

Performance and Resources Scrutiny Programme 2020/2021

Report to: the Office of the Police, Fire and Crime Commissioner for Essex

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Author on behalf of Chief Officer:	Annette Chan, Chief Accountant
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1.0 Purpose of Report

- 1.1 This report sets out the 2020/21 closure programme incorporating the timetable of producing the Statement of Accounts, Annual Governance Statement and Narrative Report, hereby referred to as the Statement of Accounts.
- 1.2 The Statement of Accounts referenced within this briefing paper covers both the Chief Constable and the Police, Fire and Crime Commissioner (PFCC) Group accounts.

2.0 Recommendations

- 2.1 It is recommended that the Essex Police Corporate Finance Team work collaboratively with the PFCC Office on refining the Narrative Reports for the Chief Constable's and PFCC Group Accounts for 2020/21 with a view to providing a tighter narrative to ensure compliance with the CIPFA Accounting Code of Practice which requires a focus on those elements that are material to an understanding of the financial position and performance of the each entity.

3.0 Executive Summary

- 3.1 The unaudited 2020/21 Statement of Accounts are planned to be presented to the Performance and Resource Board on 27th May and published on the PFCC and Essex Police websites on 31st May.
- 3.2 The statutory external audit inspection period is in June and July. The force's external auditors, Grant Thornton, are still to confirm the planned date for commencement of the audit.
- 3.3 The final Statement of Accounts are due to be presented to the Joint Audit Committee on 23rd July and published on the websites on 31st July.

4.0 Introduction/Background

- 4.1 The Accounts and Audit Regulations 2015 require the force to publish draft unaudited Statement of Accounts signed by the Section 151 officers for the Chief Constable and the PFCC by 31st May and the audited Statement of Accounts by 31st July.
- 4.2 In addition to needing to comply with International Financial Reporting Standards when compiling the accounts the force are statutorily obliged to comply with the CIPFA (Chartered Institute of Public Finance and Accountancy) Accounting Code of Practice (referred to as "the Code" throughout this document) which assists forces with interpreting and applying requirements within the Accounting Standards and overlays requirements specific to local government and police forces.
- 4.3 Last year, 2019/20, due to the unprecedented pressures placed on local government and police forces from the COVID-19 global pandemic the statutory deadlines for publication of the Statement of Accounts were temporarily extended to 31st August for the unaudited accounts and 30th November for the audited accounts. The actual dates achieved were 19th June for the draft accounts and 17th November for the audited accounts.
- 4.4 The pandemic is still on-going but at the time of writing this report there has been no announcement to suggest that the 2020/21 publishing deadlines will be extended again. Informal discussions with the force external auditors, Grant Thornton and representatives from CIPFA, suggest that there is likely to be another extension but for planning purposes, in the absence of formal communication, the timetable has been prepared based on deadline dates reverting to the statutory position of 31st May and 31st July. This position will be kept under review and if the statutory dates are extended the timetable will be revisited.
- 4.5 For 2020/21 Corporate Finance are planning for the unaudited Statement of Accounts to be signed by the two Section 151 Officers by 28th May with the audited version to be signed on 23rd July.

