

## Crawley Borough Council

### Audit Committee

Agenda for the **Audit Committee** which will be held in **virtually - Microsoft Teams Live**, on **Wednesday, 3 March 2021 at 7.00 pm**

Nightline Telephone No. 07881 500 227

A handwritten signature in black ink, appearing to read "A. Millar-Smith".

Chief Executive

Membership:  
Councillors

J Millar-Smith (Chair), M Flack (Vice-Chair), M G Jones, T G Belben  
and J Purdy

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

## Part A Business (Open to the Public)

	Pages
<b>1. Apologies for Absence</b>	
<b>2. Disclosures of Interest</b>	
In accordance with the Council's Code of Conduct, councillors are reminded that it is a requirement to declare interests where appropriate.	
<b>3. Minutes</b>	5 - 10
To approve as a correct record the minutes of the Audit Committee held on 22 September 2020.	
<b>4. Public Question Time</b>	
To consider any written questions that were submitted in advance and accepted in line with the Constitution. These will be read to the Committee and be followed by a response. The questioner will receive an emailed copy of the response given at the meeting. There will be no supplementary questions.	
<b>5. Fraud and Investigation Team Report</b>	11 - 14
To consider report FIN/524 of the Operational Benefits and Corporate Fraud Manager.	
<b>6. Progress Report and Risk Management</b>	15 - 40
To consider report FIN/521 of the Audit and Risk Manager.	
<b>7. Internal Audit Annual Plan 2021-2022</b>	41 - 44
To consider report FIN/522 of the Audit and Risk Manager.	
<b>8. Updated Audit Results Report: Year Ended 31 March 2020</b>	45 - 94
To consider Ernst and Young's updated Audit Results Report for the year ended 31 March 2020.	
<b>RECOMMENDATION</b>	
That the updated Audit Results Report for the year ended 31 March 2020 be received and noted.	
<b>9. Supplemental Agenda</b>	
Any urgent item(s) complying with Section 100(B) of the Local Government Act 1972.	



	Pages
<p><b>10. Exempt Information – Exclusion of the Public</b></p> <p>The Committee is asked to consider passing the following resolution:-</p> <p>That under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act by virtue of the paragraphs specified against the item.</p>	
<p><b>11. Outcome of the Investigatory Powers Commissioner's Office RIPA Inspection</b></p> <p>Exempt Paragraph 3  <i>Information relating to the financial or business affairs of any particular person (including the authority holding that information).</i></p> <p>To consider the attached letter which details the findings from the Council's recent Investigatory Powers Commissioner's Office (IPCO) inspection, conducted remotely by IPCO Inspector, Mrs Grainne Athorn.</p> <p><b>RECOMMENDATION</b></p> <p>That the letter from the Investigatory Powers Commissioner's Office (IPCO) inspection be noted.</p>	95 - 96

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## Crawley Borough Council

### Minutes of Audit Committee

Tuesday, 22 September 2020 at 7.00 pm

#### Councillors Present:

J Millar-Smith (Chair)

M Flack (Vice-Chair)

M G Jones, T G Belben and J Purdy

#### Also in Attendance:

Andrew Brittain                      Associate Partner, Ernst and Young

Jo Taylor                                Audit Manager, Ernst and Young

#### Officers Present:

Gillian Edwards                      Audit and Risk Manager

Heather Girling                      Democratic Services Officer

Karen Hayes                          Head of Corporate Finance

Mez Matthews                        Democratic Services Officer

Paul Windust                          Chief Accountant

#### 1. Disclosures of Interest

No disclosures of interests were made.

#### 2. Minutes

The minutes of the meeting of the Audit Committee held on 30 September 2019 were approved as a correct record and signed by the Chair.

#### 3. Public Question Time

No written questions had been submitted by members of the public.

#### 4. Progress Report and Risk Management

The Committee considered report [FIN/503](#) 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 2019/2020 and 2020/2021 Audit Plans, and to report on the progress made in implementing the previous recommendations. The report also included an update on the Council's Strategic Risks.



# Agenda Item 3

Audit Committee (2)  
22 September 2020

The Committee discussed and noted all the Audit Plan Reviews in progress, along with other work as detailed in the report. The Audit and Risk Manager took the opportunity to brief the Committee on the work as detailed in the report and advised that the Coronavirus pandemic had impacted the Audit and Risk Section's ability to undertake and complete several areas of its work. In relation to the following areas, the Committee:

## Internal Audit Plan 2020/2021:

- Noted that the Internal Audit Plan would be revised to cover areas of highest risk and ensure that the Audit and Risk Sections' resources were used most effectively. Further information on the matter would be brought before the Committee at its meeting in November 2020.

## Follow Up Audits:

- Noted that the outcome of the Housing Benefits and Cash & Bank follow up audits would be reported to the Committee at its meeting in March 2021.

An update on the Strategic Risk Management was then provided by the Head of Corporate Finance. In relation to the following areas, the Committee:

## New Town Hall (Risk Register attached as Appendix B to the report):

- Was assured that the Lettings Agent had advised that there would be an increased demand for office accommodation outside London as a consequence of the pandemic, and as such the Council was likely to achieve the expected rent.

## Data Breaches:

- Noted that, following the recent retirement of the Head of Legal, Democracy and HR, the Audit and Risk Manager now held responsibility for providing an initial response to data breaches and deciding when a breach should be reported to the Information Commissioner's Office. No serious breaches had occurred in the last 5-6 years and refresher training was provided regularly.

The Chair expressed the Committee's appreciation to the officers for the work completed in such difficult times.

## **RESOLVED**

That the Committee receive the report and note progress to date, as at 31 August 2020.

## **5. Audit and Risk Manager's Annual Report 2019/2020**

The Committee considered report [FIN/504](#) of the Audit and Risk Manager.

The Committee acknowledged that the Annual Report had been produced in accordance with the requirements set out in the Public Sector Internal Audit Standards. The Audit and Risk Manager considered that in their overall opinion, for the period in question, "substantial" assurance could be given that there was generally a sound system of internal control designed to meet the Council's objectives, and that the controls were generally being applied consistently.



# Agenda Item 3

Audit Committee (3)  
22 September 2020

In response to a query raised by a Committee Member, the Audit and Risk Manager advised that the “substantial” assurance had been based on the effectiveness of the Council’s risk management and governance arrangements as well as internal control environment. The Audit and Risk Manager was satisfied that the Council had strong governance arrangements and that the main risks were well controlled.

