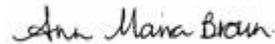


Crawley Borough Council

Audit Committee

Agenda for the **Audit Committee** which will be held in **Committee Room A - Town Hall**, on **Tuesday, 27 November 2018 at 6.30 pm**

Nightline Telephone No. 07881 500 227



Head of Legal, Democracy and HR

Membership:

Councillors

K Sudan (Chair), C R Eade (Vice-Chair), R D Burrett, I T Irvine and
L Willcock

T G Belben

Please contact Democratic Services if you have any queries regarding this agenda.

democratic.services@crawley.gov.uk

Published 19 November 2018

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Switchboard: 01293 438000
Main fax: 01293 511803
Minicom: 01293 405202 DX:
57139 Crawley 1
www.crawley.gov.uk

Town Hall
The Boulevard
Crawley
West Sussex
RH10 1UZ

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

Part A Business (Open to the Public)

	Pages
1. Apologies for Absence	
2. Disclosures of Interest	
In accordance with the Council's Code of Conduct, Councillors of the Council are reminded that it is a requirement to declare interests where appropriate.	
3. Minutes	3 - 6
To approve as a correct record the minutes of the Audit Committee held on 2 October 2018.	
4. Fraud and Investigation Team Report	7 - 10
To consider report FIN/459 of the Operational Benefits and Corporate Fraud Manager.	
5. Progress Report: Internal Audit and Risk Management	11 - 30
To consider report FIN/458 of the Audit and Risk Manager.	
6. Audit Planning Report: Year Ended 31 March 2019	31 - 66
To consider Ernst and Young's Audit Planning Report for the year ended 31 March 2019.	
7. 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

Tuesday, 2 October 2018 at 6.30 pm

Councillors Present:

K Sudan (Chair)

C R Eade (Vice-Chair)

R D Burrett, I T Irvine and L Willcock

Also in Attendance:

Councillor A C Skudder

J Taylor

Audit Manager, Ernst and Young LLP

Officers Present:

Gillian Edwards

Audit and Risk Manager

Karen Hayes

Head of Corporate Finance

Mez Matthews

Democratic Services Officer

Stuart Small

Investigations Officer

1. Disclosures of Interest

No disclosures of interests were made.

2. Minutes

The minutes of the meeting of the Committee held on 25 July 2018 were approved as a correct record and signed by the Chair.

3. Fraud and Investigation Team Report

The Committee considered report FIN/454 of the Operational Benefits and Corporate Fraud Manager, which focused on activity for the period from 9 July 2018 to 16 September 2018. The Operational Benefits and Fraud Manager was unable to attend the meeting and therefore the Investigations Officer presented the report in his absence.

The report indicated that the Team had continued to perform successfully. 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. The Committee sought and received clarification on a number of points raised, including one particular incident of fly-tipping and the Council's ability to investigate that case, as well as the general work load of the Corporate Fraud and Investigations Team.

Agenda Item 3

Audit Committee (13)
2 October 2018

The Committee thanked the Team for its continued hard work, especially the role it played in preventing a degree of fraud being attempted in the first instance. The Committee agreed that whilst this work was unquantifiable it was extremely important and undoubtedly achieved additional savings for the Council.

RESOLVED

That the Investigation Team Report be noted.

4. Progress Report: Internal Audit and Risk Management

The Committee considered report FIN/455 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 2018/2019 Audit Plan, 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 Audit and Risk Manager took the opportunity to brief the Committee on the high priority finding and follow up audits. With regards to the former, the Audit and Risk Manager identified that non-compliance with the Procurement Code had been identified in the supply and recruitment of two ICT Consultants. Following an in-depth discussion, the Committee:

- Noted that this high-priority finding occurred in the context of a project which had itself been the subject of high-priority concerns.
- Noted that the audit only related to the ICT Department, and that the Audit and Risk Manager felt confident that the issue of non-compliance with the Procurement Code when recruiting consultants was not a Council-wide issue. The Audit report had been brought before a meeting of the Corporate Management Team and the information contained within it would be filtered down to all management.
- Was advised that the Procurement Team had been restructured. The team was now fully resourced and able to provide training where necessary. Two new trainee Procurement Officers had also been recruited whose role included ensuring that the Procurement Code was followed across the Council.
- Was reassured that the new Head of Digital and Transformation was aware of the previous non-compliance and taking action to avoid a recurrence.
- Was informed of potential consequences should the Procurement Code not be followed.
- Noted that, following the restructure of the Corporate Management Team, the Head of Corporate Finance was responsible for the Procurement Code. Systems were now in place to cross reference contracts with payment requests.
- Received clarification on the role of the Audit and Risk Manager with regard to the audit.
- Was advised that actions had been agreed to improve the control environment and confirmation of those implementations would be brought before the next meeting of the Audit Committee.
- Was provided more detail in relation to the recent IR35 changes.

The Committee then considered the follow-up to the Data Centre Migration Project audit and discussed the revised figures identified in the report which rectified the initial miscoding. Following concern expressed by the Committee that this still left the project significantly over-budget; almost three years behind schedule and, notwithstanding this, unlikely to fulfil the original specification, the Committee strongly

Agenda Item 3

Audit Committee (14)
2 October 2018

recommended that an independent (external) review take place regarding the all the failures. The Committee was assured that the follow-up audit would not be signed off until all agreed actions, including the review, had been cleared, or an alternative, appropriate action was agreed. The Committee expressed its concern regarding the project overspend and strongly agreed that a review was necessary to understand how the overspend occurred, so that systems and practices could be put in place to avoid such a significant overspend in future. The Committee was keen for a review to take place as soon as practicable. The Head of Corporate Finance advised the Committee that an update report by the Head of Digital and Transformation would be discussed by the Corporate Management Team at its next meeting. Following a question from a Committee member, the Head of Corporate Finance agreed to obtain confirmation as to when the Council would start to pay data hosting fees. The Chair thanked the team, especially the Audit and Risk Manager, for the work which had been undertaken regarding the audit.

The Committee discussed the update provided on Strategic Risk Management. The Committee noted that although work relating to the Corporate Assurance Group had not been detailed in the current progress report, it would be included in the next report to Committee. The Town Hall Project Risk Register was discussed, with the Committee receiving clarification on a number of matters, including the financial implications of delaying the construction programme and the agreed budget for the project.

RESOLVED

That the Committee receive the report and note progress to date, as at 14 September 2018.

