statutory officers

4) Financial Resilience

- MHCLG review framework was rejected but support to share concerns between auditors and inspectorates

5) Summary statements from 2021/22

- Standardised, include costs against budgets, to be published alongside statutory accounts and subject to audit

6) Review the Code from 2022/23

- Simplify presentation and remove some disclosures

Performance Overview:

- 4.1 **Detailed Closure Timetable in place.** Surrey/Sussex aligned deadlines for divisions and departments have been agreed for 2020/21 mandatory closedown deadlines.

Detailed closure timetables are in progress to cover all tasks and steps involved in the accounts preparation process and supporting notes.

- 4.2 **Closedown Sessions to engage with Force** been held to inform and engage with key teams and individuals across Sussex and Surrey. Closedown sessions are the same in both Sussex and Surrey and include an overview of the statutory context and the statutory deadlines, followed by more detailed requirements targeted to specific teams e.g. Finance Operations, Joint Finance Service, Joint Transport and Estates & Facilities.
- 4.3 **Forcewide emails, Priority Messaging and Routine Orders** have been issued to alert and remind all budget holders about essential year end deadlines requiring budget holder input, in addition to support from their business finance partners.
- 4.4 **2020/21 Year End Close workshop held by EY** is was attended in March by members of the Corporate Finance team.
- 4.5 **CIPFA Police Practitioner Workshop - 'Undertaking the 2020/21 Accounts Closedown'** was attended in January 2021 by Corporate Finance team members from Surrey and Sussex to facilitate learning and alignment.
- 4.6 **CIPFA closedown software** known as the Big Red Button (BRB) is no longer being used by Sussex and Surrey Police to facilitate production of the Annual Statements of Accounts for both Forces. This was intended to help with year-end closure and code compliance but CIPFA were unable to achieve the technical support required to maintain this system to a sufficiently high standard for practitioners.

Proposed Timetable and Final Accounts Sign-off Meeting

- 5.1 Proposed Timetable for the 2020/21 statements of accounts:

DATE	TASK
15 May	Advertise Public Inspection of Accounts on website
31 July	Draft Statements of Accounts signed off by Chief Finance Officers
August	Joint Audit Committee members to review Draft Statement of Accounts – providing feedback to the Director of Finance and/or Corporate Finance Manager by 31 August
01 August	Accounts Open for Public Inspection for 30 working days
June-September	External Audit underway on and off site
14 September	Accounts Closed to Public Inspection
15 September	Joint Audit Committee Additional Meeting Final Statements of Accounts approved by PCC and CC and signed off by External Auditor
30 September	Deadline for publication of Statement of Accounts for the year ended 31 March 2021

Conclusion

6.1 The force is currently on track in preparations for the Annual Statements of Accounts and will continue to monitor and ensure that agreed internal actions progress within agreed timescales.

Decisions Required

7.1 The Joint Audit Committee Members are invited to note and comment on the report.

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