## **RESOLVED**

That the Audit and Risk Manager’s Annual Report for the period 2019/2020 be received and that the progress to date be noted.

### **6. Fee Scale for the Audit 2020/21 and Update on 2019/20**

The Committee considered a [letter](#) from the Chief Executive of Public Sector Audit Appointments (PSAA) on the Fee Scale for the Audit 2020/21. The letter also provided an update on 2019/20.

The Head of Corporate Finance reminded the Committee that Ernst and Young had been appointed as external auditors in 2016 via procurement arrangements made by the PSAA. The Committee agreed that any discussion regarding the level of proposed fees would be dealt with under agenda item 8 (Audit Results Report: Year Ended 31 March 2020) (Minute 7 refers), as that report provided an updated fee analysis with an amended fee proposal by Ernst and Young.

## **RESOLVED**

That the Fee Scale for the Audit 2020/21 and the Update on 2019/20 be noted.

### **7. Audit Results Report: Year Ended 31 March 2020**

The Committee considered Ernst and Young’s [Audit Results Report for the year ended 31 March 2020](#). The Committee noted that the item had been included in a supplementary agenda with the agreement of the Chair. The report set out the current status of the audit, indicating that, subject to concluding the outstanding matters listed in the report, Ernst and Young expected to issue an unquantified audit opinion on the financial statements for the year ended 2019/2020 (in the form at Section 3 of the report) before the accounts publication date of 30 November 2020.

The Head of Corporate Finance expressed her gratitude to the Finance Team and highlighted that no errors had been made by the Team despite the extra workload they had undertaken as a result of the Coronavirus pandemic (eg. issuing over 900 business grants).

The Committee considered matters raised, and in doing so, expressed their deep concern at the significantly higher fees proposed by Ernst and Young to that cited in the letter issued to the Council by the Public Sector Audit Appointments (PSAA) (Minute 6 “Fee Scale for the Audit 2020/21 and Update on 2019/20” refers). The Director for Ernst and Young explained that the higher fee reflected the additional costs they expected to incur due to the increased risks identified in completing the audit, the procedures which were necessary as a result and the need to employ specialist input. The Director for Ernst and Young advised the Committee that the fees had been calculated at the request of PSAA and would be subject to PSAA’s approval, the fees would be benchmarked for sustainability and reflected the wider situation.



# Agenda Item 3

Audit Committee (4)  
22 September 2020

Despite the assurances Ernst and Young aimed to provide, the Committee remained concerned that the efficiencies and lower costs expected from procuring an external auditor via the PSSA arrangements had not materialised. The Committee was of the opinion that insufficient information had been supplied in the report by Ernst and Young to justify a 54% increase on the fees proposed by PSAA and was of the view that a more detailed breakdown should have been provided.

At the request of the Committee, the Director for Ernst and Young **AGREED** to provide the Head of Corporate Finance and the Chief Accountant with a detailed breakdown which identified how the fees had been calculated, that information would then be circulated to the members of the Committee. At the suggestion of the Chair, the Committee then **AGREED** that the Chair write to PSAA to express the Committee's concerns, a draft of that letter would be circulated for comment to the members of the Committee prior to its submission to PSAA.

## **RESOLVED**

That the Audit Results Report for the year ended 31 March 2020 be received and noted.

### **8. Approval of the 2019/2020 Statement of Accounts**

The Committee considered report [FIN/507](#) of the Head of Corporate Finance which sought the Committee's approval of the 2019/2020 Statement of Accounts, to comply with the statutory deadline of 30 November 2020.

The 2019/20 Statement of Accounts was attached as Appendix C to the report and the Committee was advised that the Letter of Representation provided in Appendix A to the report had been superseded by the Letter of Representation set out on pages 47-50 of the Audit Results Report: Year Ended 31 March 2020 (Minute 7 refers), and should be replaced as such.

The Chair advised the Committee that, rather than voting on each recommendation individually, a single recorded vote would be taken on the recommendations as set out in the report. No dissent from the Committee was expressed and therefore a single recorded vote was conducted.

A recorded vote was then taken on recommendations 2.1(a)-(c) in accordance with the Council's Virtual Committee Procedure Rules. The names of the Councillors voting for and against the recommendations, along with any abstentions, were recorded as follows:

For recommendations 2.1(a)-(c):  
Councillors T Belben, Flack, Jones, Millar-Smith and Purdy (5).

Against recommendations 2.1(a)-(c):  
None (0).

Abstentions:  
None (0).



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Audit Committee (5)  
22 September 2020

## **RESOLVED**

- (1) That the 2019/20 Statement of Accounts be approved.
- (2) That the Chair of the Committee be authorised to sign the 2019/20 Letter of Representation.
- (3) That the Chair of the Committee be authorised to sign the 2019/20 Statement of Accounts on behalf of the Council.

## **Closure of Meeting**

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 8.26 pm

**J Millar-Smith (Chair)**



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# Agenda Item 5

## Crawley Borough Council

### Report to Audit Committee

3 March 2021

### Fraud and Investigation Team Report

Report of the Operational Benefits & Corporate Fraud Manager - Report no. FIN/524

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#### **1. Purpose**

- 1.1 This report describes the activity of the Corporate Fraud & Investigation Team for the period 1 April 2020 to 16 February 2021. All outcome figures are taken from closed cases. Year to date figures are also included in the report for 2019/20.

#### **2. Recommendation**

- 2.1 That the Committee note the report.

#### **3. Reasons for the Recommendation**

- 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. Work During Covid 19**

- 4.1 During the pandemic the investigation team have been reactive to new threats of fraud and assist teams which have faced a considerable increase in work such as the Benefits Team.

#### **5. Business Grants**

- 5.1 In March 2020 the government setup 3 main grants:

- Small Business Grant
- Retail, Hospitality & Leisure Grant
- Discretionary Grant

The investigation team provided pre-payment assurance on every application using the tools available to them at the time.

The team conducted 975 checks on a total value of £13,419,250.



# Agenda Item 5

Further assurance tool have been developed and we are now starting to work on post assurance checking by uploading all the data to the National Fraud Initiative for post data matching.

