

Crawley Borough Council

Audit Committee

Agenda for the **Audit Committee** which will be held in **Committee Room B**, Town Hall, Crawley, on **Tuesday 7 March 2017** at **6.30pm**

Nightline Telephone No. 07881 500 227



Head of Legal and Democratic Services

Membership:

Councillors K Sudan (Chair), C R Eade (Vice-Chair), R D Burrett, I T Irvine and C Portal Castro

(Substitute Members: Councillor T G Belben and T Lunnon)

Please contact Mez Matthews (Legal and Democratic Services Division) if you have any queries regarding this agenda.

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The order of business may change at the Chair's discretion

Business - Part A

1. Apologies for Absence

2. Members' Disclosures of Interest

In accordance with the Council's Code of Conduct, members of the Council are reminded that it is a requirement to declare interests where appropriate.

3. Minutes

To approve as a correct record the minutes of the meeting of the Committee held on 29 November 2016 **(Enclosure A)**.

4. Fraud Team Report

To consider report FIN/409 of the Corporate Fraud and Inspections Manager **(Enclosure B)**.

5. Internal Audit Progress Report as at 10 February 2017 Incorporating Risk Management Update as at 10 February 2017

To consider report FIN/407 of the Audit and Risk Manager **(Enclosure C)**.

6. Internal Audit Annual Plan 2017-2018

To consider report FIN/408 of the Audit and Risk Manager **(Enclosure D)**.

7. Audit Plan Year Ending 31 March 2017

To consider Ernst and Young's Audit Plan for the year ending 31 March 2017 **(Enclosure E)**.

8. Supplemental Agenda

Any urgent item(s) complying with Section 100(B) of the Local Government Act 1972.

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Crawley Borough Council



Minutes of Audit Committee 29 November 2016 at 6.30pm

Present:

Councillor	K Sudan (Chair)
Councillor	C R Eade (Vice Chair)
Councillors	R D Burrett, I T Irvine and C Portal Castro

Also in Attendance:

Paul King, Director of Ernst and Young LLP
Malcolm Haines, Audit Manager of Ernst and Young LLP

Officers Present:

Chris Corker	Corporate Fraud and Inspections Manager
Gillian Edwards	Audit and Risk Manager
Karen Hayes	Head of Finance, Revenues and Benefits
Mez Matthews	Democratic Services Officer
Mark Rice	Corporate Fraud Investigator

19. Apologies for Absence:

With all the Committee's Members being present at this meeting, there were no apologies for absence.

20. Members' Disclosure of Interests

No disclosures of interests were made.

21. Minutes

The minutes of the meeting of the Committee held on [28 September 2016](#) were approved as a correct record and signed by the Chair.

22. Fraud Team Report

The Committee considered report [FIN/400](#) of the Corporate Fraud and Inspections Manager, which focussed on activity for the period from 8 July 2016 to 14 November 2016.

As indicated in the report, the Team had continued to perform successfully. The Corporate Fraud and Inspections Manager and Corporate Fraud Investigator took this opportunity to brief the Committee on specific areas of the Team's work including, for example, that in respect of Housing Fraud and the New Homes Bonus (2016).

The Committee was provided with details of cases investigated and the Team's investigations, whilst a discussion took place on the team's work generally. Members sought and received clarification on a number of points raised, including issues around retrospective fraud investigations, the subletting of council properties and payment of council tax on rented properties. The Chair thanked the Corporate Fraud and Inspections Manager and Corporate Fraud Investigator for the continued good work undertaken by the team.

RESOLVED

That the report be noted.

23. Annual Audit Letter for the Year Ended 31 March 2016

The Committee considered the Annual Audit Letter from Ernst and Young LLP. The Letter was attached as [Enclosure C](#) to the agenda. The Director of Ernst and Young LLP presented the Letter which provided a summary of Ernst and Young's assessment of the Council for 2015-2016 and highlighted the key issues. The Committee acknowledged that the majority of the information detailed in the Audit Results Report, which had been considered by the Committee at its meeting in July ([minute 8](#) refers) were reflected in the letter before the Committee.

In terms of looking ahead, reference was made to the requirement to bring forward the date of preparation of the financial statements with effect for 2017/18 and the fact that, having received the audit opinion on 29 July 2016, the Council was in a strong position in respect of the earlier audit deadline. Other future issues related to the local appointment of auditors, which would be dealt with as a separate item at this meeting ([minute 25](#) refers), balancing budgets in the medium term and the ongoing impact of 'Brexit'.