- 4.6 For the last three years an early version of the Statement of Accounts, as at 31st December (month 9), has been produced as part of a process entitled 'Soft Close'. As the 2019/20 production and audit of the accounts was not concluded until November 2020, this impacted on planning time for the 2020/21 accounts. Grant Thornton are also in a similar position with resources still being directed towards other clients and work on 2019/20 accounts and are therefore not able to commit to auditing a 'Soft Close' version for the force. It has therefore been agreed with Grant Thornton that they will commence walk through testing in March 2021 but there will not be a 'Soft Close' version of the accounts based on a 31st December position this year.
- 4.7 The auditors will be on site for one week from 3rd March to 9th March which will enable them to carry out early work in preparation for when they revisit the Force for their main statutory inspection proposed in June/July. The exact dates for the main on-site inspection in the summer are still be confirmed by Grant Thornton.
- 4.8 The main activities for producing the unaudited Statement of Accounts include year-end accruals, production of the provisional outturn report, technical accounting transactions (for capital, pension, council tax, debtors & creditors, compensated holiday absences, financial instruments) and production of the core financial statements and notes to the accounts. Some of this activity relates to information from external organisations and we liaise with these organisations to ensure we receive this information in a timely manner, and challenge and query any assumptions or discrepancies as deemed appropriate.
- 4.9 During the 2019/20 audit it was identified that floor area information provided to the force's valuers from the estates team was historic and not calculated on the correct basis which resulted in the valuations of three properties being inaccurate. Steps were taken to correct the assets impacted and all the floor area information for valuations required for the 2020/21 closure process are being updated. The valuation date, previously 31st December to accommodate 'Soft Close', has been pushed back to 28th February to allow time for this work to be completed as well as minimising the impact of market valuation movements up to 31st March. Review time is built into the closure timetable to ensure extra checks are undertaken by the Corporate Finance Team to ensure all information being submitted to the valuer is up to date and a true reflection of the assets concerned.
- 4.10 There are no major presentational changes within the main body of the Statement of Accounts for 2020/21. Technical work was undertaken for the 2019/20 accounts to adopt new requirements in respect of leasing, which will be relevant to the accounting statements for 2022/23 (originally full implementation was scheduled for 2020/21 accounts but subsequently delayed due to COVID-19). The proposed changes will increase the disclosure requirements for leasing arrangements within the Statement of Accounts. Despite the changes now not being applicable until 2022/23, because the impact of these changes is expected to be potentially material to the Force's finances it was disclosed in the 2019/20 accounts and this will continue to be disclosed in the accounts until full implementation. Feedback from

Grant Thornton on the force's readiness for implementing this new Accounting Standard has been complementary.

5.0 Narrative Report

- 5.1 A key part of the Statement of Accounts is the inclusion of the Narrative Report which was a requirement that was introduced into the Code to make the accounts more accessible to stakeholders explaining how the force has used public money to deliver services and achieve strategic objectives. The force must provide a fair, balanced, understandable, concise analysis of the force's performance and should highlight and explain the relationship with the information presented in the financial statements, ensuring that this is consistent with the information contained within those statements and focus only on core issues.
- 5.2 The Code is clear that the content and style of the report should focus on those elements that are material to an understanding of the financial position and performance and that application of the concept of materiality is important. Including immaterial information is likely to clutter the report and may obscure material information and key messages.
- 5.3 There is a current expectation within the PFCC's Office that the PFCCs Annual Report and the Narrative Report are one and the same and that the content once audited is lifted into the Annual Report. This has led to the Narrative Report expanding in length annually and not complying with the above Code requirements. It should be noted that when the Narrative Report is audited, this does not mean that the performance figures contained within are audited but checks are completed to ensure that information is consistent with what is presented in the main body of the Statement of Accounts. There is no legislative requirement for the PFCCs Annual Report to be a duplicate of the contents of the Narrative Report but the force does have a statutory obligation to comply with the Code in the production of the Narrative Report as described above. Notwithstanding this, the Narrative Report and the PFCCs Annual Report are public documents which you would expect to be presenting a consistent message.
- 5.4 The length of the Narrative Report in the Group Statement of Accounts for 2019/20 was 42 pages and 30 pages for the Chief Constable's Statement of Accounts which Corporate Finance are of the view demonstrates that there has been a loss of focus on the key messages. Grant Thornton regularly raise concerns during audit liaison meetings that the Narrative Reports are too lengthy and that a well presented document with just a few pages could be more impactful. The length of the Narrative Reports was also raised as a concern at last year's Audit Committee where the Chief Accountant took an action to work with the PFCCs Office to look to reduce its content. As a comparison the following benchmarking data has been gathered to demonstrate that Essex's approach is not in line with other forces.