There are now 23 different schemes which the team as assisting with pre and post payment assurance

## 6. Information & Analysis

Grants have played a big part in the activities of the investigation team this year but this does not mean fraud has eased in other areas.

The fraud team are currently investigating the following case types

<u>Case Type</u>	<u>Number of Cases</u>
Non domestic rates	2
Council Tax Reduction Scheme	6
Housing Non occupation	10
Housing Succession	2
Fly Tipping	4
Council Tax Single person Discount	1
Enforcement	1
Housing general	9
Other	4
Total	39

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

### 6.1 Housing Fraud

During the reporting period the team have achieved the following:

	<u>In period</u>	<u>2020/21 (YTD)</u>
Properties recovered	10	10
Prevented allocation (inc homeless applications)	5	5
Stopped Right to Buy (actual discount value)	1 (£82,800)	1 (£82,800)
Notional value of savings	£352,800	£352,800

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.



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## 6.2 Single Person Discount

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>2020/21 YTD</u>
Discounts removed	15 (£6,294)	15 (£6,294)

## 6.3 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	2020/21	In period	2020/21
New billable CT or Rates	£688,515	£688,515	£1,379,604	£1,379,604

## 7. **Prosecution Case**

Miss Mist claimed Council Tax support declaring she had capital of £1,225. She later made a Right to Buy request and it was at this point suspicions were raised regarding her true assets.

The investigation team established Miss Mist held £35,000 in bank accounts. Had the true facts been known at the time she would not have been entitled to any assistance to pay her Council Tax bill.

Miss Mist pleaded guilty to fraud offences at Crawley Magistrate Courts. She was fined £500, and ordered to pay prosecutors costs in full. We have recovered all monies lost as a result of her fraud.

Miss Bunting was observed littering and was stopped by a Community Warden. Miss Bunting's particulars were taken and a Fixed Penalty Notice was issued. The notice was returned as 'not living at the address'.

The investigation team were able to verify the address given to the Warden by Bunting was false and were also able to track her down at her real address.

Miss Bunting pleaded guilty to giving false details under the Environmental Protection Act. She was ordered to pay costs of £100 and received a conditional discharge.



# Agenda Item 5

## **8 Implications**

There are no implications from the report.

## **9 Background Papers**

9.1 None

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



# Agenda Item 6

## Crawley Borough Council

Report to the Audit Committee

3<sup>rd</sup> March 2021

### Progress Report and Risk Management

Report of the Audit and Risk Manager – FIN/521

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#### 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 19<sup>th</sup> February 2021.

#### 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

##### 4.1 Work Completed

Since the last report, as at 31<sup>st</sup> August 2020 the following work has been completed/undertaken:

Audit Title	Audit Opinion
Car Parking – Visitor Parking Permits	No Assurance
Disabled Facility Grants	Satisfactory Assurance
Cash and Bank	Substantial Assurance
Creditors	Substantial Assurance
Sundry Debtors	Substantial Assurance
<b>Throughout the year:</b>	
Attendance at Corporate Project Assurance Group	
Attendance at Town Hall Board	
Member of Information Management Project Board	
Member of Information Governance Board	
Subject Access Requests	



# Agenda Item 6

## 4.2 Work in Progress

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

We will complete a large proportion of the annual Internal Audit Plan by 31<sup>st</sup> March and where this has not been possible due to the re-prioritisation of resources across the Council during the COVID-19 pandemic, we have carried forward a small number of audits. This has been done with the agreement of the S151 Officer.

## 4.3 High Priority Findings in this Period

There were 10 high priority findings identified in this period, all of which relate to the Car Parking – Visitor Parking Permits audit.

### Car Parking – Visitor Parking Permits Audit 2021

- High Priority Findings – 10
- Medium Priority Findings - 1

Crawley Borough Council operates a Visitor Parking Permit system, whereby discounted Staff Daily Permits (SDPs) are available to members of staff who occasionally bring their car to the Town Hall and would otherwise pay the full parking charge.

The cost for a single SDP is £2.50, with the cost of a book of 10 permits being £25. Each permit comes in the form of a scratch card which has its own unique sequential reference number and is valid for one calendar day.

These are used to park at the Town Hall, although were not required during the initial lock down due to COVID-19, where the parking fee was waived. Staff usage has increased since 1st July 2020 when parking charges were reintroduced; staff were only required to attend the Town Hall on one or two days per week. Using one of these permits is cheaper than paying for a whole day's parking, where the charge for over three hours is £3.50.

Due to the increased use of SDPs, we have been asked to undertake a short review of how they are controlled.

During this audit, we reviewed the ordering of permits, sale of permits, records maintained by Parking Services and physically counted the stock of permits held, recording their serial number. This aim of this work was to enable us to ensure that all permits that had been ordered were accounted for, that is were either sold or still in stock.

However, due to the poor controls in relation to the recording of stocks received, the lack of a reconciliation between permits held and permits sold, the absence of an accurate stock record and the poor custody of permits, this was as difficult task.

Based upon the work that we have undertaken, and in the absence of any evidence to the contrary, either from the records maintained, or from staff in Parking Services, we can advise you that there are 5,533 parking permits unaccounted for, i.e. they have not been sold and are not held in stock. This represents a value of £13,832.50 of lost income to the Council.



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The main findings of this work are summarised as follows:

- Procedure notes covering for the issue of SDPs were not in place at the time of the review. Whilst there was some guidance on the operation of the computer system, no guidance was available in relation to ordering and sale of permits, safe custody of the permits, and the reconciliation between sales and stock held.
- New stocks of SDPs are not formally checked into the Council by a responsible officer and confirmed as received by Parking Services.
- A record of all stock received into Parking Services is not formally recorded, with numbers of permits noted.
- Whilst stock reorder levels are set, they are of little value as the formal and regular stock takes are not undertaken to confirm the level of stocks held and the permits held by serial number. At the time of the audit, Parking Services did not have an accurate record of the stock held or the individual permits.
- Stock of permits are held in the Cashiers, in a cabinet, and in the Strong Room. Both are accessible to officers who do not work in Parking Services.
- Permits are at times issued without the name of the recipient being recorded. This makes it difficult to undertake a reconciliation of income received and permits issued. It also loses an opportunity to identify if an officer is buying more permits than they need and passing them onto others.
- Permits have been issued out of sequence, with newer permits being issued before older ones. This indicates poor stock control.
- The system for storing the permits revealed that they are not in number order.
- A record of all permits issued, either sold or on rare occasions given free, is not maintained by Parking Services.
- A reconciliation of permits sold to permits still in stock is not undertaken by Parking Services. This loses the opportunity to identify lost or misappropriated permits.

