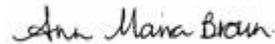


Crawley Borough Council

Audit Committee

Agenda for the **Audit Committee** which will be held in **Committee Room A - Town Hall**, on **Tuesday, 19 March 2019** at **6.30 pm**

Nightline Telephone No. 07881 500 227



Head of Legal and Democratic Services

Membership:

Councillors

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

T G Belben

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

democratic.services@crawley.gov.uk

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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 27 November 2018.	
4. Fraud and Investigation Team Report	7 - 10
To consider report FIN/471 of the Operational Benefits and Corporate Fraud Manager.	
5. Progress Report and Risk Management	11 - 30
To consider report FIN/469 of the Audit and Risk Manager.	
6. Internal Audit Annual Plan 2019-2020	31 - 34
To consider report FIN/470 of the Audit and Risk Manager.	
7. Certification of Claims and Returns Annual Report 2017-2018	35 - 44
To consider Ernst and Young's Certification of Claims and Returns Annual Report 2017-18.	
8. Supplemental Agenda	
Any urgent item(s) complying with Section 100(B) of the Local Government Act 1972.	

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Crawley Borough Council

Minutes of Audit Committee

Tuesday, 27 November 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:

A Brittain

Associate Partner, Ernst and Young LLP

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 Audit Committee held on 2 October 2018 were approved as a correct record and signed by the Chair.

3. Fraud and Investigation Team Report

The Committee considered report FIN/459 of the Operational Benefits and Corporate Fraud Manager, which focused on activity for the period from 17 September 2018 to 12 November 2018. The Operational Benefits and Corporate 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 regarding housing non-occupation fraud cases. The Committee was pleased to be informed that the witness in relation to the fly-tipping case had been thanked by the Council.

Agenda Item 3

Audit Committee (16)
27 November 2018

The Committee expressed its thanks to the Team for its continued hard work. The Chair specifically referred to the role the Team played in preventing a degree of fraud in the first instance which unquestionably 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/458 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 high priority findings and follow up audits. With regard to the former, the Committee received further information regarding the Community Grants Audit, including the advertising process for grant applications. The Committee was reassured to note that the decision to approve grants over £5,000 was taken by the Cabinet Member for Public Protection and Community Engagement and that the actions implemented as a result of the Audit would help ensure segregation of duties in the future. The Committee also noted that the follow-up audit would be brought back to a future meeting of the Committee.

The Committee then considered the two follow-up audits and, following discussion by the Committee:

Procurement Follow-up Audit

- Noted that, since being in post, the Head of Digital and Transformation and all relevant staff in the ICT Section had undertaken procurement training and the Contracts Register was now up-to-date.
- Was informed that, since the last Audit Committee, no relevant procurement exercises had been undertaken, however any future ICT procurements would be reviewed.

Data Centre Follow-up Audit

- Thanked the Chair of the Audit Committee for referring the matter to Scrutiny.
- Noted that the follow-up audit would not be signed off until the independent review had been completed and further information relating to the follow-up audit would be brought before the Audit Committee.
- Was informed that the independent person appointed to review the matter would be procured by the Head of Digital and Transformation, who had not been in post at the time of the Data Centre Migration.

Following a query from the Committee, the Audit and Risk Manager advised that it was usual for the Audit Team to have involvement with major projects.

The Committee discussed the update provided on Strategic Risk Management. The Committee sought and received clarification on several points, including shrub bed replacement, and the ways in which the new Town Hall could assist with the recruitment and retention of staff. The Town Hall Risk Register was discussed and, at the request of the Committee, clarification was provided on a number of matters including the funding and budget of the new Town Hall.

Agenda Item 3

Audit Committee (17)
27 November 2018

RESOLVED

That the Committee receive the report and note progress to date, as at 9 November 2018.

5. Audit Planning Report: Year Ended 31 March 2019

The Committee considered the Audit Plan for the year ended 31 March 2019 from Ernst and Young LLP.