5. Annual Audit Letter for the Year Ended 31 March 2018

The Committee considered the Annual Audit Letter from Ernst and Young LLP. The letter was attached to the agenda. The Audit Manager for Ernst and Young LLP presented the Letter which provided a summary of Ernst and Young's assessment of the Council for 2017-2018 and highlighted the issues. The Committee sought and received clarification on a number of points including Ernst and Young's role as Auditors in assessing value for money risk in relation to the new Town Hall, how the future changes in accounting standards might impact the Council and reporting thresholds.

RESOLVED

That the Annual Audit Letter for the Year Ended 31 March 2018 be noted.

Closure of Meeting

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 8.10 pm

Chair

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Agenda Item 4

Crawley Borough Council

Report to Audit Committee

27 November 2018

Fraud and Investigation Team Report

Report of the Operational Benefits & Corporate Fraud Manager - Report no. FIN/459

1. Purpose

- 1.1 The report describes the activity of the Corporate Fraud & Investigation Team for the period 17 September 2018 to 12 November 2018. All outcome figures are taken from closed cases. Year to date figures are also included in the report for 2018/19.

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 Corporate Fraud & Inspection 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
Council Tax Reduction Scheme	17
Housing Applications	11
Housing Investigations (General)	9
Housing non occupation	22
Housing Right to Buy	10
CT Single person Discount	2
Enforcement Breach	1
Legacy Housing Benefits	1
Non Domestic Rates	1
Total	74

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

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4.1 Housing Fraud

During the reporting period the team have achieved the following:

	<u>In period</u>	<u>2018/19 (YTD)</u>
Properties recovered	1	7
Prevented allocation (inc homeless applications)	1	5
Properties recovered for our RSL partners	0	3
Stopped Right to Buy (actual discount value)	3 (£242,700)	7 (£561,700)
Notional value of savings	£274,700	£831,700

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 had the sale of the property gone through.

4.2 Single Person Discount (Council Tax Inspectors & Investigators)

A 25% discount in Council Tax liability is given to households where only 1 adult is resident.

The investigators and inspectors throughout the year will routinely look into referrals received from the public or other means suggesting there are 2 adults resident and therefore not eligible to the discount.

	<u>In period</u>	<u>2018/19 YTD</u>
Discounts removed	3	18
Loss being recovered	£3,981	£14,478

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	2018/19 (YTD)	In period	2018/19 (YTD)
New billable CT or Rates	£127,094	£481,425	£1,048,275	£3,558,715

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5 Significant Cases

5.1 Council Tax Fraud

A resident was recently prosecuted for supplying false student certificates in order to gain a Council Tax exemption. Had the exemption been fully granted she would have received a reduction of £2000 in Council Tax.

The Taxation team referred their suspicions to the fraud team who quickly verified the student documents presented to the council were counterfeit. During the interview under caution our resident fully admitted the offences. The case was heard at Crawley Magistrates where she was sentenced to a 12 Month Community Order with 150 hours of unpaid work and ordered to pay £500 costs.

5.2 Fly-tipping

A Bewbush resident pleaded guilty to an offence under the Environmental Protection Act 1990 at Crawley Magistrates' Court.

In April 2017, the council received an anonymous tip-off that a man was fly-tipping in a residential car park in Gasson Wood Road, Bewbush. Community Wardens attended the scene and were provided with video footage by a witness, which showed a large amount of rubbish being dumped from the back of a tipper van.

An investigation led by the council's Fraud Team gathered evidence which identified the culprit. The van he used in the fly-tipping was uninsured, untaxed and without an MOT.

He was sentenced by the court to a 12 month Community Order and ordered to pay £171 in compensation, which was the cost of clearing up the rubbish. In addition, he also received a 12 month driving disqualification and a three month curfew.

6 Implications

6.1 There are no implications from the report.

7 Background Papers

7.1 None

Report author and contact officer: Chris Corker, Operational Benefits & Corporate Fraud Manager (telephone 01293 43 8598)

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Crawley Borough Council

Report to the Audit Committee

27th November 2018

Progress Report and Risk Management

Report of the Audit and Risk Manager – FIN/458

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, as at 9th November 2018.

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 2nd October 2018, the following review has been completed.

Audit Title	Audit Opinion
Fraud Risk Assessment	Substantial Assurance
Community Grants	Limited Assurance

4.2 Work in Progress

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

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4.3 High priority findings in this period

We have identified 2 high priority findings in this period which were as follows:

Community Grants 2018/2019 - 2 High priority findings

We have recently undertaken a review of the award of Community Grants to ensure that all grants awarded were supported by relevant documentation and met the laid down criteria.

Whilst we were satisfied that there was sufficient documentation to confirm eligibility for the grants awarded, we were unable to see evidence to confirm the process followed when making the grant award, in verifying that all documentation and evidence had been received from the organisation, and that they met the eligibility criteria.

In addition, we identified that adequate segregation of duties are not in place, with one officer making the decision to award the grant, but with no secondary check, even on a sample basis, to confirm eligibility.

Action has been agreed to improve the controls in the award of Community Grants and we will report progress on implementation at the next meeting of this Committee.

4.4 Follow up Audits

Procurement – Use of ICT Consultants 2018/2019 - 1 High Priority Finding

During this audit, which we reported at the last Audit Committee, we raised one high priority finding in respect of the importance of ICT improving the accuracy of the estimates that they use to select the appropriate Procurement route for the hire of consultants or contractor staff in line with the Procurement Code.

It has been confirmed with the Head of Digital and Transformation that since the action was agreed, no consultant or contractor staff have been procured in the ICT department.

The Digital and Transformation team are now clear on the process of estimation and the various procurement routes that need to be adhered to having discussed this with the Procurement Team. This issue will be covered in more detail at a Procurement training session on 27th November, and will also cover precise processes that support rolling licencing contracts and how they are managed appropriately.

We also raised a finding in respect of the Contracts Register not having been updated with relevant ICT contracts and we have confirmed that these are now included. The 16 contracts identified in the audit report were during a four year period, and 13 are closed. It is not possible to put closed procurements on the register. The three that remain current have a total value of £78,170 and have been added to the register.

Another issue that we identified was in respect of Procurement training in the ICT department, and we have confirmed that the Digital and Transformation management team have met with the Procurement lead within the Procurement Team to clarify some of the existing requirements and a further training session

Agenda Item 5

has been arranged with the Procurement Team. This is scheduled for the 27th November and will involve the entire Digital and Transformation management team.

Data Centre Post Project Review

Significant work continues to both complete the project and to address the weaknesses identified around project management and governance. The project remains on track to be completed in February 2019 with 90% of servers and 94% of applications now migrated against the schedule. Discussions are underway with suppliers to provide a post-implementation review once the project is complete. A referral has been made to Scrutiny seeking further information about the causes and accountability for this project. Officers are preparing a response in anticipation which will be made available to the Audit Committee. Substantial activity is being undertaken to ensure there is an appropriate level of project management and governance around other IT projects and programme. The terms of reference and membership of the IT Board have been reviewed to this end following a recommendation from the Corporate Project Assurance Group (see below).