Actions have been agreed by Management to improve the control environment, and we will undertake further work before the next meeting of this Committee to ascertain whether improvements have been made and are sustained.

We would add that the staff in Parking Services were helpful and co-operative at all times.

## 4.4 Follow Up Audits

We have not undertaken any follow up audits in this period.

## 4.5 Freedom of Information (FOI) Requests

Between 1<sup>st</sup> October 2019 and 19<sup>th</sup> February 2021 we have processed 355 requests, and of these, 23 were responded to late.

We have responded to requests for information in as timely a manner as possible, but due to the challenges on resources that arose due to the COVID-19 pandemic, some requests were late, and in some cases, the information requested was not provided as it was necessary for resources to be diverted away from usual compliance of information rights work, and be applied to serving and protecting Crawley Borough Council's communities during this challenging time.



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## 5. Corporate Risks

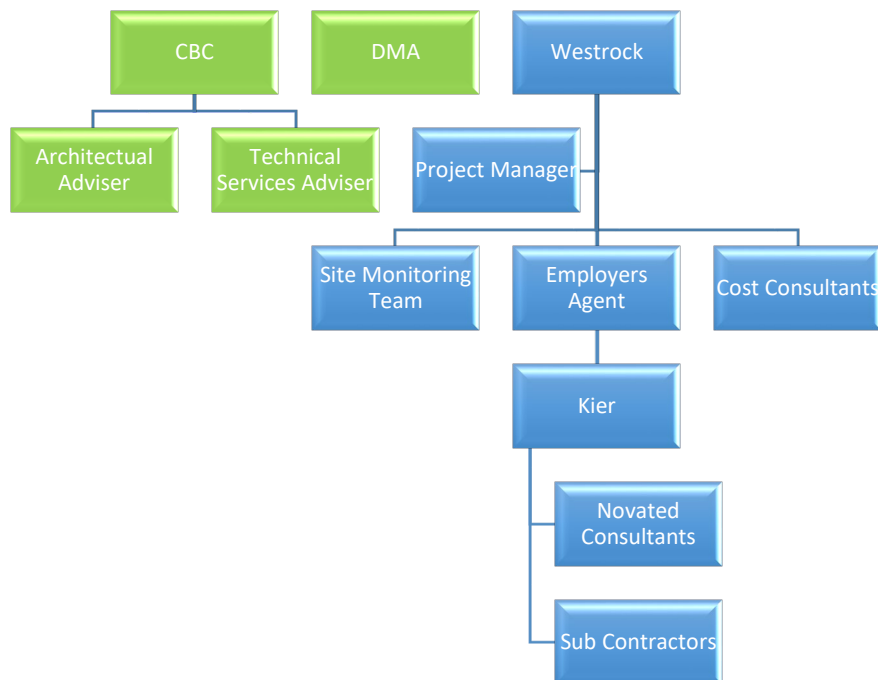
### 5.1 Failure to deliver key infrastructure projects as planned, on time and within budget, such as:

#### a) New Town Hall

Despite the challenges of Covid, the construction of the New Town Hall building continues to time and budget, and working across stakeholders continues to improve. Commercial agents have been appointed and very early indications for tenants are positive, but this remains a key risk. Conversely Covid has accelerated new ways of working that provides greater confidence that the organisation will be ready to move, and allows the Council to occupy a smaller amount of space. Decisions on exact ways of working have been put on hold wherever possible until the post-Covid picture is clearer. Significant progress has been made around facilities management approach and this will continue. The wider benefits of the redevelopment is being actively pursued, albeit that some skills and educational opportunities have been lost due to Covid. The project board overseeing the development has structured itself around these risk areas, and has developed a programme that identifies and manages interdependencies and is actively managing the identified risk. A detailed risk register has been created to reflect this stage of the development and continues to be updated as this stage of the project embeds itself, this is attached as at Appendix B.

Governance Structure –

#### Contractual Arrangements





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## Internal Governance

### Member Oversight

- Updates to Cabinet Briefing & regular liaison with Portfolio Holders
- Reporting as requested to Overview & Scrutiny Committee
- Member Working Group advising with particular interest in Groups 2, 4 and 6

## Town Hall Board

Group 1: Design & Build	Group 2: Moving into NTH	Group 3: Commercial Space	Group 4: Facilities Management	Group 5: District Heat Network	Group 6: Benefits Realisation
<ul style="list-style-type: none"><li>• Construction monitoring</li><li>• Car Park works</li><li>• Contractor liaison</li><li>• Financial monitoring</li><li>• Communications</li><li>• Interface with other developments</li></ul>	<ul style="list-style-type: none"><li>• Cat C design and procurement</li><li>• Link Transformation Programme</li><li>• Layout and accommodation</li><li>• Decant planning and moving</li></ul>	<ul style="list-style-type: none"><li>• Appointment of commercial agent</li><li>• Marketing of building</li><li>• Tenancy agreements</li><li>• Occupancy arrangements</li><li>• Interface with FM</li></ul>	<ul style="list-style-type: none"><li>• Commissioning &amp; training for M&amp;E and plant equipment</li><li>• Plant maintenance contracts etc</li><li>• Emergency planning</li><li>• Risk assessments</li><li>• Car Parking</li><li>• Front of house</li></ul>	<ul style="list-style-type: none"><li>• Procurement of O&amp;M contractor</li><li>• Billing &amp; Client arrangements</li><li>• Test &amp; Commission plant</li><li>• Switch over A2D &amp; Kilnmead</li><li>• Phase 2 planning and business case</li></ul>	<ul style="list-style-type: none"><li>• Public Square and 4th Plinth moment</li><li>• Public spaces within town hall</li><li>• Sustainability benefits</li><li>• CSR benefits</li></ul>

### b) District Heat Network

The final element of the Town Hall Site Redevelopment is the District Heat Network. This element has taken considerably more time to get to contract but this has now been achieved, and the impact of delays mitigated across the wider programme. The project team structure has been agreed and this will continue to report into the Town Hall Board and member oversight mechanisms in the same way as above. The mechanisms for identifying and managing risk also mirror the wider approach. To date works have progressed largely to programme and budget and the remaining design areas are being finalised. The procurement of the O&M Contractor is in the very final stages and once in place will be a key milestone in the project.