The Audit Plan set out how Ernst and Young intended to carry out its responsibilities as auditor and provided the Committee with a basis to review Ernst and Young's approach and scope for the 2018-2019 audit in accordance with the requirements of the relevant auditing standards and professional requirements. The Plan also intended to ensure that the audit aligned with the Committee's service expectations.

The Associate Director introduced himself to the Committee and presented the report. At the request of the Committee, further information was provided in relation to specific areas including the valuation of pension fund assets and liabilities, and transparency of reporting in relation to value for money of the new Town Hall.

The Associate Director advised that some of the non-audit services provided by Ernst and Young for 2018/19 had not been finalised and therefore some of the amounts in the fees table were yet to be confirmed. The Committee also noted that reference to "materiality for 2017/18" on page 47 of the agenda pack should be corrected to read "materiality for 2018/19".

RESOLVED

That the Audit Plan for the year ended 31 March 2019 be noted.

Closure of Meeting

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 7.35 pm

Chair

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Agenda Item 4

Crawley Borough Council

Report to Audit Committee

19 March 2019

Fraud and Investigation Team Report

Report of the Operational Benefits & Corporate Fraud Manager - Report no. FIN/471

1. Purpose

- 1.1 The report describes the activity of the Corporate Fraud & Investigation Team for the period 13 November 2018 to 4 March 2019. 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
CT Liability Investigation	1
Council Tax Reduction Scheme	14
Housing Applications	9
Housing Investigations (General)	3
Housing non occupation	22
Housing Right to Buy	10
CT Single person Discount	5
Legacy Housing Benefits	1
Total	65

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

Agenda Item 4

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	3	10
Prevented allocation (inc homeless applications)	4	11
Properties recovered for our RSL partners	1	4
Stopped Right to Buy (actual discount value)	3 (£242,700)	10 (£804,400)
Notional value of savings	£386,700	£1,254,400

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	7	25
Loss being recovered	£3,307	£17,786

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	£518,762	£873,092	£2,279,484	£5,663,978

Agenda Item 4

5 Significant Case

Housing Application Fraud

Miss A made an application for accommodation stating she had been made homeless due to a relationship breakdown and was sofa surfing. Due to concerns raised by the homelessness team we were able to establish Miss A was evicted from her last property by her landlord due to anti-social behaviour. As she made herself homeless the Council has no responsibility to house her.

Miss A was interviewed under caution and admitted submitting a false document to obtain a council property. She was later cautioned for the offence.

6 Other Fraud

Procurement fraud is a complex problem. It covers a wide range of illegal activities from bid rigging during the pre-contract award phase through to false invoicing in the post-contact award phase. It can be perpetrated by those inside and outside and organisation. Procurement fraud is difficult to detect; cases are rarely reported and subsequently it is difficult to measure the extent of the problem.

The team work closely with other Investigation Teams in Sussex and have been working with the Ministry of Housing Communities & Local Government in order to review the risks of fraud and corruption in procurement.

Our intention is understand through case studies how the fraud and corruption was perpetrated, discovered or prevented and apply that knowledge locally.

7 Implications

There are no implications from the report.

8 Background Papers

8.1 None

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

ENDS

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Crawley Borough Council

Report to the Audit Committee

19th March 2019

Progress Report and Risk Management

Report of the Audit and Risk Manager – FIN/469

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 28th February 2019.

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
Taxi and Private Hire Vehicles Licensing	Substantial Assurance
NNDR	Substantial Assurance
K2 Tender – review of contract award	Substantial Assurance
Treasury Management	Substantial Assurance
Commercial Properties including Rents	Substantial Assurance
Cash and Bank	Satisfactory Assurance
Gas Servicing – review of contract award	Substantial Assurance
Creditors	Substantial Assurance

Agenda Item 5

4.2 Work in Progress

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

4.3 High priority findings in this period

There are no high priority findings to report.