The Committee received clarification on issues arising, including matters on the reduction of the specified audit threshold, valuing the Council's assets and the potential consequences of not balancing the budgets of this Authority.

Whilst considering the work of Ernst and Young LLP, during the course of this meeting the Audit Manager of Ernst and Young advised that the work on the Housing Benefit Subsidy Claim had been completed and sent to Public Sector Audit Appointments (PSAA). The Committee was also advised that a report relating to grants would be considered at the next meeting of the Committee.

RESOLVED

That the Annual Audit Letter be noted.

24. Internal Audit Progress Report as at 15 November 2016 Incorporating Risk Management Update as at 15 November 2016

The Committee considered report [FIN/398](#) of the Audit and Risk Manager. The purpose of the report was primarily to update the Committee on the progress made towards the completion of the 2016/2017 Internal Audit Plans, and to report on the progress made in implementing the previous recommendations. The report also included an update on the Council's Strategic Risks.

The Committee discussed and noted all the Audit Plan reviews in progress, along with other work as detailed in the report. At the request of the Committee clarification was provided regarding freedom of information and subject access requests.

The Committee discussed the update provided on Risk Management. Following a Member query regarding the level of Section 106 funding towards the Three Bridges Railway Station, the Head of Finance, Revenues and Benefits agreed to obtain clarification from the Head of Economic and Environmental Services. The Committee noted that due to unforeseen circumstances the relocation of the Council's Data Centre was now scheduled to take place in January 2017.

RESOLVED

That the Internal Audit Progress Report as at 15 November 2016, incorporating the Risk Management Update as at 15 November 2016, be noted.

25. Appointment of External Auditor

The Committee considered report [FIN/397](#) of the Head of Finance, Revenues and Benefits which considered the options available to the Council with regard to procurement arrangements under the Local Audit and Accountability Act 2014.

Following queries from the Committee, the Head of Finance, Revenues and Benefits confirmed that, although specific financial costs were not available, opting in to the arrangements made by the Public Sector Audit Appointment (PSAA) would cost significantly less than if the Council chose to conduct its own procurement exercise. The Committee also noted that a large number of staff at PSAA had originally worked for the Audit Commission, and as such were very experienced. The Head of Finance, Revenues and Benefits took the opportunity to thank the current Auditors for the good work they had undertaken over the past couple of years.

RESOLVED

That the Full Council be recommended that this Council opts in to the Appointing Person arrangements made by the Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

26. Closure of Meeting

With the business of the Committee concluded, the Chair declared the meeting closed at 7.30pm.

K SUDAN
Chair

Crawley Borough Council



Report to Audit Committee

7 March 2017

Fraud Team Report

Report of the Fraud & Inspections Manager - Report no. FIN/409

1. Purpose

The report describes the activity of the Corporate Fraud & Inspection Team in the period 14 November 2016 to 15 February 2017. All outcome figures are taken from closed cases.

2. Recommendations

- 2.1 That the Committee note the report.

3. Reasons for the Recommendations

- 3.1 The Committee has a responsibility to oversee the Council's anti fraud and corruption arrangements. A major part of those arrangements is the activity of the Fraud Team in identifying, investigating and taking action against cases of fraud.

4. Information & Analysis

Active Caseload

The fraud team are currently investigating the following case types

Case Type	Number of Cases
Enforcement order breach	1
Council Tax Liability Investigation	2
Council Tax Reduction Scheme	10
Housing Succession	1
Housing Applications	6
Housing Investigations (General)	6
Housing non occupation	15
Housing Right to Buy	13
NDR Liability Investigation	3
CT Single person Discount	5
Fly tipping	1
Total	63

The above cases are all at various stages in the investigation lifecycle and will be reported on when the cases are closed.

4.1 Housing Fraud

During the reporting period the team have achieved the following:

	<u>In period</u>	<u>Year to date</u>
Properties recovered	2	13
Prevented allocation (inc homeless applications)	2	8
Stopped Right to Buy (actual discount value)	8 (£563,300)	10 (£719,100)
Notional value of savings	£627,300	£1,055,100

The previous Audit Commission through their 'Protecting the public purse' studies conservatively estimated, that for each property being misused and not available to the Local Authority it cost the Authority £18,000 per year per property. Housing vulnerable families in Bed & Breakfast on a temporary basis is very expensive and can cost in excess of £100 per night. The Audit Commission figure is therefore used for recovering properties and preventing false applications.