### c) 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 with an additional scheme and further funds added by WSCC to increase the package to £72m. The principal purpose of the Crawley Growth Programme investment is to help bring forward regeneration sites to achieve new homes, jobs, and commercial space.

The Queensway scheme was completed on time and within budget in October 2019. The Town Centre signage scheme was rolled out and completed last year with an additional phase delivered, providing further signage in and around Memorial Gardens. The Station Gateway scheme has been successfully project managed through its initial stage, with the Borough Council able to broker successfully a way forward between Network Rail, GTR, West Sussex County Council and the Arora group on the



# Agenda Item 6

development of proposals for a brand new Crawley railway station complex and associated public realm / parking / access improvements on site. These proposals, alongside a residential development at Station Gateway, are the subject of a live reserved matters planning application, which is due to be considered by planning committee.

The following projects will be led by CBC as part of the Crawley Growth Programme over the period to March 2025:

- Station Gateway public realm improvement
- Grade A commercial space development
- Three Bridges Station Improvement scheme
- Town Centre and Manor Royal Cycle Schemes
- Town Centre and Manor Royal 'super hub' bus shelters

The remaining risks associated with the continuing delivery of the Crawley Growth Programme are the following:

- Risk of budget overspend for the future project delivery within the Programme  
**Mitigation:** regular financial monitoring and audit work carried out. Quarterly LEP audit; Head of Corporate Finance attends six weekly Programme Delivery Team meetings with West Sussex County Council. A "mid-term" programme review to take place summer 2021.
- Scheme delivery time overruns – Remaining Crawley Growth Programme schemes must be delivered by the end of March 2025.  
**Mitigation:** Regular project monitoring undertaken by individual Project Boards, the Programme Delivery team with West Sussex County Council and reported to the Crawley Growth Board, chaired by the CBC Chief Executive.
- Discontinuation or withdrawal of support from key partners  
**Mitigation:** Regular interaction to identify and resolve issues promptly at project Board level with the Manor Royal Business District, Network Rail, GTR, Metrobus etc. A "mid-term" programme review to take place summer 2021
- A sustained period of economic downturn which slows up private sector investment on key regeneration sites in the town centre:  
**Mitigation:** The type of infrastructure investment being delivered by the Crawley Growth Programme in public realm, transport and infrastructure transcends the economic cycle and delivers structural improvements to strengthen Crawley's economic prospects. The target date for delivery of regeneration site outcomes is actually 2030 to take account of the economic cycle and potential for a sustained down turn, which is now likely in view of the impact of the COVID-19 crisis nationally and internationally.  
  
Ineffective co-ordination of delivery across projects, leading to multiple disruption in the town centre and Manor Royal when this was avoidable. **Mitigation:** Careful planning and close cooperation between CBC, WSCC officers and third party partners / contractors. A "mid-term" programme review to take place summer 2021
- Absence of CIL funding receipts in contribution to the delivery of the Crawley Growth Programme  
**Mitigation:** Officers will defer from seeking Member approval to progress any elements of a scheme requiring CIL funding until such time as the requisite CIL receipts have been received.
- Ineffective co-operation and communication with WSCC  
**Mitigation:** Where WSCC is the lead partner in the delivery of a Crawley Growth Programme scheme, such as the Eastern Gateway, CBC expects to be kept up to date in a timely and effective fashion well in advance of scheme milestones. This will be channelled through the Crawley Growth Board, chaired by the CBC Chief Executive and the Programme Delivery Team. A "mid-term" programme review to take place summer 2021



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## d) **Three Bridges Railway Station**

On 11<sup>th</sup> 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. This funding remains on track to be spent by the deadline.

Member approval was granted in June 2016 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 have been combined with the above S106 resources, in addition to a further £89,000 of S106 funds along with over £1.1 million of Community Infrastructure Levy, (approved by Cabinet on 7<sup>th</sup> February 2018), subject to receipt of the CIL funds.

At the Full Council meeting on 26 February 2020, Members debated the recommended design option for the Three Bridges Station Improvement scheme in the context of a petition received with over 1,000 signatories objecting to the removal of the right hand turn for vehicles out of the station and a Council motion requesting that an alternative design option is developed retaining the right hand turn and then being subject to public consultation.

Full Council voted to request that Cabinet note the petition and consider its contents and then voted to approve a Council Motion which requested that Cabinet refer the matter of retaining the right hand turn to West Sussex County Council, the Highway Authority, requesting that the Highway Authority determine whether an alternative design option retaining the right hand turn is viable. This course of action was approved by Cabinet in March this year and a response received in June has confirmed the Highway Authority's support for the proposed scheme and the preferred design option. A planning application is in preparation for the scheme as well as a budget review and work to secure the outstanding Community Infrastructure Levy required to finance the scheme.

A comprehensive risk register is overseen by the Project Board of the Crawley Growth programme. The principal strategic risk looking ahead to the next steps is that a way forward is unable to be agreed.

## 5.2 **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. Projections for the current 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. Delivery is expected to remain at a similar level for the following 4 year monitoring period to 2025.

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 built will have been developed. This will leave smaller sites that are more challenging and contentious in nature and therefore more resource intensive to bring forward, or finding other opportunities such as regeneration.

- Work has been undertaken that will seek to identify these future sites and opportunities, feeding into the Local Plan and developing programmes of work. The



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Strategic Housing Board has reviewed and strengthened its governance to adapt to the new development environment and the associated risks this will bring.

## 5.3 Transformation Programme

The Council had set itself a change agenda to be completed ahead of the move to the new Town Hall and to help us meet future demand, needs and financial pressures. One impact of the Covid19 pandemic has been the move of almost all staff to home working arrangements, thereby achieving in a matter of days, a shift in mind-set towards more agile ways of working that might well have taken months to achieve.

Given this progress and recognising the wider financial and community impacts of Covid, a review of the Transformation Programme has been completed and our plans refreshed to refocus our objectives. These are Channel Shift, New Ways of Working, People Strategy, Service Redesign, Commercialisation and Assets.