4.4 Follow up Audits

Data Centre Post Project Review

It was agreed by management that an independent review would be commissioned at the end of the project (targeted for the end of February 2019), which is now complete barring one final piece of work to move a Vodafone line across to the new data centre. Unfortunately, the Council has been let down badly by the supplier and despite constant chasing over the course of nearly a year since the order was placed, and the subsequent lodging of a formal complaint to Vodafone, this remains outstanding at the end of February. For overall context though, the project has delivered 100% of Server and 98.4% of Application migrations as per the schedule.

This one remaining migration does not however, preclude the commissioning of the post implementation review. Therefore, ICT will procure and commission the independent review work during March 2019. We expect the work to take some time to complete (from procurement, review and interview process, to submission of the final report), so expect to be able to submit to OSC for their review in May 2019.

Community Grants

We reported at the last meeting that 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.

Status of agreed action – in progress.

An initial checklist has been produced for both the small grants and large grants and we have reviewed copies of these. We have discussed these with the Community Services Manager who has confirmed that there is further work to be done to ensure that the items being checked are definitely meaningful.

Status of agreed action – work in progress.

We will consider this action again in the near future and report the outcome to the next meeting of this Committee.

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.

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Status of agreed action – implemented.

The Community Services Manager currently reviews all grants.

4.5 Freedom of Information (FOI) Requests

Between 10th November 2018 and 28th February 2019 we have processed 227 requests, and of these, 2 responses were sent to the requester outside of the 20 working day deadline. This was largely due to the complexity of the requests.

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 working with Westrock in delivering 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 New Town Hall was granted in June 2018, and for the District Heat Network in November 2018. Project Agreements with Westrock were signed in October 2018; A2 Dominion have agreed in principle to take on the Babcock's Car Park Site in December 2018; and the business case for the District Heat Network was also signed off in December 2018. 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.

Agenda Item 5

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 has commenced on site in January 2019 through to October 2019. Design work has begun on several other Crawley Growth programme schemes, 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](#).

The Queensway works commenced on 14th January 2019 and is on track to be completed by October 2019.

- **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 2018 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.

A comprehensive risk register is overseen by the Project Board of the Crawley Growth programme.

Agenda Item 5

- **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 1,000 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 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.

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. Additional borrowing to provide more affordable housing on Telford Place was requested at Full Council on 27th February 2019.

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.

Perhaps the greatest risk to the delivery of affordable housing lies beyond the medium term, once the current programme has been delivered. This reflects the fact that the majority of larger sites within the Council boundary that can easily be brought will have been developed. This will leave smaller sites that are more challenging in nature, or finding other opportunities. Work is commencing that will seek to identify these future sites and opportunities.

- **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 programme level the key risks are:

- The interdependencies between the areas of work are not managed putting at risks key elements of the plan

Agenda Item 5

- 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 manage these risks, a Transformation Board at CMT level has been create. It brings together and oversees a high level plan to ensure coherence, manage interdependencies and change, allocate resources and ensure delivery. . A full revised 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 (September 2018). Its role is to ensure appropriate governance of projects and assure that key projects beyond the transformation programme are not adversely impacted from the constraint of capacity and resources. In fulfilling this role the group has reviewed a wide range of current projects following an initial risk analysis. In doing so it has made changes to strengthen the governance structures for projects, for example the IT Boards Terms of Reference and membership has been changed, and a new Major Procurement Board has been created. As set out in the Capital Strategy agreed at Council on 27 February 2019, this group will now shift to a more forward facing stance in overseeing delivery of the Capital Strategy whilst maintaining it focus on governance.

- **Disaster Recovery and Business Continuity.**

A report to Cabinet on 9th September 2015 recommended a more resilient hosting of data by providing a resilient, energy efficient, cost effective and available hosting environment for the IT systems to support our services.

A partnership contract has been agreed with Surrey County Council for them to host at the data centre. Since June 2017 100% of Virtual servers and 98.4% of has applications have 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 'warm' 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.

Agenda Item 5

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. Departments have recently been refreshing service business continuity plans to ensure arrangements are in place for service continuity in the unlikely event of significant disruption.