4.5 Corporate Project Assurance Group

The Corporate Project Assurance Group has been established to provide assurance that project management and governance arrangements for the Council's key projects are sufficiently strong. The need for this group had been established by the Chief Executive prior to the issue of the Data Centre report. This Group consists of the Chief Executive, the Deputy Chief Executive, the Section 151 Officer (Head of Corporate Finance), supported by officers from the Transformation Team and the Audit and Risk section.

The Group has now met twice and considered a range of projects across IT, Housing and Capital Programmes. It meets monthly and looks in depth not only at the current status of the projects, but also how it is overseen and how key decisions are taken in order to test project management and wider governance arrangements. Project Sponsors and Managers attend having completed an initial questionnaire that is used to guide discussions. The Group will use this to form decisions about the project itself but crucially also the governance arrangements for overseeing these projects on an ongoing basis. Once fully established, this group will also assess new projects to ensure that such governance arrangements are in place at the outset.

4.6 Freedom of Information (FOI) Requests

Between 1st September and 9th November 2018 we have processed 154 requests, and of these, 3 responses were sent to the requester outside of the 20 working day deadline. This was largely due to the complexity of the requests.

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5. Strategic Risks Update

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

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

- **Town Hall and District Heat Network**

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 was approved at Full Council on 22nd February 2017. This proposal will require a partial demolition of the current building to allow for the development of a new Town Hall within the site. Planning permission for the scheme was granted on June 5th 2018 and the majority of staff have now been decanted from the proposed demolition area. A risk register for the scheme, attached at Appendix B, is updated by the project team on a fortnightly basis and will be shared with the Audit Committee.

- **LEP Infrastructure – Crawley Growth Programme**

CBC, together with WSCC (the lead body) was successful in securing £14.6 million of Local Growth Fund from the Coast to Capital LEP in autumn 2017, as part of the Crawley Growth Programme – a £60m package of public and private sector funding. These resources are being invested in sustainable transport, highway and public realm infrastructure in the town centre and Manor Royal. The Worth Park Avenue cycle path, the Crawley town centre signage scheme and the Real Time Passenger Information upgrades at bus shelters across Crawley have already been completed. Some additional town centre signage will be installed before the end of 2018-19.

The principal purpose of the Crawley Growth Programme investment will be to help bring forward regeneration sites to achieve new homes, jobs, and commercial space.

The Programme is being delivered over the period 2017 to 2021, founded on dialogue and active partnership working with stakeholders such as Metrobus, the Manor Royal BID, Gatwick Airport Ltd, Network Rail and site developers. It is being overseen by the Crawley Growth Board, chaired by CBC's Chief Executive and CBC key decisions on schemes going forward will be subject to Cabinet approval and associated due process.

Part of the Crawley Growth Programme, includes the Queensway and The Pavement public realm improvement scheme (the next phase of town centre regeneration after Queens Square). The contractor, Blakedown, has been appointed to undertake the works for this scheme and is due to commence on site in January 2019 through to October 2019. Design work has begun on several other Crawley Growth programme schemes,

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including Station Gateway, Eastern Gateway, and Manor Royal Gatwick Road sustainable transport improvements. An update on the programme was reported to Cabinet in June 2018 [PES/298](#).

- **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 formally agreed to extend the S106 funding spend deadline 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. These funds are being combined with the above S106 resources along with over £1 million of Community Infrastructure Levy (approved by Cabinet on 7th February 2018).

The Three Bridges station scheme Programme Manager has been working closely with GTR Southern and Network Rail in order to progress delivery of the scheme to detailed design stage with the aim of submitting a planning application next year. GTR Southern and Network Rail have both joined the Three Bridges Project Steering Group alongside Crawley Borough Council and West Sussex County Council. On 21st March Cabinet approval was secured to commence work on the detailed design stage and to undertake comprehensive traffic modelling to determine the impact on traffic flows of the scheme, taking account of the recently upgraded traffic lights infrastructure outside Three Bridges station on Haslett Avenue East. The modelling / detailed designs are due to complete in spring 2019.

Delivering the affordable housing programme

The Administration has pledged to build as much affordable housing for local people as possible. Delivery is being programmed through the Strategic Housing Board and scrutinised at CMT and through the Corporate Projects Assurance Board. Current projections for the next 4 year delivery period (2018-2021) indicate that delivery can be maintained at a similar level to the previous 4 year monitoring period at just over 1000 new affordable homes. Approximately 2/3rds of this delivery will be by the Council and the remainder by other Registered Providers of affordable housing.

The 2017/2018 Budget Monitoring – Quarter 2 [FIN/427](#) report to Cabinet on 29 November 2017 identified in section 9 that over £7.7m of 1-4-1 receipts had been used to partially fund purchase of properties. However there had been delays on some housing schemes that had resulted in £1.4m being repaid back to Government. The 9 January 2018 Councillors Information Bulletin [IB/906](#) provided more detail on these delays. The officer Strategic Housing board meet on a regular basis and review the use of 1-4-1 receipts; any future risks will be highlighted through the Quarterly Monitoring Reports to Cabinet and in the Councillor Information Bulletin. Spend is currently on track.

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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. HRA and 1.4.1 receipt funding is currently fully committed, however, the HRA debt cap has been abolished providing the opportunity for additional Prudential borrowing. This will enable The Council to proceed with a number of sites to maintain its own build programme. .

The decision to leave the EU may impact upon the costs of housing schemes as future restrictions may increase labour costs, this will be monitored over the coming years.

Future Income Streams and Transformation Agenda

In preparation for the New Town Hall the Council has agreed a wider transformation programme to prepare the organisation for a new era and to help us meet future demand, needs and financial pressures. The pillars (in addition to the New Town Hall) within the plan are Digital Transformation, New Ways of Working, Values and Behaviours, Redesigning Services, Commercial Approach (a separate risk is being created for this) and Blitz on Bureaucracy. At a high level the key risks are:

- The interdependencies between the areas of work are not managed putting at risks key elements of the plan
- The capacity required by the transformation programme takes resources away from core delivery impacting negatively on performance, finance and reputation
- Services are not prepared for the move to the new town hall putting performance at risk, impacting negatively on service provision and/or creating non-planned for additional costs (or reduced income)
- Staff are not prepared for the move to the new town hall impacting on motivation recruitment and retention
- Technology does not support the desired ways of working impact on performance, finance and morale

To begin to manage these risks, a new Transformation Board at CMT level has been created that brings together a high level plan to ensure coherence, manage interdependencies and change, allocate resources and ensure delivery. Since July, this group has been receiving regular updates. A full risk analysis is to be undertaken once current negotiations on the New Town Hall are completed as outcomes will affect analysis. A further senior management group – Corporate Project Assurance Group - has also been created and the first meeting will be held on 20th September 2018. This group will identify the key projects and risks beyond the transformation programme to oversee delivery and manage any negative impact from the constraint of capacity and resources. Agendas are being driven by an initial risk analysis. Both bodies will undertake a more detailed risk analysis for their respective areas in the coming weeks.