Table 1 – Length of Narrative Reports

Force	Chief Constable's Narrative Report (No. of Pages)	Police Commissioner Group Narrative Report (No. of Pages)
Suffolk Police	9	15
Hertfordshire Police	11	14
Cambridgeshire Police	18	9
Norfolk Police	14	19
Bedfordshire Police	14	19
Kent Police	7	29
Essex Police	30	42

5.5 Corporate Finance have had initial discussions with the Essex Police Head of Corporate Communications on a structure for the Narrative Report that will focus on key messages on the financial position and performance and it is proposed that this is adopted for the Chief Constable's 2020/21 Statement of Accounts and that Corporate Finance work in collaboration with the PFCCs office to move towards this approach for the PFCC Group Statement of Accounts. The first draft of the Narrative Reports will be presented to Performance, Resources and Scrutiny on 27th May.

6.0 Current Work and Performance

6.1 A timetable of the key dates for the statutory Statement of Accounts closure activities is shown at Appendix A. These dates will be reviewed in the event of any extension to the statutory deadlines.

7.0 Implications (Issues)

7.1 If statutory deadlines for publishing the Statement of Accounts are not met this will lead to reputational damage and may impact on future contracts with suppliers.

8.0 Links to Police and Crime Plan Priorities

8.1 The Statement of Accounts are statutory publications based on the Chartered Institute of Public Finance and Accountancy (CIPFA) Codes of Practice. Within the Statement of Accounts is the Narrative Report which will contain details of the Police

and Crime Plan and performance information during 2020/21.

9.0 Demand

N/A.

10.0 Risks/Mitigation

N/A.

11.0 Equality and/or Human Rights Implications

N/A

12.0 Health and Safety Implications

N/A

13.0 Consultation/Engagement

- 13.1 Initial discussions have been held with PFCC's Strategic Head of Policy and Public Engagement who is supportive of a more strategic and impactful Narrative Report for the PFCC Group Accounts. If the recommendation from this report is agreed there will be further engagement to agree on the process for identifying the key performance messages that need to be included within the Narrative Report and how this can then be joined up with the PFCC Annual Report.

2020/21 Statutory Close Timetable – Key Dates	
Date	Activity
Friday 26 th March	Draft Annual Governance Statement (AGS) report presented to Joint Audit Committee
Wednesday 5 th May	Provisional Outturn Report, and Statement of Accounts extracts (including Draft Narrative Report and, Remuneration Notes) presented to COG
Monday 10 th May	Draft Statement of Accounts completed and ready for review by Chief Accountant and Chief Finance Officer (Essex Police) and Head of Finance (PFCC Office)
Wednesday 19 th May	Draft unaudited Statement of Accounts (including Narrative Report and AGS) and Treasury Management Outturn presented to COG.
Thursday 27 th May	Provisional Outturn Report, Draft unaudited Statement of Accounts (including AGS and Narrative Report) and Treasury Management Outturn presented to OPFCC (Performance and Resources)
Friday 28 th May	Unaudited Statement of Accounts to be signed by Section 151 Officers for Chief Constable and PFCC
Monday 31 st May	Signed unaudited Statement of Accounts published on external websites
Tuesday 1 st June	Start of public inspection and right of challenge period, for unaudited Statement of Accounts
Friday 25 th June	Unaudited Statement of Accounts report presented to Joint Audit Committee
June / July	Three week statutory external audit inspection by Grant Thornton – to be confirmed
Wednesday 14 th July	Closure update report presented to COG (Latest draft of Statement of Accounts – Prior to audit being concluded)
Friday 23 rd July	Annual Audit Findings Report and final Statement of Accounts report presented to Joint Audit Committee
Friday 23 rd July	Audit opinion issued by Grant Thornton
Friday 31 st July	Audited Statement of Accounts published on external websites
Friday 27 th August	Completion of Audit Notice published on external websites