- **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 2019/20 [FIN/462](#) report to Cabinet on 6th February 2019 showed that we achieved a balanced budget despite a 89.72% 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, the consultation closed on this on 21st February 2019. As a result there is a high possibility of 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 'Budgets Challenge' exercise with all Heads of Service – this has resulted in savings and efficiencies which will assist in meeting future budget gaps. This process will be repeated in the coming financial year.

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 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, the Council are in direct competition with organisations who can offer greater levels of remuneration

Agenda Item 5

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 temporarily can 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.

Possible 'no deal' Brexit

On 31 January 2019 the Secretary for State for Housing Communities and Local Government wrote to all Leaders and Chief Executives of English Local Authorities setting out a local authority preparedness checklist. This stated that councils will want to assure themselves that they have undertaken necessary EU Exit Impact Assessments, relevant planning and the preparation of appropriate mitigation plans in the scenario of a no-deal Brexit. The areas listed were:

1. All statutory services for which the council is responsible for
2. All regulatory services for which the council is responsible
3. The impact (direct or indirect) of any border areas [this would include Gatwick as an airport]
4. The impact on supply chains (in the delivery of statutory services)
5. Data handling (impact of data held in the EU)
6. Local partnership working (for instance ensuring plans are in place to support vulnerable or managing increased community tensions)
7. Communications (to provide community assurance and provision of timely information)

A separate draft working document has been prepared over recent weeks and months looking at the implications of a no-deal Brexit to the council. This is a substantive assessment that includes all the areas listed above, but one that by the very nature of Brexit is constantly changing and being updated.

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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.
- Possible 'no deal' Brexit.

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)

ENDS

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Internal Audit Plan 2018/2019

Progress Report as at 28th February 2019

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
A. Work Completed in the Current Period				
Taxi and Private Hire Vehicles Licensing Audit	2018/19	Substantial		
NNDR	2018/19	Substantial		
K2 Tender – review of contract award	2018/19	Substantial		
Treasury Management	2018/19	Substantial		
Commercial Properties including Rents	2018/19	Substantial		
Cash and Bank	2018/19	Satisfactory		
Gas Servicing – review of contract award	2018/19	Substantial		
Creditors	2018/19	Substantial		
B. Work In Progress				
New Town Hall	2018/19			Ongoing advice to Project Team
Community Centres	2018/19			
Health and Safety	2018/19			
Corporate Project Assurance Group	2018/19			Provide audit and risk support
Leasehold Income	2018/19			
Council Tax	2018/19			
Sundry Debtors				
FOI Requests – day to day work				
C: Follow Ups				
Data Centre Migration Project	2018/19			
Community Grants	2018/19			
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:	V14	Monitored by:	Project Board
File path:	T:\Town Hall Project\townhallprojectriskregister .doc	Date Printed:	05/03/2019
		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	2 3 6	<ul style="list-style-type: none"> Pre app meetings held between Westrock and planning officers Conditions for the scheme have been identified and so that ownership and dates can be agreed. Planning conditions project tracker created for WR. 	RISK CHANGED FROM 1 1 1
D3	Errors in detailed design specification	2 4 8	1 4 4	3 4 12	<ul style="list-style-type: none"> Consultant Architects appointed as our client to oversee design brief. Board to monitor mitigation actions to reduce costs, use of value engineering and errors 	RISK CHANGED FROM 2 4 8
D4	Phase 1 demolition works delay construction programme due to; <ul style="list-style-type: none"> lack of clarity between roles, hours of working and retention of materials 	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"> Drainage and sewers are damaged during demolition 				<ul style="list-style-type: none"> Staff move complete and waiting to commence service utilities work. Requirements to be outlined in tender documents for demolition contract Insurance liabilities to be established with WR 	
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 Coms link in place with completion of relocation work scheduled for Feb 2019 	
D6	<p>CBC lacking the necessary experience and/or skills to complete the development.</p> <ul style="list-style-type: none"> ICT & AV Commercial letting & Mgt Acoustics FM & BMS 	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 Identified areas for additional support and advice 	
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 Working Group to re-establish for Stage 4 design work with 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments
					additional consultation with all Members.	
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. Will be delivering office etiquette guidelines and trails for new ways of working Update planned at Managers Conference and staff drop in sessions Jan 2019 	
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. Sufficient time to trail new arrangements for customers. 	
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. Received feedback from commercial agents as part of the One Public Estate exercise 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments
					<ul style="list-style-type: none"> Impact of demolition area and public square may deter occupiers in first few years. 	
D11	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
D12	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 to ensure Stage 4 designs meet requirements. Appoint Clerk of Works to oversee construction 	
D13	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"> Initial network to be constructed as part of phase 1 of the scheme with ability to extend Sufficient resources/project management allocated to project. Planning approval Nov 2018. Business case approval Dec 2018 Alignment of project plans to include links to Babcock site. 	
D14	Delivery of improved car park facilities, allocated spaces and management plan.	1 1 1	1 1 1	2 3 6	<ul style="list-style-type: none"> Car Park improvements part of development plan and costs. 	NEW RISK