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

Agenda Item 5

host at the data centre. Since June 2017 90% of Virtual servers and 94% of data has been migrated to the Surrey Data Centre.

A 2nd Phase of work is now being planned to move additional Physical infrastructure to the Surrey Data Centre, including additional storage to support EIM and backups.

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. There is a link from this building to the Surrey Data Centre so that most IT systems will remain operational in the event of the Town Hall being out of operation and it will be possible for staff to access the CBC network via this link. There is corporate Wi-Fi installed at Bewbush which will allow access for up to 70 users at the Bewbush Centre using laptops or tablets together with a small number of desktop network points.

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.

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 2018/19 [FIN/434](#) report to Cabinet on 7th February 2018 showed that we achieved a balanced budget despite a 44.54% reduction in revenue support grant, efficiencies were identified and the Budget Advisory Group scrutinised growth bids which were accepted including investment town wide in shrub bed removal. The budget Strategy report was approved by [Cabinet on 31st October 2018](#), in addition projections are being constantly updated. The Fair Funding Review from 2020/21 makes it very difficult for all Local Authorities to project forward as the outcome will not be known until December 2019. As a result there will be the need to transfer either to or from reserves in 2020/21.

Projections will be updated when the outcome of Town Hall tendering is finalised. 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. In addition the Chief Executive together with the Head of Corporate Finance have undertaken a 'challenge of budgets' with all Heads of Service – this has resulted in savings and efficiencies which will assist in meeting future budget gaps.

The refreshed 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.

The impact of the decision to leave the EU may have a detrimental impact on the Council's objectives and finances, this will be reviewed as part of future budget strategy reports and the annual budget report.

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

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to problems with recruitment and retention in roles such as Finance, IT, and some Housing roles. HR staff are working with managers to ensure we promote these roles effectively, HR have supported on a number of interview assessments to ensure the best possible outcome.

With the introduction of the apprenticeship levy an area where the Council are in direct competition with organisations who can offer greater levels of remuneration in the way of benefits and incentives. To mitigate the risk of low recruitment levels the HR team have worked with recruiting managers to design tailored apprenticeships and have expanded the range of professions for which apprenticeships are available. HR have undertaken a comprehensive rewrite and redesign of apprenticeship promotional materials, the website, vacancy adverts and job descriptions. HR have increased the activity promoting apprenticeships by visits to schools and attendance at career fairs. The apprenticeship levy will require continuous resourcing and ongoing promotion and will be an area of continued challenge for the Council in attracting apprentices.

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. There are a number of benefits available to employees and by raising the profile to prospective employees and raising the profile to existing staff of incentives including different ways of working can support with recruitment incentive and retention.

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.

Summary of Current Strategic Risks

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

The risk of Terrorist Attacks has been removed. The UK terror threat level has recently been reduced from “critical” to “severe”.

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 2018/2019 [FIN/438](#)
Internal Audit Reports 2017/2018 and 2018/2019

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

Internal Audit Plan 2018/2019

Progress Report as at 9th November 2018

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
A. Work Completed in the Current Period				
Fraud Risk Assessment Procurement	2018/19	Substantial		
Community Grants	2018/19	Limited	2	
B. Work In Progress				
New Town Hall	2018/19			Ongoing advice to Project Team
Community Centres	2018/19			
Health and Safety	2018/19			
K2 Tender – review of contract award	2018/19			
Gas Servicing – review of contract award	2018/19			
Taxi and Private Hire Vehicles Licensing Audit	2018/19			
NNDR	2018/19			
Corporate Project Assurance Group	2018/19			Provide audit and risk support
C: Follow Ups				
Procurement - Use of IT Consultants	2018/19			
Data Centre Migration Project	2018/19			
FOI Requests – day to day work				
Other Work				
Mid Sussex District Council	2018/19			Work is ongoing.

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**TOWN HALL PROJECT
RISK REGISTER**

Likelihood	Impact
5 = Very High	5 = Catastrophic
4 = High	4 = Critical
3 = Significant	3 = Moderate
2 = Low	2 = Marginal
1 = Very Low	1 = Negligible

Risk Score = Likelihood x Impact

All risks with a score of 10 or more are considered serious

File Ref: Town Hall Development	Created by: Mike Pidgeon
Name of Doc: Risk Register	Date Created: 02/03/2017
Version No: V13	Monitored by: Project Board
File path: T:\Town Hall Project\townhallprojectriskregister .doc	Date Printed: 19/11/2018
	No of Pages 1 of 1