The Right to Buy figures are the actual discounts which would have awarded has the sale of the property gone through.

4.2 Single Person Discount (Council Tax Inspectors)

Council Tax Inspectors have used internal data to match and highlight Council Tax discounts which have cause for concern. This would normally be where a discount has been requested and applied to the Council Tax account but data suggests there is at least a 2nd adult registered and living at the property. The team have completed the exercise, the figures are as follows:

272 cases were identified as a concern through the initial match. After a pre quality check this reduced to 187 cases where further verification was required. After contacting the residents 147 cases have so far had their discount removed as they were not the sole adult residing in the property. This exercise is separate to the day to day reactive work of the investigation team.

	<u>SPD Exercise 2016</u>
Discounts removed	147
Loss being recovered	£46,322

As well as running data matching exercises, throughout the year the investigation team proactively responds to allegations of fraudulent Single Person Discount applications.

	<u>In period</u>	<u>Year to Date</u>
Discounts removed	9	27
Loss being recovered	£5,056	£12,837

In total through reactive and proactive work we have removed 174 discounts worth £59,159 so far this year.

4.3 Council Tax and Business Rates

The team continue to investigate and inspect Council Tax and Business rates.

New billable CT or Rates – Inspectors are constantly looking for properties or businesses that are not on the valuation list and therefore not being billed. Legislation does not require occupiers to report new properties.

	Council Tax		Non Domestic Rates	
	In period	Year to Date	In period	Year to date
New billable CT or Rates	£330,068	£796,499	£1,041,057	£1,154,957

5. **Implications**

There are no implications from the report.

6 **Background Papers**

6.1 None

Report author and contact officer: Chris Corker, Corporate Fraud & Inspections Manager (telephone 01293 438598)

Crawley Borough Council

Report to the Audit Committee

7th March 2017

Internal Audit Progress Report as at 10th February 2017 Incorporating Risk Management Update as at 10th February 2017

Report of the Audit and Risk Manager – FIN/407

1. Purpose

- 1.1 The Committee has a responsibility to review the Internal Audit Progress report to ensure that action has been taken by relevant managers on risk based issues identified by Internal Audit.

2. Recommendations

- 2.1 The Committee is requested to receive this report and note progress to date.

3. Reasons for the Recommendations

- 3.1 The Committee has a responsibility to ensure that action has been taken by relevant managers on risk based issues identified by Internal Audit.

4. Background

Work Completed

- 4.1 Since the last report, as at 15th November 2016, the following review has been completed.

Audit Title	Audit Opinion
Facilities Management	Limited Assurance
NNDR	Substantial Assurance
Council Tax	Substantial Assurance
Waste and Recycling	Substantial Assurance

Work in Progress

- 4.2 The reviews in progress and other work that we have undertaken in the period are shown at Appendix A.

4.3 High priority findings in this period

Facilities Management

As part of the Internal Audit plan for 2016-2017, an internal audit of the Council's Facilities Management has been undertaken. This covers more than one discipline across two Heads of Service which were:

- Community Services: The audit covered the maintenance, cleaning and security of the Council's Pavilions, Community Centres, Town Hall, Civic Hall and all other Council owned buildings (except housing) and the Children's Family Centre (which is owned by WSCC);
- Partnership Services: The audit covered the Planned and Unplanned Maintenance of the Town Hall and a review of energy and utilities.

During the course of this review, a number of high priority findings were identified and action has been agreed to improve the control environment. I will provide a verbal update to Members on progress in this area, at the meeting.

4.4 Follow up Audits

We have undertaken these follow ups since the last Audit Committee.

Publication Scheme

A Publication Scheme, which is a requirement of Section 19 of the Freedom of Information (FOI) Act 2000, is a directory of information that a local authority makes available, or intends to make available, to the public. It also states the manner in which the information will be published (leaflet, website etc) and whether the information is available free of charge or on payment.

Since the last meeting, further work has been undertaken to bring the Scheme up to date and this will be fully up to date by 31st May 2017. We now publish reports in respect of NNDR (Business Rates) on the Publication Scheme and it is anticipated that this will reduce the number of requests received, with the interested parties accessing the information via the Crawley Borough Council website.