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments
					<ul style="list-style-type: none"> • Need to review spaces allocations and control systems • Car Park management plan to be submitted to planning. 	
D15	Impact of construction Phase 1 and Phase 2 to residents	3 3 9	2 3 6	3 3 9		NEW RISK
	Legal or Contractual Risks					
L1	Errors or omissions in legal or contractual documentation	2 3 6	1 2 2	1 3 3	<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. 	RISK CHANGED FROM 2 3 6
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. 	
L3	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. 	
L4	Impact of changes to construction market and costs to the project.	2 2 4	2 2 4	2 3 6	<ul style="list-style-type: none"> • Soft market testing to consider construction and build options to reduce time for procurement 	NEW RISK
L5	Impact of changes to values of offices/housing	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> • Valuations obtained, these will be refreshed during the project 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments
L6	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 Looking at procurement options to secure contractors at earliest opportunity through market testing. 	<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. 	
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 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments
F4	CAT B design specification exceeds budget.	3 3 9	1 4 4	3 3 9	<ul style="list-style-type: none"> Regular design meetings and budget reviews scheduled. 	NEW RISK
Communication Risks						
C1	Loss of support/ opposition for project (Members)	2 3 6	1 2 2	3 3 9	<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 	RISK CHANGED FROM 2 3 6
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	3 2 6	<ul style="list-style-type: none"> As above (4a) but tailored approach Regular press releases More likely increase around demolition 	RISK CHANGED FROM 2 2 4
C4	Management of the project does not meet required standards for audit & risk. Procurement rules met for contracts	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

Report to the Audit Committee

19th March 2018

Internal Audit Annual Plan 2019 - 2020

Report of the Audit and Risk Manager – FIN 470

1. Purpose

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

2. Recommendations

The Committee is requested to make any recommendations they wish on the proposed 2019 – 2020 Annual Internal Audit Plan.

3. Reasons for Recommendations

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

4. Background

- 4.1 The Council has a statutory duty to “undertake an adequate and effective internal audit of its accounting systems and of its system of internal control” – Accounts and Audit Regulations 2015. This responsibility is delegated to the Head of Corporate Finance.
- 4.2 The plan was reviewed by CMT members in February 2019 and the following plan agreed.

Agenda Item 6

5 Supporting Information and Analysis

- 5.1 The 2019/2020 annual audit plan allows for examination of the main financial areas from a systems and from an IT perspective, and is key to ensuring the Council's finances remain properly controlled, whilst also undertaking strategic and service based work each with a varying risk to the organisation.
- 5.2 The plan also includes some specific reviews from previous audit work; this is to ensure the Council is being consistent in their approach to these areas year on year.
- 5.3 A total of 236 days has been set aside in the plan for the work that we will be undertaking as part of the shared service arrangement with Mid Sussex District Council.
- 5.4 A detailed scope and objectives for each audit will be agreed with the Heads of Service prior to the commencement of each individual review.
- 5.5 Best practice dictates that an audit plan should be prepared to meet the audit needs of the organisation, regardless of the level of resources available to deliver the plan. If the days required exceed the days available, then it is for management to decide whether additional resources should be made available or whether they are happy to accept the risks involved in not doing some of the reviews, and which reviews should be omitted.
- 5.6 The service will be delivered using a mix of in-house staff and specialist external consultants as required.
- 5.7 In considering the plan, Members should consider whether:-
 - It accurately reflects the audit needs of the Council and the external auditors;
 - There are audits that should be included that have been omitted;
 - There are topics that the Committee does not require that Internal Audit cover.

