

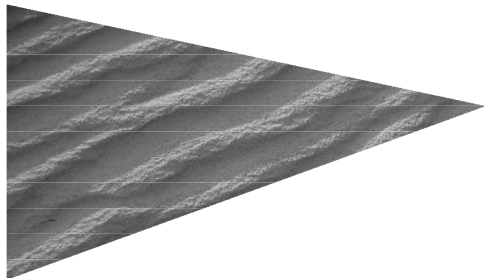
Crawley Borough Council

Audit Committee Summary

For the year ended 31 March 2013

Audit results report – ISA 260

30 September 2013



Building a better
working world

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Executive Summary

Key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to 'those charged with governance' on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2012/13 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial Statements

- ▶ As of 30 September 2013, we expect to issue an unqualified opinion. Our audit demonstrates that the Council has prepared its financial statements well and this is reflected in the low number of issues to bring to your attention.

Value for Money

- ▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources .

Whole of Government Accounts

- ▶ We expect to issue an unqualified confirmation to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Audit Certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the Audit Opinion.

Extent and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- ▶ Express an opinion on the 2012/13 financial statements
- ▶ Report on any exception on the governance statement or other information included in the foreword
- ▶ As a component auditor, follow the group instructions and send to the National Audit Office our group assurance certificate, audit results report and auditor's report on the consolidation schedule
- ▶ Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion)
- ▶ This report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and material internal control findings.
- ▶ This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than this specified parties.

Addressing audit risks

Significant Audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit Risk identified within our Audit Plan	Audit Procedures performed	Assurance gained and issues arising
Significant audit risks		
1. None	•None	• None
Other audit risks		
<p>1. Misstatement due to fraud or error; this is an inherent risk due to the nature of local authority finances and increasing pressures on management to achieve financial targets</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages. ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks. ▶ Understanding the oversight given by those charged with governance of management’s processes over fraud. ▶ Consideration of the effectiveness of management’s controls designed to address the risk of fraud. ▶ Determining an appropriate strategy to address those identified risks of fraud. ▶ Performing mandatory procedures regardless of specifically identified fraud risks. 	<p>Our work included:</p> <ul style="list-style-type: none"> Identifying fraud risks during the planning stages. Inquiring of management about risks of fraud and the controls put in place to address those risks. Understanding the oversight given by those charged with governance of management’s processes over fraud. Considering the effectiveness of management’s controls designed to address the risk of fraud. Performing mandatory procedures regardless of specifically identified fraud risks such as: <ul style="list-style-type: none"> reviewing the year-end position against in-year financial forecasts; reviewing the reasonableness and completeness of prepayments, accruals and provisions; testing material adjustments made by journals; and reviewing transactions both before and after year-end to ensure they are correctly disclosed in the correct financial period.

Addressing audit risks

Significant Audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit Risk identified within our Audit Plan	Audit Procedures performed	Assurance gained and issues arising
Significant audit risks		
<p>2. From April 2013, there will be changes to the arrangements for both Local Council Tax Support and business rates. These changes represent a significant change for the Council and bring both financial and reputational risks.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ How the Council has planned for and managed these changes. ▶ How the Council has assessed the likely impact of the changes on its financial position and future financial projections . 	<ul style="list-style-type: none"> • We have discussed the implementation of these changes with the Council's finance team and found that appropriate plans are in place to deal with the changes and risks associated with the changes have been factored into financial plans
<p>3. HRA self determination took effect in late 2011/12, however 2012/13 is the first year where the Council will need to consider a number of new key arrangements including:</p> <ul style="list-style-type: none"> ▶ Loan Debt – How is the Council planning on repaying the loan debt? ▶ Planning assumptions – Are the original budget planning assumptions still appropriate? 	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Reviewing the planning assumptions and repayment of debt profile as part of our value for money conclusion work. 	<ul style="list-style-type: none"> • The Council have appropriate plans in plan to repay the loan and plans are subject to monitoring and review.

Financial Statements audit

Issues and errors arising from the audit

Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the Audit Committee meeting:
 - ▶ Receipt of a Letter of Representation
 - ▶ Approval of accounts by Audit and Governance Committee
 - ▶ Accounts re-certified by Head of Finance
 - ▶ Completion of our audit work on:
 - ▶ Property valuations and other disclosure notes
 - ▶ Subject to the satisfactory resolution of the above items, we propose to issue and unqualified audit report on the financial statements.

Uncorrected Errors

- We have identified one error within the draft financial statements, which management have chosen not to adjust.
- We request that these unrecorded misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter or Representation
- Appendix 1 to this report sets out the uncorrected error.

Corrected Errors

My audit identified a limited number of narrative and disclosure errors which my team have highlighted to management for amendment. All of these have been adjusted during the course of our work.

We do not consider any of these to be significant and therefore we have not provided further details of these amendments.

Other Matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:

- Qualitative aspects of your accounting practices;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

We have no matters we wish to report.

Findings and issues

Internal Control, Written Representations & Whole of Government Accounts

Internal Control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for me to complete my audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have reviewed the Annual Governance Statement and can confirm that:

- ▶ it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- ▶ it is consistent with other information that we are aware of from our audit of the financial statements.

We have not identified any significant weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters, for which we do not currently have sufficient audit evidence.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of my report are specified by the National Audit Office.

We are currently concluding my work in this area and will report any matters that arise to the Audit Committee.

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Crawley Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criteria 1 - Arrangements for securing financial resilience

- ▶ *“Whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future”*
- ▶ We did not identify any significant risks in relation to this criteria.
- ▶ We found that Revenue budgets are monitored by officers on a monthly basis and the Corporate Management Team receives a monthly update on “hotspot” budgets with quarterly revenue and capital budget monitoring considered by the Cabinet. This allowed the Council to manage financial risks effectively.

Criteria 2 - Arrangements for securing economy, efficiency and effectiveness

- ▶ *“Whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.”*
- ▶ We did not identify any significant risks in relation to this criteria.
- ▶ We found that the Council through its efficiency reviews is systematically looking at improving efficiency and productivity in the services it delivers.

Independence & Audit Fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 13 March 2013.
- ▶ We complied with the Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance and in our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 30 September 2013.

- ▶ We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (ISA) 260. Our communication plan to meet these requirements were set out in our Audit Plan of 13 March 2013.

Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2012/13	Scale fee 2012/13	Variation comments
	£s	£s	
Total Audit Fee - Code work	86,184	86,184	None
Certification of claims and returns	14,350	14,350	None
Non-Audit work	0	0	None

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

Appendix 1 - Unadjusted Audit Errors

- The following adjustments, which are greater than £135,000, have been identified during the course of our audit.
- These adjustments have not been made by management within the revised financial statements

Item of Account	Nature of Error	Error Type	Statement of Comprehensive Income & Expenditure		Balance Sheet	
			Debit	(Credit)	Debit	(Credit)
	Description	F, P, J				
Debtors and Creditors	Incorrect allocation of Council Tax court costs between, Crawley Borough Council, West Sussex County Council and Sussex Police.	F	0	0	Debtor 229	Creditor (229)
Balance sheet totals						
Income effect of corrected adjustments			0	0	0	0
Cumulative effect of uncorrected misstatement			0	0	0	0

- **Key**
- ▶ F – Factual error
- ▶ P – Projected error based on audit sample error and population extrapolation
- ▶ J – Judgemental error

Appendix 2 - Adjusted Audit errors

There are no adjustments, which are greater than £135,000, have been identified during the course of our audit.

Ernst & Young LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