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
Design & Construction Risks						
D1	Listing of existing Town Hall building	2 5 10	1 1 1	1 1 1	<ul style="list-style-type: none"> COI granted and risk now only that demolition work not completed by March 2023. 	
D2	Planning conditions requires amending which impacts on financial viability of the scheme.	2 4 8	1 1 1	1 1 1	<ul style="list-style-type: none"> Pre app meetings held between Westrock and planning officers Conditions for the scheme have been identified so that ownership and dates can be agreed. 	RISK CHANGED FROM 2 3 6
D3	Errors in detailed design specification	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> Consultant Architects appointed as our client to oversee design brief 	
D4	Phase 1 decant works delay construction programme	3 5 15	1 2 2	2 4 8	<ul style="list-style-type: none"> Works/moves programme to allow sufficient contingency should programme slip Progress ahead of construction programme 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
					<ul style="list-style-type: none"> Staff move complete and waiting to commence service utilities work. 	
D5	Town Hall comms link relocation works delay construction programme	3 5 15	1 2 2	1 4 4	<ul style="list-style-type: none"> Detailed works/moves programme agreed and signed off by Project Board/CMT Works/moves programmed to allow sufficient contingency should programme slip 	
D6	CBC lacking the necessary experience and/or skills to complete the development. <ul style="list-style-type: none"> ICT Commercial letting & Mgt 	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Consultant Architect and other consultants appointed to supplement in-house resources and expertise. Appointment of new DCeX, handover given and greater involvement from CeX 	
D7	Members facilities do not meet their requirements	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Regular consultation with Members and Member Working Group Member sign-off to this element of the final design brief of these elements 	
D8	Staff facilities / infrastructure do not meet their requirements.	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Regular consultation with staff via a number of formats Close liaison with staff groups during stage 4 design stage Desk ratio demonstrates meeting needs and will work with staff to co-ordinate remaining elements. 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
					<ul style="list-style-type: none"> • Will be delivering office etiquette guidelines and trails for new ways of working 	
D9	Customer facilities do not meet their requirements	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> • Crawley Homes Tenants Panel have been consulted. • Will undertake a consultation with customers • Will offer significant improvements to current arrangements. 	
D10	Commercial office space including car park specification/design not attractive to potential occupiers.	2 4 8	1 2 2	2 3 6	<ul style="list-style-type: none"> • Design set at required level to attract commercial occupiers • Will ensure communal space and entrance area is attractive and floors will meet Grade A requirements. • We are receiving ongoing feedback from commercial agents as part of the One Public Estate exercise • Impact of demolition area and public square may deter occupiers in first few years. • Car Park Management Plan to be approved by planning. 	
D11	Council involvement in the procurement of the demolition contractor results in lack of clarity between roles, hours of working and retention of materials.	3 4 12	1 1 1	2 3 6	<ul style="list-style-type: none"> • Discussions with demolition contractor to ensure requirements are outlined in tender documents 	D&C sub group

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
					<ul style="list-style-type: none"> Change to timeline gives time to clarify responsibilities before services disconnection 	
D12	Provision of the internal wall during the demolition period does not meet planning conditions	3 3 9	1 1 1	3 3 9	<ul style="list-style-type: none"> Discussions with demolition contractor to ensure requirements are outlined in tender documents 	D&C sub group
D13	Drainage and sewers are damaged during demolition	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> Discussions with demolition contractor to ensure requirements are outlined in tender documents 	D&C sub group
D14	Delays to commencing demolition work whilst retain vacant office / civic space.	2 2 4	1 2 2	3 2 6	<ul style="list-style-type: none"> Civic / Chamber space available until June 2019 Reduction to business rates when services disconnected Loss of revenue from Civic from June 2019 	D&C sub group
D15	Building as completed not to required quality/specification	2 4 8	1 2 2	2 3 6	<ul style="list-style-type: none"> Establish robust project management structure Maintain regular contact between CBC/developers to monitor construction against design specification Regular design team meetings held Appoint Clerk of Works to oversee construction 	
D16	District Heat Network not being progressed impacts detrimentally on overall scheme	2 2 4	1 2 2	3 3 9	<ul style="list-style-type: none"> Subject to business case funding obtained for initial phase of network 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
					<ul style="list-style-type: none"> Initial network only extended outside of current scheme after commitment obtained from future partners Initial network to be constructed as part of phase 1 of the scheme Sufficient resources/project management allocated to project. Project Manager appointment New design and business case to September Cabinet 	
Legal or Contractual Risks						
L1	Errors or omissions in legal or contractual documentation	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Internal/External procurement and legal advice taken on all aspects of the contractual arrangements. Legal agreements signed 18Oct having sought external advice throughout negotiations. 	
L2	Decision gateways and need for CBC authority result in delays making key decisions	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> Clear decision making leads identified at member and officer level agreed by Cabinet Robust project management and Governance structure established Continued working with consultants to ensure work to timeline. 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
L3	Final detailed negotiations failed	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> Regular contact at senior level within both organisations with a clear understanding of both parties' main objectives. First stage agreement signed 18Oct with project progressing to obtain total tender prices. 	
L4	Impact on scheme re: changes in planning regulations in respect of starter homes	2 4 8	1 2 2	2 3 6	<ul style="list-style-type: none"> Regular review of potential changes. Valuation for viability study based on likely levels 	
L5	Westrock unable to obtain development funding for project Phase 2 (market housing)	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> Project agreement will stipulate time period, with CBC having the option to develop. 	
L6	Ensuring legal agreements for affordable housing reflect CBC requirements including covenant for land ownership transfer for Babcock site.	3 3 9	3 3 9	3 3 9	<ul style="list-style-type: none"> Documented requirements for 11,625sqft Legal advice on final documents to ensure CBC requirements are met 	AH working group risk
L7	Values of offices/housing change significantly before the agreement is signed	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Valuations obtained, these will be refreshed during the project 	
L8	Affordable housing element of scheme not deliverable or RSL not interested in scheme	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> CBC to fund top up payment Rental/shared ownership mix to reflect most attractive option To review before next Audit Committee to review progress on current levels of interest. 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
					<ul style="list-style-type: none"> Preferred RP within budget with a further choice if required 	
L9.	Health & Safety – ensure compliance during and after the construction period and for the future.	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Robust project management from construction contractor(s) Consultation programme to include all relevant authorities with regard to health & safety matters 	
Financial Risks						
F1	Project exceeds budget	2 4 8	1 4 4	3 4 12	<ul style="list-style-type: none"> Budget agreed and clearly communicated in Final design brief Regular Project Board and Steering Group meetings to review and keep cost projections up to date Identify robust contingencies sums Identify value engineering opportunities Soft market testing to consider construction and build options. CBC to consider alternative Plan. 	<ul style="list-style-type: none"> Historic England review has caused delays in tendering process Inflation has increased likely build costs
F2	Cost of Project borrowing affected by interest rate fluctuations	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> Projections are currently estimating interest rates higher than the current market, indications are that interest rates may increase in third quarter of 2018. 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
F3	Business Rates for new Town Hall higher than estimated (cannot guarantee the valuation)	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> Current projections based on business rates at existing rates and smaller Town Hall. Will work with valuation office when building works progress. Will minimise liability of vacant offices by delaying completion statements 	
F4	Unable to secure Homes England grant funding towards the Affordable Housing scheme	2 2 4	2 2 4	2 2 4	<ul style="list-style-type: none"> Sufficient budget threshold if funding cannot be achieved 	AH working group
Communication Risks						
C1	Loss of support/ opposition for project (Members)	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Robust communication and stakeholder consultation plan Maintain involvement throughout and set out clear responses/justification to consultation responses in order to manage expectations Regular consultation with Members to ensure scheme as finally proposed has cross-party support. Local elections May 2019 	
C2	Loss of support / opposition for project (Staff)	2 2 4	1 2 2	2 2 4	<ul style="list-style-type: none"> As above (4a) but tailored approach Delivered some small scale additional benefits for staff during decant period 	
C3	Loss of support / opposition for project (public)	2 2 4	1 2 2	2 2 4	<ul style="list-style-type: none"> As above (4a) but tailored approach 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
					<ul style="list-style-type: none"> Regular press releases More likely increase around demolition 	
C4	<p>Management of the project does not meet required standards for audit & risk.</p> <p>Procurement rules met for contracts</p>	3 4 12	2 2 4	2 3 6	<ul style="list-style-type: none"> Sub Group created to consider risks, audit and procurement to ensure compliance with requirements. Regular support and attendance from team 	Risk to be reduced to reflect additional governance in place.