6. Implications

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

7. Background Papers

- 7.1 None.

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ENDS

INTERNAL AUDIT PLAN 2019/2020

Audit	Risk	Days
Fundamental Systems (including those identified by Ernst and Young)		
Council Tax	High	8
NNDR	High	10
Housing Benefits	High	10
Creditors	High	8
Sundry Debtors	High	8
Payroll	High	8
Cash and Bank	High	6
FMS	High	6
Budgetary Control	High	8
Asset Management	High	6
Treasury Management	High	5
Housing Benefits 2018/2019 brought forward from last year	High	10
Projects – Capital and Revenue		
Crawley Growth Programme	High	6
Town Hall Redevelopment	High	12
Corporate Project Assurance Group	High	5
Other		
Purchasing of Goods and Services	High	8
Publication Scheme Review	High	2
DWP CIS Security Compliance 2019/2020	High	4
Housing Repairs – Programmed Works	High	8
Business Continuity	High	4
Business Impact Assessments	High	4
Housing Repairs – Gas Servicing	High	8
Car Parking	High	8
Housing Options and Homelessness	High	8
Temporary Accommodation	High	8
Section 106 Funding and CIL	High	8
Commercial Rents	High	8
Housing Rents – biennial review	High	6
Risk Management Awareness and Training	High	8
ICT – to be confirmed	High	15
Contingency		4
Follow Up Audits	High	12
Freedom of Information Requests		100

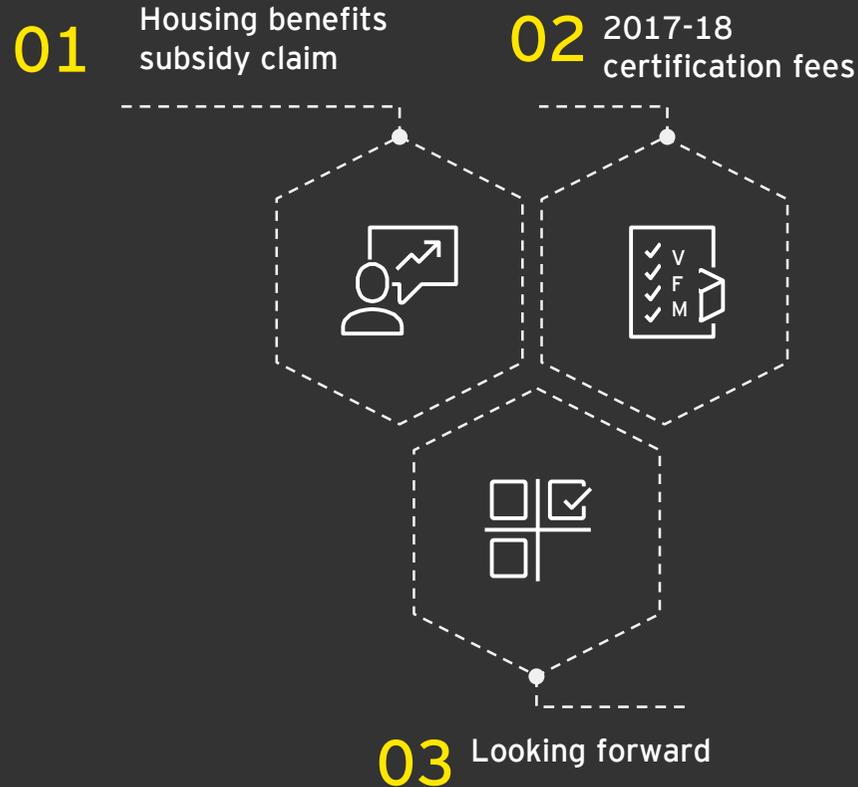
Audit	Risk	Days
Specific to Audit and Risk Manager		
Preparation of Annual Governance Statement		8
Quality Control and Review of Files		20
Staff and work Management		18
Liaison with Head of Finance, Revenues and Benefits		6
Audit Committee Reports and Attendance		12
Non-specific advice and liaison		12
Preparation of Annual Internal Audit Plan		4
PSIAS Compliance		4
Sussex Audit Group		2
Study, training and courses		2
General Administration		2
Risk Management Strategy Update		3
Specific to Auditors		
Non-specific advice and liaison		8
Sussex Audit Group		3
Study, training and courses		4
Cheque control/bank administration		2
General Administration		4
Election Duty		
		3
Mid Sussex District Council		
		236
		689