Community Centres

The system used for recording bookings of community centres and related income is called Artifax. This does not interface with the Financial Management System (FMS) which means that an independent reconciliation cannot be undertaken to confirm that all monies due have been received. Discussions are continuing with the provider of Artifax and two Local Authorities have been contacted by the Facilities Supervisor and progress is being made towards the provision of a suitable interface.

4.5 Freedom of Information (FOI) Requests

Between 16th November 2016 and 10th February 2017, we have processed 207 requests and of these, 10 responses were sent to the requester outside of the 20 working day deadline. This was due to annual leave and the complexity of the requests. We wrote to the requester in all cases to apologise for the delay and provided the information as quickly as possible.

5 **Strategic Risks Update**

The following have been identified as strategic risks for the Council:

1. Failure to deliver key infrastructure projects as planned, on time and within budget, such as:

- **Town Hall**

Feasibility work to remodel the existing town hall is largely complete. Alongside this the Council are in discussions with Westrock regarding a potential mixed use development which would see the provision of a new town hall, commercial office space and residential units on the town hall and adjacent car park site. A recommendation on the preferred option was presented to Cabinet early in 2017 and Full Council on 22nd February 2017.

- **LEP Infrastructure**

A series of business cases will be put together in order to present proposals to Cabinet for the allocation of the remaining £14.6 million from the LEP funded Crawley Transport Area package. This funding will need to be fully spent by March 2021. The drafting of these business cases is being progressed jointly by Crawley Borough Council, Manor Royal BID and West Sussex County Council – the accountable body for the LEP funding.

- **Three Bridges Railway Station**

On 11th February 2015 [SHAP/43](#), Cabinet approved the allocation of £430,000 of S106 funding towards the delivery of improvement works to the Station Forecourt. Network Rail have now formally agreed with the Council a Deed of Variation related to the above S106 funds, which extends the spend deadline from end March 2017 to end March 2021.

Member approval has been granted to reallocate £1.5 million of Borough Council capital programme funding, originally earmarked for the Queens Square regeneration scheme, to the Three Bridges station improvements programme. This can be combined with the total of £500,000 of S106 resources (including £70,000 via Forge Wood) already secured for the station improvements. Borough Council officers are leading a fresh engagement with Network Rail, supported by County Council colleagues to progress the Project Delivery Brief for the Three Bridges station site, which will provide a joint way forward on the regeneration of the site with Network Rail.

The Council was able to reallocate the above amount to Three Bridges station because it has successfully secured from the Coast to Capital Local Enterprise Partnership (LEP) £1.5 million of Local Growth Fund (LGF) to invest in the Queens Square regeneration scheme, supported by the County Council. These LGF funds are being combined with £1.7 million of resources already committed to Queens Square by the County Council.

The original intention was for the Three Bridges station improvement project to receive LEP funding via the Crawley Transport Area Package. However the County Council was unable to obtain confirmation of support from Network Rail in time. The intention is now to progress the scheme using the above combination of resources, working closely with Network Rail on the Project Brief in order to define in more detail how the resources will be spent and what the outcomes will be.

- **Town Centre**

Cabinet approved the final design concept for the Queens Square Environmental Improvement Scheme on 18th March 2015 [PES/169](#), whilst delegating authority to the Head of Economic and Environmental Services to spend up to the allocated budget of £3 million for the Scheme.

Blakedown Landscapes, the principal works contractor, commenced the Queens Square programme of works during the week of 5th September and they are due to be completed in summer next year. The delivery of the works will be closely monitored by the Council's Built Environment and Economic Development & Regeneration teams, and in conjunction with the Finance Team as regards the programme expenditure.

- **Cemetery**

Planning permission to create new cemetery at Little Trees was obtained in November 2015. Phase 1 of construction is due for completion during 2017 which is within the deadline, after which some sections at Snell Hatch Cemetery reach full capacity. Some infrastructure has been delayed to Phase 2 in order to deliver Phase 1 of the project within current budget.

2. Delivering the affordable housing programme

The Administration has pledged to deliver 1,000 new affordable homes over a four year period and to look to add a further 250 new affordable homes to this programme in year five. Meeting this objective requires a twin track approach through both the Council's enabling role and its own-build programme. Progress is closely monitored on a monthly basis through the corporate Strategic Housing Board and is overseen by CMT. The stalling of three phases of the Forge Wood development together with two market led schemes significantly impacts the delivery programme. This impact would be mitigated by the approval of the town hall development site proposals, achieving additionality at Telford Place and, subject to funding being available, enabling windfall schemes. Options are currently being actively explored.