At a programme level, the key risks are:

- Financial – restricting the scope of work and change arising
- Capacity to deliver the scale of the Transformation Programme given other pressures
- The interdependencies between the areas of work not being recognised

The Transformation Board at CMT level brings together and provides oversight at a high level plan to ensure coherence, manage interdependencies and change, allocate resources and ensure delivery. Furthermore the Digital, Transformation and Corporate Support teams have been reinforced to ensure there is sufficient capacity both to support and deliver the transformation programme. Finally, significant work is taking place with third and fourth tier managers to ensure to support implementation.

A further senior management group – Corporate Project Assurance Group - ensures appropriate governance of projects and that key projects beyond the transformation programme are not adversely impacted from the constraint of capacity and resources.

## 5.4 Disaster Recovery and Business Continuity

Currently, our core data centre is based at the Surrey Data Centre in Redhill. 99% of all systems are hosted there with a few remaining hosted at the Town Hall. The migration of users to Office 365 in the cloud, means that core communication tools like Outlook are available from anywhere. The rollout of hybrid devices, the new Virtual Private Network (VPN) and the rollout of MS Teams has successfully delivered the capability for staff to work in any location where an internet connection is available. Bewbush remains as a site for face-to-face services even though it wouldn't be required for access to systems.

There remains a risk that the Surrey Data Centre could go offline, leaving CBC unable to access its line of business systems. The options for fully duplicated disaster recovery are being drawn up ready for implementation over 2021/22 (see move to cloud below). Until such time there remains the following risk.

- The Surrey Data Centre were to go offline – CBC would retain access to Office 365 (MS Teams, Outlook etc.), but not service specific systems hosted at Surrey until the data centre was restored.



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## 5.5 Move to Cloud

The Council is undertaking substantial work to modernise its IT Digital Infrastructure to support our Transformation Programme, and ensure its IT estate is fit for purpose ahead of the move to the new Town Hall. The optimal strategy, in terms of future proofing our IT infrastructure and reducing the risks associated with that infrastructure, has identified moving our estate to the cloud. Whilst this will de-risk the Council over time, it is recognised that there will be risks associated with the change itself. Financially it requires a shift from a capital to a revenue model of funding IT and ways of mitigating this are being investigated. Structurally it will require short term investment and medium term shifts in human resources as elements of the Digital Team shifts into new roles. From a data security point of view it will require careful consideration of the implications to ensure the Council is compliant.

Risks of the move to cloud:

- Covid V19 financial impact makes the revenue investment difficult to achieve.

## 5.6 Data Breaches

This risk relates to inadequate data sharing and data security arrangements including failure to maintain public services network accreditation (PSN). Improper disclosure of confidential information, failure to comply with GDPR requirement could lead to major reputational damage, loss of public confidence and the inability to operate key business processes.

The Council has made some considerable strides in this area in recent months. Most significantly it has re-secured its PSN certification providing assurance that its infrastructure is robust and secure. This will continue to be tested on an annual basis. Secondly, and in preparation for the move to the new Town Hall, an Information Management project has been set up to audit all information assets and policies, and prepare them for transfer to a new electronic document and record management system. Thirdly the Information Governance Board has been refreshed and this will oversee all aspects of this work, and is currently reviewing guidance and training for staff.

## 5.7 A Balanced Budget is Not Achieved in the Medium Term Resulting in an Increased Use of Reserves, which is Not Sustainable.

The Budget Strategy report to [Cabinet](#) on 25<sup>th</sup> November 2020 identified future budget gaps and mitigations. The budget report which was presented to Cabinet and the Full Council included the outcome of decisions made on savings, taking into account the results of the resident's survey.

The Budget and Council Tax 2021/22 [FIN/514](#) report to Cabinet on 3<sup>rd</sup> February 2021 and the Full Council on 24<sup>th</sup> February 2021 included the outcome of decisions made on savings, taking into account the results of the resident's survey. The report identified in Table 6 £1.819m of savings and efficiencies in order to address the gap and the impact of the pandemic. Despite this there is still a small budgeted use of reserves of £155,506. The future budget gap was identified of £447,000 for 2022/2023, however there are many unknowns going forward. The proposed Fair Funding Review has now been delayed together with a review of business rates retention and the future of Local Government financial settlements are unknown. There has been a consultation document of the [future of New Homes Bonus](#).

This will be responded to and will impact on future assumptions.

The impact of Covid19 is having a significant impact on both the current and future years. In year savings, efficiencies and other mitigations of £1.78m have been identified, despite receiving Government support there is still a budgeted shortfall of £109,000 identified in the Quarter 3 [FIN/516](#) report to Cabinet on 3<sup>rd</sup> February 2021. The Corporate Management Team will be working on the budget position throughout the new financial year and assessing the impact on the budget due to Covid-19 and will report through regular Quarterly budget monitoring reports to Cabinet.



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## 5.8 Organisational Capacity, Recruitment, Retention and Succession Planning

There are a number of current and forthcoming workforce challenges facing the Council. As we seek to transform, continuously improve and meet a budget gap, we will be asking more of our staff, potentially with less resource. Some of this will be met through greater productivity, but not all. Having reduced the workforce in recent years from c1000 to c600, the Council is already seeing potential points of failure, for instance single standalone specialists. It is also recognised that there are teams that are potentially already under-resourced and the impact of Covid 19 is adding other pressures on staff.

Recognising these challenges, the Transformation Plan has as one of its objectives the creation of a People Strategy overseen by a People Board. This will bring corporate drive to addressing some of the following challenges. This group was established at the end of 2020 and will shortly seek wider representation from staff, managers and Unison as it develops its agenda.

The recruitment and retention of key specialist and professional roles can be challenging. The impact of higher salaries in the private sector is evident and as a result has led to problems with recruitment and retention in roles such as Procurement, IT, Legal and some Planning and Surveying roles. HR are working with managers to ensure that we promote hard to recruit roles effectively and actively encourage managers to have transparent conversations around salary throughout the recruitment process.

We have also seen a number of skills gaps in the market when recruiting, as a result HR has worked with managers to creatively approach their recruitment by either upskilling employees internally or re-evaluating and recruiting to trainee level posts, this has resolved some retention issues, but it has impacted on workload for these business areas as there are greater levels of support and training for staff in these circumstances.

We offer a generous employee benefits package, with a range of discounts, benefits and wellbeing incentives to suit everyone and by raising the profile of these to prospective and existing employees with our benefits hub and external webpage, we can address candidate attraction and retention.