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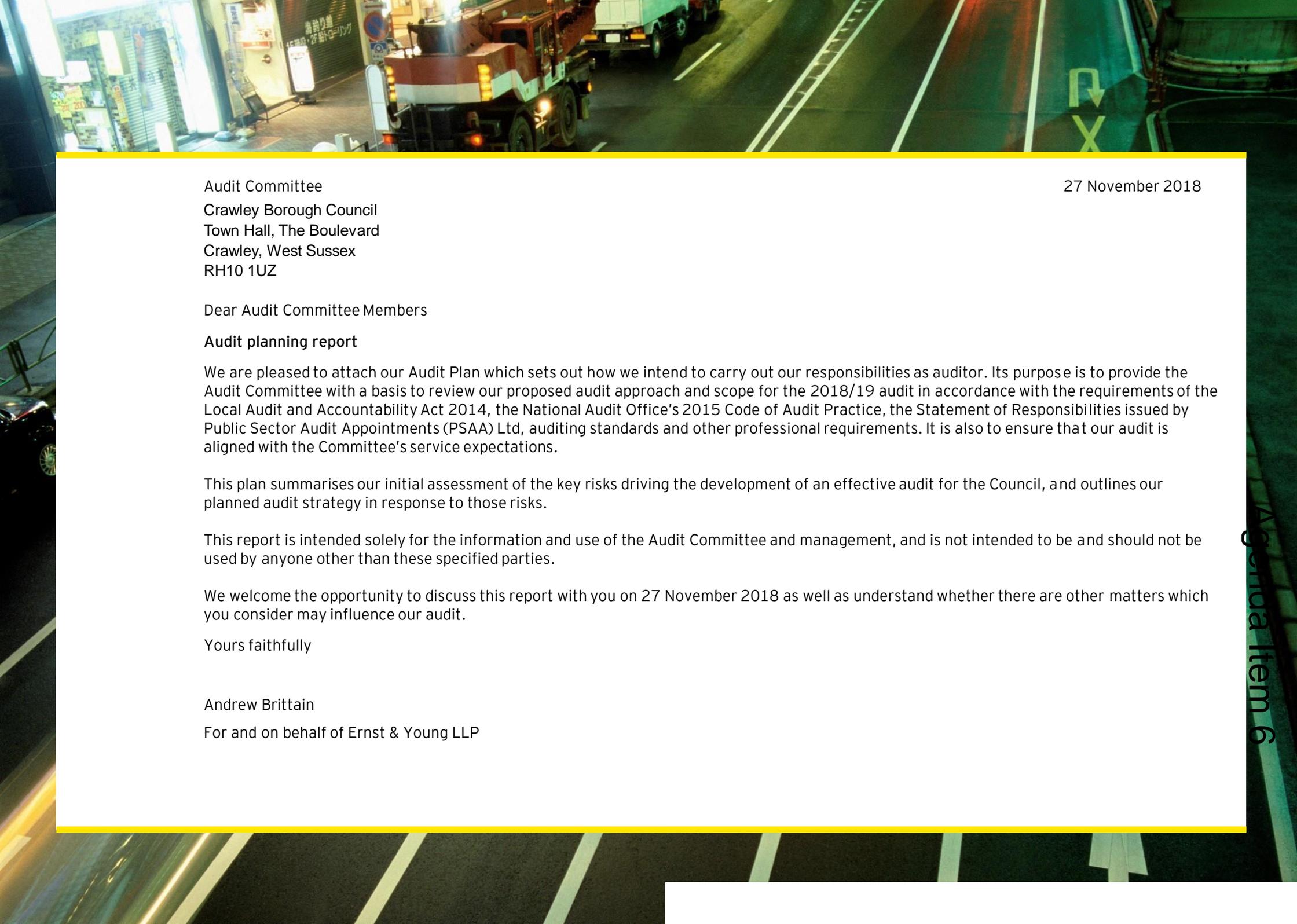


**Crawley Borough
Council**
Audit planning report
Year ended 31 March 2019

27 November 2018



Building a better
working world



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

27 November 2018

Dear Audit Committee Members

Audit planning report

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 2018/19 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.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 27 November 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain
For and on behalf of Ernst & Young LLP

Agenda Item 6

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Crawley Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Crawley Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Crawley Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2018/19 audit strategy



Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively. Misstatements could affect the capitalisation of additions to Property, Plant and Equipment (2017-18: £20,942,000).
Valuation of Land and Buildings	Inherent Risk	No change in risk or focus	Property, Plant and Equipment was valued at £793,060,000 at 31 March 2018 and Investment Properties were valued at £21,322,000 as at that date. These represent significant balances in Crawley Borough Council's accounts and will be subject to valuation changes. Investment Properties and high value items of Land and Buildings are valued at the reporting date. For Council Dwellings and the remaining Other Land and Buildings, Wilks, Head and Eve undertake detailed revaluation work at the end of December and the Council applies an adjustment to reflect estimated valuation movements in the last three months of the year. We note that on 29 th March 2019 the UK is scheduled to leave the European Union and that fluctuations in value will be difficult to predict around this time.
Valuation of Pension Fund Assets and Liabilities	Inherent risk	No change in risk or focus	Crawley Borough Council's pension fund assets and liabilities are material estimated balances and the Code requires that the liability be disclosed on the Council's balance sheet. At 31 March 2018 the net liability was valued at £3,223,000. However, as noted in our Audit Results Report for 2017-18, that net balance was stated gross of an unadjusted difference of £2,185,576, being Crawley's share of the difference between the actuary's valuation of the Pension Fund's assets and the Fund's auditor's assessment of those asset values. We note that on 29 th March 2019 the UK is scheduled to leave the European Union and asset values may be particularly difficult to estimate around this time. We note also that ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