Crawley Borough Council

**Certification of claims and
returns annual report
2017-18**

March 2019

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" 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 Panel and management of Crawley Borough Council. Our work has been undertaken so that we might state to the Audit Panel 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

Housing benefits subsidy claim



Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£46,025,656
Amended/Not amended	Amended - claim reduced by £2,573
Qualification letter	Yes
Indicative Fee - 2017-18	£11,386
Final Fee - 2016-17	£11,801

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires reporting accountants to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the certification of previous years claims.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

➤ Non HRA Benefits Granted (Cell 11)

One incorrect overpayment classification was identified (cell 28 and cell 23 both being understated by £761.53. Our testing confirmed this was a one off isolated error.

➤ Rent Allowance Benefits Granted (Cell 94)

Initial testing found one case where earned income had been input incorrectly, resulting in an overpayment due to incorrect calculation of gross pay. Extended testing identified three further overpayments and an overall extrapolated error of £23,053.

Housing benefits subsidy claim

➤ HRA Rent Rebate Benefit Granted (Cell 055)

Initial testing found one case where the Authority input incorrect earning and extended testing identified six further failures (one underpayment; four overpayments; one failure with no impact). The overpayments resulted in an overall extrapolated error of £8,172.

➤ Modified Schemes Subsidy (Cell 214)

Testing identified one case where the Authority underpaid benefit due to the incorrect application of SRP uprating and another case where the Authority underpaid benefit due to the incorrect classification of statutory disregard.

Our certification guidance required us to report the errors from our initial and extended samples to the DWP in our qualification letter, along with the extrapolated value of the overpayments. Where required, amendments have been made to the individual claims in 2018-19 to ensure that the benefit paid to claimants is corrected.

We note that on 11 February 2019, the Department for Work and Pensions notified the Authority that their final settlement of the claim for 2017-18 would be a payment by the Department to the Authority of £1,159 and that this will be included in the March 2019 interim subsidy for 2018-19.



02

2017-18 certification fees





2017-18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017-18, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA) and are available on their website (www.psaa.co.uk).

Claim or return	2017-18 Actual fee £	2017-18 Indicative fee £	2016-17 Actual fee £
Housing benefits subsidy claim	14,886*	11,386	11,801

The indicative fee set by PSAA are based on the fee charged to the Council two years prior to the year in question.

* - We have proposed an additional fee of £3,500 to reflect the greater level of extended testing carried out in 2017-18 compared with the level of extended testing in 2015-16 (the base year used to set the indicative fee). This fee has been agreed with officers, but is subject to review and determination by PSAA.



03 Looking forward

2018/19 and beyond

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we are pleased that for 2018-19 the Council has appointed us to act as reporting accountants in relation to Housing Benefits Certification.

We welcome this opportunity to continue undertaking this work for the Council providing a seamless quality service, drawing on vast array of experienced and knowledgeable public sector professionals in these areas, whilst realising the synergies and efficiencies that are achieved by undertaking both the audit and grant work.

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ED None

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