Mitigating actions have been taken to address the impact of the four year 1% rent reduction on the HRA to ensure the delivery programme can be maintained. These included setting affordable rather than social rents for new development, discounted sale as an alternative tenure option, a reduced capital programme for existing stock and re-profiling the delivery programme. Further impacts arising from the Housing

and Planning Act provisions relating to the sale of high value stock cannot as yet be quantified as further secondary legislation is still awaited.

3. A balanced budget is not achieved in the medium term resulting in an increased use of reserves, which is not sustainable.

The Budget and Council Tax 2017/18 [FIN/401](#) report to Cabinet on 8th February 2017 showed that we achieved a balanced budget despite a 41.64% reduction in revenue support grant and a cut in the New Homes Bonus.

Officers identified additional income, efficiencies and savings of £1.951m, including additional rental income from the purchase of investment properties of £507,000.

There is a budgeted gap in 2018/19 of £670,000. This may result in a transfer from reserves to help smooth out the approach to meeting future gaps. The impact of the reaction to the vote to leave the EU has had a negative impact on interest income and projected inflation. This could impact upon the income received by the council such as car parking, development control and building control.

The Corporate Management Team continue to work with staff and contractors to identify and implement improved ways of working and to focus on the aim of dealing with matters first time. The transformation programme of service improvements and efficiencies achieved through systems thinking and other types of review continue with the aim of continual streamlining of internal processes to reduced waste and duplication, and also to focus on the defined purpose of each service. The transformation programme includes an increased focus on achieving new sources of income

4. Recruitment and retention

Recruitment and retention of key specialist and professional roles is challenging. The impact of a period of pay restraint in the public sector combined with an increase in salary levels generally in the South East has led to problems with recruitment and retention in roles such as Economic Regeneration, IT, Project Management, Legal and some Housing roles. HR officers are working with managers to ensure we promote these roles effectively. The Council promotes the use of apprenticeships and trainee roles to grow our own skills. There is a recruitment and retention scheme which will allow time limited salary uplifts on appointment but this is only a temporary incentive and it does cause pay inequality within teams. We are exploring other ways of mitigating this risk. The Job Evaluation Scheme has been amended to create a further grade at the top of the scale to assist with the recruitment and retention of third tier managers.

5. Disaster recovery and business continuity.

A report to Cabinet on 9th September 2015 recommended a more resilient hosting of data by providing a resilient, energy efficient, cost effective and available hosting environment for the IT systems to support our services. A partnership contract has been agreed with Surrey County Council for them to host the data centre. Migration is underway with a planned completion date of March 2017.

The Bewbush Centre has been designated as the Council's main alternative site should there be no or limited access to the Town Hall building. Once the Data Centre is relocated there will be resilient links to this centre so that systems will remain operational and it will be possible for staff to get into the CBC network via these links. Access will also be possible from other Council sites. Wi fi will allow access for up to

50 users at the Bewbush Centre using laptops and a small number of desktop network points.

Summary of Current Strategic Risks

- Failure to deliver key infrastructure projects as planned, on time and within budget,
- Delivering the affordable housing programme;
- A balanced budget is not achieved in the medium term resulting in an increased use of reserves, which is not sustainable;
- Recruitment and retention;
- Disaster recovery and business continuity.

6 Background Papers

- 6.1 Risk Management Strategy [FIN/364](#) Audit Committee 24th June 2015.
Risk Management Strategy – update 24th September 2015 [FIN/371](#)
Internal Audit Plan 2016/2017

Report author and Contact Officer: Gillian Edwards, Audit and Risk Manager (01293 438384)

Internal Audit Plans 2016/2017

Progress Report as at 10th February 2017

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
A. Work Completed in the Current Period				
Facilities Management	2016/17	Limited	7	
NNDR	2016/17	Substantial		
Council Tax	2016/17	Substantial		
Waste and Recycling	2016/17	Substantial		
B. Work In Progress				
FOI Requests – day to day work	2016/17			
Parks and Open Spaces	2016/17			
Grants	2016/17			
Little Trees Cemetery	2016/17			
Museum	2016/17			
Queen's Square Regeneration	2016/17			
Creditors	2016/17			
Sundry Debtors	2016/17			
Cash and Bank	2017/18			
Other Work				
Mid Sussex District Council	2016/17			Work is ongoing.