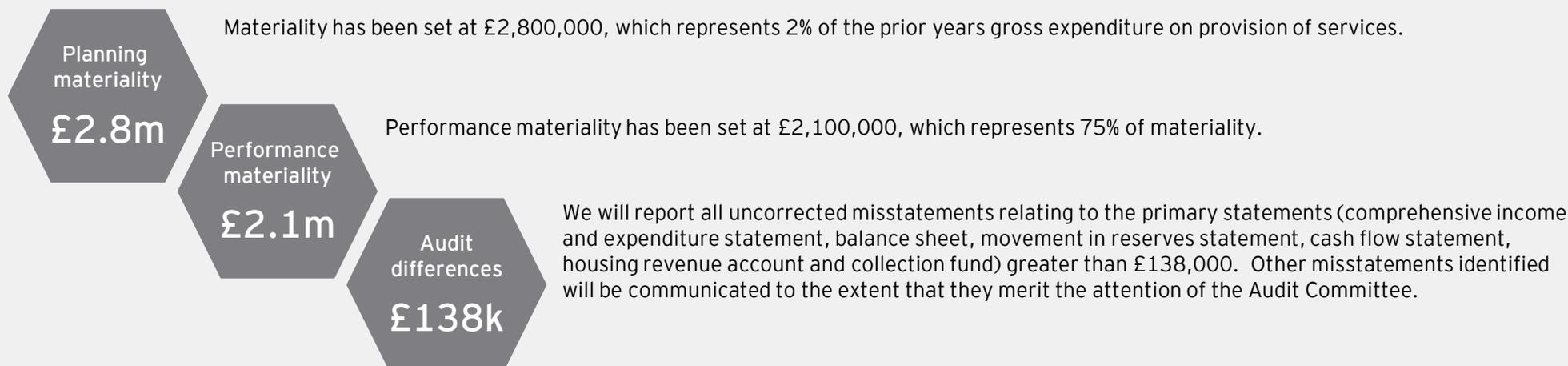
Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of NNDR Appeals Provision	Inherent risk	No change in risk or focus	Crawley Borough Council's NNDR Appeal Provision was valued at £2,648,000 at 31 March 2018. This is a high value estimate driven by internal calculations.
New Accounting Standards	Area of Audit Focus	New area of audit focus	IFRS9 and IFRS15: These new accounting standards are applicable for local authority accounts from the 2018/19 financial year. Materiality, implementation arrangements and the impact of new disclosure requirements will need to be reviewed.

Materiality



Overview of our 2018/19 audit strategy

Audit scope

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 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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.

Audit team changes



Associate Partner

Andrew Brittain

Andrew replaces Paul King as Associate Partner. Jo Taylor (Manager) and Xi Jiang (Lead) provide continuity within the team.



02

Audit risks



Our response to significant risks

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 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.

Misstatements could affect the capitalisation of revenue expenditure to Property, Plant and Equipment (2017-18: £20,942,000).

What will we do?

- ▶ 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, including; testing of journal entries and other adjustments in the preparation of the financial statements, enquiring to ensure no significant transactions were made outside the normal course of business
- ▶ Sample testing additions to Property, Plant and Equipment to confirm they meet appropriate criteria for capitalisation. In particular, New Town Hall spend and spend associated with the proposed heat distribution network (which at the time of writing this report has no planning permission).

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Valuation of Land and Buildings

Property, Plant and Equipment was valued at £793,060,000 at 31 March 2018 and Investment Properties were valued at £21,322,000 as at that date. These represent significant balances in Crawley Borough Council's accounts and will be subject to valuation changes. Management is required to provide material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Detailed valuation work is undertaken by the Council's valuers Wilks, Head and Eve. We note that there is no in-house RICs qualified experience within the Council.

Investment Properties and high value items of Land and Buildings are valued at the reporting date. For Council Dwellings and the remaining Other Land and Buildings, Wilks, Head and Eve undertake detailed revaluation work at the end of December and the Council applies an adjustment to reflect estimated valuation movements in the last three months of the year. We note that on 29th March 2019 the UK is scheduled to leave the European Union and that fluctuations in value may be more difficult to predict around this time.

What will we do?

We will:

- ▶ Consider the work performed by the Council's valuers Wilks, Head and Eve, including the scope of the work performed on valuations at 31 December 2018 and a comparison of valuation findings with market trends and Land Registry data; data and assumptions used by the valuers; and qualifications and expertise.
- ▶ Confirm effective procedures are applied by the Council to roll forward valuations from 31 December 2018 to the year end.
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Properties. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- ▶ Review any assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated.
- ▶ Consider changes to useful economic lives as a result of the most recent valuation.
- ▶ Test accounting entries have been correctly processed in the financial statements.
- ▶ Review arrangements to calculate movements in last three months of the year for Council Dwellings and Other Land and Buildings. We will test calculations in detail and check they are reflected in the draft accounts.
- ▶ Review valuer reports and findings to determine whether specialist EY valuer review of methodologies, data and assumptions is required.
- ▶ Horizon scan and potentially seek auditor expert input to determine whether fluctuations captured by the Council are in line with wider movements across the UK economy as the country leaves the European Union.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Valuation of Pension Fund Assets and Liabilities

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.

Crawley Borough Council's pension fund assets and liabilities are material estimated balances and the Code requires that the liability be disclosed on the Council's balance sheet. At 31 March 2018 the net liability was valued at £3,223,000. However, as noted in our Audit Results Report for 2017-18, that net balance was stated gross of an unadjusted difference of £2,185,576, being Crawley's share of the difference between the actuary's valuation of the Pension Fund's assets and the Fund's auditor's assessment of those asset values.

Asset and Liability values captured in Crawley Borough Council's 2018-19 accounts will again derive from information issued to the Council by the actuary to West Sussex County Council and will again involve significant estimation and judgement.

We note that on 29th March 2019 the UK is scheduled to leave the European Union and asset values may be particularly difficult to estimate around this time. We note also that ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Valuation of NNDR Appeals Provision

NNDR Appeals Provision (£2,648,000 at 31 March 2018).

Crawley Borough Council's NNDR Appeal Provision was valued at £2,648,000 at 31 March 2018. This is a high value estimate driven by internal calculations.

What will we do?

We will:

- ▶ Liaise with the auditors of West Sussex County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Crawley Borough Council.
- ▶ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used.
- ▶ Review and test the accounting entries and disclosures made within Crawley Borough Council's financial statements in relation to IAS19.
- ▶ Horizon scan and potentially seek auditor expert input to determine whether fluctuations captured by the Council are in line with wider movements across the UK economy as the country leaves the European Union.

We will:

- ▶ Agree data used to calculate the provision to reports received from the Valuations Office Agency.
- ▶ Confirm appeals percentage provided for is inline with the government's baseline data for predicting business rates appeals.
- ▶ Repeat perform calculations to confirm arithmetical correctness.
- ▶ Compare the level of appeals at 31 March 2019 and 31 March 2018 to assess the reasonableness of amounts provided for at year end.



Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

What will we do?

New Accounting Standards

IFRS 9 financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- ▶ How financial assets are classified and measured;
- ▶ How the impairment of financial assets are calculated; and
- ▶ The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

We will:

- ▶ Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19.
- ▶ If significant:
- ▶ Consider the classification and valuation of financial instrument assets;
- ▶ Review new expected credit loss model impairment calculations for assets; and
- ▶ Check additional disclosure requirements.

We will:

- ▶ Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19.
- ▶ If significant:
- ▶ Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- ▶ Check additional disclosure requirements.

03

Value for Money Risks





Background

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. This is known as our value for money conclusion.

For 2018/19 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.

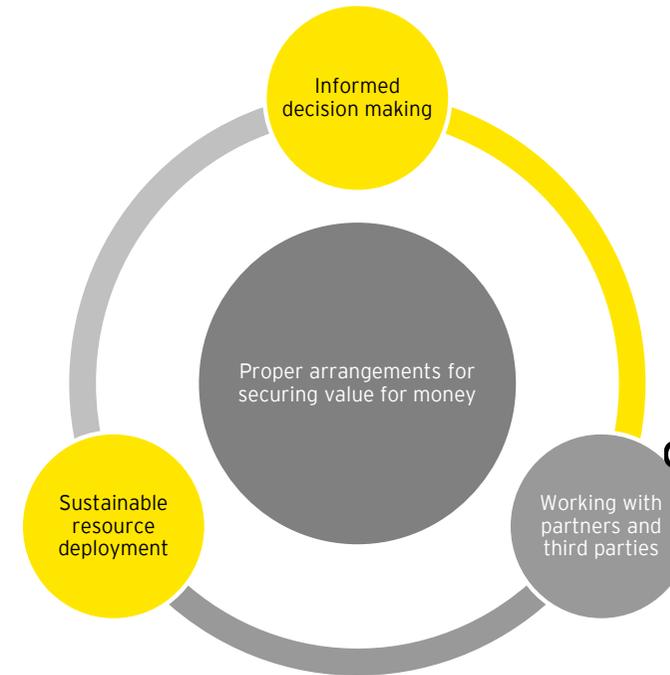
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

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"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks in so far as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this has included consideration of the steps taken by the Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Council will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risks noted on the following page which we view as relevant to our value for money conclusion.





Value for Money

What is the significant value for money risk?

New Town Hall Project: Informed Decision Making:

The project to demolish the existing Town Hall and replace it with a new Town Hall; affordable housing; car parking; and a heat distribution network has been under discussion and consideration for more than a year. To date though, material sums have not been spent on the project.

Planning permission has been obtained for the New Town Hall construction but at the time of writing this report, it was understood that there were other elements (e.g. heat distribution network) yet to receive planning permission.

Crawley Borough Council exchanged New Town Hall project management contracts with Westrock on 18th October 2018. Our understanding is that over the course of 2018/19, some £2 million will be spent by the Council on professional fees and a payment of some £5 million will be made out of the capital budget for land values associated with housing elements of the project. Expenditure is therefore expected to be material for the first time.

Governance processes are new. During 2017-18, main oversight was exercised through a fortnightly officer's meeting. New Project Board Terms of Reference have now been drafted.

Financing of the project is also developing. The February 2019 Treasury Management Strategy will include plans for financing the project when it is published.

What arrangements does the risk affect?

Informed decision making and sustainable resource deployment:

Acting in the public interest, through demonstrating and applying the principles and values of sound governance.

Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.

Reliable and timely financial reporting that supports the delivery of strategic priorities.

Managing risks effectively and maintaining a sound system of internal control.

Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

What will we do?

Our approach will focus on:

- Evaluate new Project Board Skills and Capacity and Terms of Reference and actions taken by Council in response to Project Board recommendation or decisions.
- Review the effectiveness of other reporting channels, considering for example the transparency and quality of reporting to Cabinet, Full Council and the public.
- Assess quality of information underpinning decision making. We will consider the appropriateness of advisers engaged by officers and the terms of reference used to do so. Assess also the effectiveness of procedures for responding to project information as it emerges.
- Confirm which elements of the project have all planning permissions in place and monitor/ assess impact of progress in seeking planning permissions for other elements.
- Obtain and review the February 2019 Treasury Management Strategy paper. Assess the quality of information supporting that paper and the potential impact of any future borrowing plans on financial resilience.
- Evaluate wider arrangements to ensure financial resilience of the Council, considering factors affecting future spending and the UK economy as a whole (including for example, the departure of the UK from the European Union).



04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £2,800,000. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £2,100,000 which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account, and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

Specific materiality - We have set a materiality of £1 for remuneration disclosures, related party transactions, members' allowances and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to these.

05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

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

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

We also 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; and
- 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; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

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.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

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 regularly meet with the Audit and Risk Manager, and 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 they raise issues that could have an impact on the financial statements.



06

Audit team



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 disclosure	Hymans Robertson, PWC and EY Actuaries.
Valuation of Property, Plant and Equipment and Investment Properties	Gerald Eve and Wilks Head and Eve plus potentially EY's own valuation specialists.

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 business 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 specialist 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.



07

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	November	27 November 2018	Audit Planning Report
Walkthrough of key systems and processes	November December		
Testing of routine processes and controls Interim audit testing	February March	19 March 2019	Interim Audit Update
Year end audit Audit Completion procedures	June	TBC 24 July 2019	Audit Results Report Audit opinions and completion certificates
Archiving	August	TBC	Annual Audit Letter



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 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 upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of 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

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the 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.
- ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose 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 the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, 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 services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

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, analysed in appropriate categories, are disclosed.

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 the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

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

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include 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 you. 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 you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, no non-audit services were planned. No additional safeguards were required.

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 you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

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 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 the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision 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.

Other communications

EY Transparency Report 2018

Ernst & Young (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 in place 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 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



09

Appendices



Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police 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 requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table below.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£	£	£
Total Fee - Code work	50,291	50,291	63,811
Total audit	50,291	50,291	63,811
Other non-audit services not covered above (Housing Benefits)	TBC	12,559	TBC
Total other non-audit services	TBC	12,559	TBC
Total fees	TBC	62,850	TBC

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ 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.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
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 	Audit planning 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 	Audit results report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit results report

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
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	<ul style="list-style-type: none"> ▶ 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
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <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 	Audit Planning Report and 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

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	 When and where
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
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report Audit results report
Certification work	Summary of certification work undertaken	Certification report

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

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 of the circumstances that may ultimately influence our judgement about materiality. 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 accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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