We continue to promote and support the creation of apprenticeship opportunities and we are making progress with better promoting ourselves as an employer of choice. The Corporate Management Team are discussing succession planning and putting processes in place to plan for the future.

## 5.9 Challenges and Risks: Workforce Capacity, Resilience and Health and Wellbeing

### a) Workforce Capacity

The challenges facing the workforce has been unprecedented over the last year as the Coronavirus pandemic has affected everyone in some way or another. We have seen the impact upon Crawley residents with local firms making significant job redundancies and firms using the Coronavirus Job Retention Scheme (CJRS) placing staff on furlough. These measures have significantly increased the amount of people using council services and making financial claims that would otherwise not have made claims to us. With forthcoming changes to the government's schemes we expect the demand to continue for several months, therefore placing additional demands on staff in these critical services.

In our response to these demands staff have been working considerably more hours and although this can be attained in the short term with the continued high levels expected, this would be unattainable longer term. When the council set out to respond to the demand we could not foresee the levels or duration that this would be for. Departments put into place their business continuity plans (BCP) however this has been an unprecedented emergency and although the BCP helped the workforce to respond, these plans we not necessarily



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designed as long term solutions. To support colleagues we have reassigned staff from different work areas to help meet the need.

Going forward the challenges and risks we face are if further job cuts happen within the borough, more people will seek the services of the council. Our response is to evaluate where we consider these pressure points will be and in advance of the impact identify staff we can reassign and in preparation will have undergone specific training for the roles they may be asked to cover.

## b) **Workforce Resilience**

We have seen the workforce respond and apply flexibility to the demand placed upon them and they have got to grips with the new pieces of legislation and subsequent government changes, of which there have been many.

Everyone has been affected in some way, whether it be directly by the virus itself, we have known some staff have lost loved ones to the virus, or staff shielding as they have medical conditions which means they are critical or vulnerable to the virus or they live with someone in their household who is shielding. A large number of staff have been home schooling whilst juggling working from home. For staff who work out in the community concerns have been about their ability to remain safe and maintain the social distance requirements whilst undertaking their jobs. Despite these challenges the workforce have largely responded well. We have also conducted two staff surveys, with a third currently ongoing to gauge the impact of the pandemic on our staff, services, productivity and morale. Feedback from these staff surveys have confirmed that staff are coping and performing well although the third lockdown is taking its toll on staff, particularly their wellbeing and fatigue.

Some staff have been financially impacted as their partners/husbands/wives may have been furloughed or made redundant.

We have increased the measures to support staff with ongoing support and a comprehensive staff wellbeing programme

## c) **Health and Wellbeing**

Throughout this time the organisation has ensured our workplace have been supported in working from home, we have advised staff how to staff stay safe and healthy giving them access to health initiatives and links to variety of support avenues.

We have prepared for when staff return more regularly to the workplace and have robust health and safety measures and guidelines in place.

## d) **Challenges and Risks We Face**

We face a number of challenges in the forthcoming months, some we are able to anticipate as mentioned earlier and some we may only know about and experience as they happen.

The Coronavirus pandemic is unprecedented, and should a further spike of the virus occur we could see our workforce health impacted and have a reduced workforce for some time. It is therefore paramount that we continue to establish a core of staff who can be deployed to key critical areas as and when needed.

We have an aging workforce and as some staff members may be able to access their pension, we may see an increase of staff leaving the organisation. It is known that when people experience a life changing event, which one could liken the pandemic, people often



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re-evaluate their personal circumstances. If this was to present itself we could see a loss of key officers with significant knowledge and skills leave the organisation.

## 5.10 **Climate Emergency**

In July 2019 the Council declared a climate emergency and pledged to aim to reduce carbon emissions generated by Crawley Borough Council activities by at least 45% by 2030 and to zero by 2050 as recommended by the Inter-governmental Panel on Climate Change (IPCC). The risks here are broadly two-fold, the costs of not acting and the difficult choices involved in acting. A Climate Change Scrutiny Panel was established in autumn 2019 and undertook an assessment of the Council's carbon emissions and a series of meetings to support that assessment. Unfortunately that assessment was significantly delayed due to the pandemic. The Scrutiny Panel presented a report in February this year to Cabinet with recommendations for the Council's Climate Change Emergency Action Plan. Officers will draw up the Action Plan over the coming months and this will be submitted to Cabinet for approval, alongside an audit of the Borough's carbon emissions. The officer Climate Emergency Advisory Group is evaluating the recommendations of the Scrutiny Panel as part of the development of the Council's Climate Emergency Action Plan which will be brought to Cabinet for consideration later this year.

## 5.11 **National Waste Strategy (incl Food Waste)**

The National Waste and Resources Strategy is scheduled for final consultation in spring 2021. Although yet to be confirmed, it seems likely that the Strategy will mandate changes to refuse and recycling collections which could place additional resource burdens on waste collection authorities. The Draft Consultation Strategy indicated introduction of a mandatory weekly food waste collection which could then impact upon residual waste and dry mixed recycling collection frequencies. The Council's contract for Waste and Recycling has been extended to allow sufficient time to understand this impact and undertake the planning required to take account of the changes to come.

## 5.12 **Public Health**

The Covid-19 pandemic reminds us of the risks associated with public health emergencies. As host borough to Gatwick Airport, the Council has additional responsibilities when such issues emerge, in addition to those faced by other Councils.

## 5.13 **Local Plan Failure to Adopt**

Crawley's refreshed Local Plan 2021-2037 has been published for another round of "Regulation 19" consultation, which commenced on 6<sup>th</sup> January 2021. Officers have reviewed the written representations received from the previous consultation from residents, stakeholders, other local authorities, businesses and developers and have completed further supporting evidence ahead of the next steps, including a review of the impact of the COVID-19 crisis on the Borough's economic growth forecasts. Some additional further evidence remains outstanding and until that has been completed and published the consultation on the Local Plan will remain open, to allow sufficient time for stakeholders to review the Local Plan in light of the full evidence base and make their representations accordingly. Following the completion of this current "Regulation 19" consultation, officers will consider the written representations received and the intention is to submit the refreshed Local Plan in summer 2021 in order for an examination of it by the government Planning Inspectorate in autumn 2021. Subject to process and the outcome of the examination, the Local Plan document would then come back to Cabinet and the Full Council for approval to adopt as policy.