Crawley Borough Council

Report to the Audit Committee

7th March 2017

Internal Audit Annual Plan 2017 - 2018

Report of the Audit and Risk Manager – FIN/408

1. Purpose

- 1.1 The Committee has a responsibility to assess the adequacy of the Council's internal audit and risk management arrangements. This includes considering and reviewing the adequacy of the Internal Audit Budget and Resource Plan and approving the Internal Audit Plans ensuring that appropriate risk assessments have been carried out when formulating these.

2. Recommendations

The Committee is requested to make any recommendations they wish on the proposed 2017 – 2018 Annual Internal Audit Plan.

3. Reasons for Recommendations

The Audit Committee has responsibility to review the proposed Internal Audit Plan.

4. Background

- 4.1 The Council has a statutory duty to “undertake an adequate and effective internal audit of its accounting systems and of its system of internal control” – Accounts and Audit Regulations 2011 – Regulation 6. This responsibility is delegated to the Head of Finance, Revenues and Benefits.
- 4.2 The plan was reviewed by CMT members in February 2017 and the following plan agreed.

5 Supporting Information and Analysis

- 5.1 The 2017/2018 annual audit plan allows for examination of the main financial areas from a systems and from an IT perspective, and is key to ensuring the Council's finances remain properly controlled, whilst also undertaking strategic and service based work each with a varying risk to the organisation.
- 5.2 The plan also includes some specific reviews from previous audit work; this is to ensure the Council is being consistent in their approach to these areas year on year.
- 5.3 A total of 220 days has been set aside in the plan for the work that we will be undertaking as part of the shared service arrangement.
- 5.4 Appendix A includes an outline scope for each audit area. A detailed scope and objectives for each audit will be agreed with the Heads of Service prior to the commencement of each individual review.
- 5.5 Best practice dictates that an audit plan should be prepared to meet the audit needs of the organisation, regardless of the level of resources available to deliver the plan. If the days required exceed the days available, then it is for management to decide whether additional resources should be made available or whether they are happy to accept the risks involved in not doing some of the reviews, and which reviews should be omitted.
- 5.6 The service will be delivered using a mix of in-house staff and specialist external consultants.
- 5.7 In considering the plan, Members should consider whether:-
 - It accurately reflects the audit needs of the Council and the external auditors;
 - There are audits that should be included that have been omitted;
 - There are topics that the Committee does not consider to require Internal Audit cover.

6. Implications

- 6.1 The plan needs to provide sufficient coverage to meet the Council's statutory duty to undertake an adequate and effective internal audit plan.
- 6.2 The plan can be met with the proposed budget.

7. Background Papers

- 7.1 None.

Report author and contact officer: Gillian Edwards, Audit and Risk Manager
(01293) 438384

INTERNAL AUDIT PLAN 2017/2018

Audit	Risk	Days
Fundamental Systems (including those identified by Ernst and Young)n		
Ernst and Young Year End Testing	High	4
Council Tax	High	8
NNDR: <ul style="list-style-type: none"> • Revaluation • System 	High	12
Housing Benefits	High	10
Creditors	High	8
Sundry Debtors	High	8
Payroll	High	8
Cash and Bank	High	8
FMS	High	6
Budgetary Control	High	8
Treasury Management	High	5
Housing Rents	High	8
Housing Repairs – Responsive Repairs	High	10
Capital Projects		
Museum	High	8
Town Centre Regeneration	High	8
Cemetery	High	8
Town Hall Refurbishment	High	8
Other		
Procurement	High	8
Publication Scheme Review	High	6
Grants	High	8
Playgrounds	High	8
DWP CIS Security Compliance <ul style="list-style-type: none"> • 2016/2017 • 2017/2018 	High	8
Risk Management Awareness and Training	High	6
HR	High	8
Grounds Maintenance	High	8
Commercial Properties inc. Rents	High	8
S106 Agreements	High	8
Computer Audit <ul style="list-style-type: none"> • Data Centre Post Project Review 	High	18
Contingency		20
Follow Up Audits	High	12

Audit	Risk	Days
Freedom of Information Requests		100
Specific to Audit and Risk Manager		
Liaison with External Auditor		6
Preparation of Annual Governance Statement		8
Quality Control and Review of Files		20
Staff Management		18
Liaison with Head of Finance, Revenues and Benefits		6
Audit Committee Reports and Attendance		15
Non-specific advice and liaison		6
Preparation of Annual Internal Audit Plan		6
PSIAS Peer Review		6
PSIAS Compliance		8
Sussex Audit Group		3
Study, training and courses		2
General Administration		2
Specific to Auditors		
Non-specific advice and liaison		4
Sussex Audit Group		3
Study, training and courses		4
Cheque control/bank administration		2
General Administration		4
Election Duty		4
Mid Sussex District Council 220		220
		708

Crawley Borough Council

Year ending 31 March 2017

Audit Plan

20 February 2017

Ernst & Young LLP



Building a better
working world

Audit Committee
Crawley Borough Council
Town Hall
The Boulevard
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RH10 1UZ

20 February 2017

Direct line: 0118 928 1556

Email: PKing1@uk.ey.com

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

Should the information in this plan change as a result of our work, we will provide you with an update of our audit plan when our interim audit has been completed.

We welcome the opportunity to discuss this Audit Plan with you on 7 March 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Paul King
Executive Director

For and behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between 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 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. 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.

1. Overview

Context for the audit

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Crawley Borough Council give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended;
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness; and
- ▶ We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in July 2017.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
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Risk of management override As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	Our approach will focus on: <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ Reviewing accounting estimates for evidence of management bias, and ▶ Evaluating the business rationale for significant unusual transactions.
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2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls 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 any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

For 2016/17 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

We are still in the process of completing our risk assessment and will continue to update this during the course of our planning and interim work. Based on the work we have completed to date, we have not identified any significant risks which we view as relevant to our value for money conclusion.

We will keep our risk assessment under review throughout our audit and communicate to the Audit Committee any revisions to our risk assessment and additional local risk-based work we may need to undertake as a result.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit and regularity audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also:

- ▶ Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.
- 2. **Arrangements for securing economy, efficiency and effectiveness (value for money)**

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal Audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions Valuation	EY Pensions team review of PwC's review of local government actuaries, which includes Hymans Robertson LLP.
Property, Plant & Equipment Valuations	EY Estates team review of Gerald Eve LLP report on the overall valuation movements of tangible fixed assets for 2016/17.

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement;
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO; and
- ▶ Satisfying ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statement of the Council is £2,725,600 based on 2% of 2015/16 audited gross expenditure. We will communicate uncorrected audit misstatements greater than £136,280 to you. We will revisit this figure when the draft 2016/17 financial statements are available.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Crawley Borough Council is £65,313 with an additional estimated indicative fee of £11,801 for the certification of the housing benefit subsidy claim.

4.6 Your audit team

The engagement team is led by Paul King, who has significant experience in auditing local government clients. He is supported by Malcolm Haines as manager who is responsible for the day-to-day direction of audit work and is the key point of contact for the Council's finance team.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	February 2017	March 2017	Audit Fee Letter Progress Report
Risk assessment and setting of scopes	February 2017	March 2017	Audit Plan
Testing routine processes and controls	March 2017	March 2017	Progress Report
Year-end audit	June/July 2017	As below.	As below.
Completion of audit	July 2017	July 2017	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; and, [by exception] overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	By 31 October 2017	November 2017	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Paul King, the audit engagement Executive Director and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £	Explanation
Opinion Audit and VFM Conclusion	65,313	65,313	65,313	
Total Audit Fee – Code work	65,313	65,313	65,313	
Certification of claims and returns ¹	11,801	11,801	11,386	
Non-audit work	0	0	0	

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;
- ▶ We can rely on the work of internal audit, where planned;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the [Audit Committee]. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	► Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balances on initial audits [delete if not an initial audit] 	► Audit Results Report
Misstatements <ul style="list-style-type: none"> ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant 	► Audit Results Report
Fraud <ul style="list-style-type: none"> ► Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud 	► Audit Results Report
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity 	► Audit Results Report
External confirmations <ul style="list-style-type: none"> ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures 	► Audit Results Report
Consideration of laws and regulations <ul style="list-style-type: none"> ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	► Audit Results Report

Required communication	Reference
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement director's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Audit Results Report
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Audit Results Report
Fee Information <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report Annual Audit Letter if considered necessary
Certification work <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<ul style="list-style-type: none"> ▶ Annual Report to those charged with governance summarising grant certification.

UK required communications with those charged with governance

EY | Assurance | Tax | Transactions | Advisory

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