- The principal risk associated with adoption at this stage is that the Inspector finds the Local Plan not to be legally compliant, in which case it would not be able to proceed through examination. In addition, there is a risk that the Inspector considers at examination, having taken into account duly made representations, that the Local Plan is not yet "sound" and that it requires significant modification. Only minor modifications



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can be undertaken by the council before or during the examination process, unless these are required by the Planning Inspector in order to make the Plan “sound”. Adoption could be delayed should the Inspector require a revised draft to be produced to go out to a further period of modifications consultation; the examination to be ‘paused’ to allow significant time to undertake further work; or the council to withdraw the Plan to make substantial amendments where the modifications would go to the heart of the Plan. The adoption of the Local Plan is a Full Council decision, there is a risk the council may not agree to adopt the Local Plan. Where this has occurred in other authorities it has been due to political changes since the approval for publication and submission, or because of Main Modifications required by the Inspector which were not accepted by the council (there is no allowance to adopt a Plan except in accordance with the Inspector’s modifications, the only other option would be to withdraw the Plan and start work on a new Plan). Finally, there is the risk that a third party could ask the Secretary of State to intervene to prevent adoption of the Local Plan, or might subsequently raise a judicial review which could risk the Plan (or a specific part of it) being quashed.

## 5.14 **Brexit**

The implications to the supply chain are yet to be seen due to leaving the EU, this will be monitored and reported during the next financial year.

## 5.15 **Covid-19**

Whilst not a specific Crawley Borough Council organisation risk there is a very large community risk of the pandemic on our residents. These include inequalities, health, housing and businesses. We are trying to mitigate this through help and support including providing Government grants and supporting eligible residents to apply for Council tax reduction. Some impacts however, will not show until the housing eviction ban has been lifted, courts reopen and furlough schemes end and there may be an increase in job losses which will result in increased demands on services.

Report author and contact officer: Gillian Edwards, Audit and Risk Manager



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## Internal Audit Plan 2020/2021

Progress Report as at 19<sup>th</sup> February 2021

Audit	Audit Plan Year	Audit Opinion- Assurance	Number of High Priority Findings	Comments
<b>A. Work Completed in the Current Period</b>				
Car Parking – Visitor Parking Permits	2020/21	No Assurance	10	
Disabled Facility Grants	2020/21	Satisfactory		
Cash and Bank	2020/21	Substantial		
Creditors	2020/21	Substantial		
Sundry Debtors	2020/21	Substantial		
<b>B. Work In Progress</b>				
Grants Assurance Work	2020/21			
K2	2020/21			
Treasury Management	2020/21			
Budgetary Control	2020/21			
Financial Management System (FMS)	2020/21			
Council Tax	2020/21			
Payroll	2020/21			
NNDR	2020/21			
Housing Benefits	2020/21			
DWP CIS Compliance	2020/21			
<b>C: Other Work</b>				
Attend Town Hall Board				
Attend Corporate Project Assurance Group				
Attend Information Governance Group				
FOI Requests – day to day work				
Subject Access Requests – review/approve				
Mid Sussex District Council	2020/21			
<b>D: Follow Ups</b>				



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TOWN HALL PROJECT INCLUDING HEAT NETWORK  
RISK REGISTER  
TOWN HALL PROJECT  
RISK REGISTER

<b>Likelihood</b>	<b>Impact</b>
5 = Almost Certain	5 = Catastrophic
4 = Likely	4 = Major
3 = Possible	3 = Moderate
2 = Unlikely	2 = Minor
1 = Rare	1 = Negligible
Risk Score = Likelihood x Impact	
All risks with a score of 10 or more are considered significant	

File Ref:	Town Hall Development				
Name of Doc:	Risk Register				
Version No:	V23	Monitored by:	Project Board	Date Printed:	23/02/2021
File path:	T:\Town Hall Project\townhallprojectriskregister .doc			No of Pages	9

**Responsibility – Project Board**

Risk ID	Risk Description	Original Risk			Target Risk			Current Risk			Mitigating Actions	Review Date/ Comments 18/02/2021
PB1	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"> <li>Pre app meetings held between Westrock and planning officers</li> <li>Conditions for the scheme have been identified and so that ownership and dates can be agreed.</li> <li>Planning conditions project tracker created for WR.</li> </ul>	Risk still active due to Planning conditions on the construction of the New Town Hall
PB1	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"> <li>Pre app meetings held between Westrock and planning officers</li> <li>Conditions for the scheme have been identified and so that ownership and dates can be agreed.</li> <li>Planning conditions project tracker created for WR.</li> </ul>	Risk still active due to Planning conditions on the construction of the New Town Hall



Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 18/02/2021
PB2	Impact of construction Phase 1 and Phase 2 to residents and commercial tenants	3 3 9	2 3 6	3 3 9	<ul style="list-style-type: none"> <li>Project agreement includes timescale to build phase 2</li> <li>Initial rental income projection incorporates phase 2 development impact</li> </ul>	
PB3	Errors or omissions in legal or contractual documentation	2 3 6	1 2 2	1 3 3	<ul style="list-style-type: none"> <li>Internal/External procurement and legal advice taken on all aspects of the contractual arrangements.</li> <li>Legal agreements signed 18 Oct 2019 having sought external advice throughout negotiations.</li> <li>We are now in a fixed price contract with Keir</li> </ul>	
PB4	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"> <li>Clear decision making leads identified at member and officer level agreed by Cabinet</li> <li>Robust project management and Governance structure established</li> <li>Continued working with consultants to ensure work to timeline.</li> <li>Management structure regarding the relationship with the contractor, the Council and the Development manager is in place.</li> <li>Steering group set up between key officers from CBC and Westrock to discuss issues.</li> </ul>	
PB5	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"> <li>Project agreement will stipulate time period, with CBC having the option to buy back.</li> </ul>	
PB6	Impact of changes to values of offices/housing	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> <li>Valuations obtained, these will be refreshed during the project</li> </ul>	
PB7	Project exceeds budget	2 4 8	1 4 4	3 4 12	<ul style="list-style-type: none"> <li>Budget agreed and clearly communicated in Final design brief</li> <li>Regular Project Board and Steering Group meetings to review and keep cost projections up to date</li> <li>Contingencies sums identified covering 10% of project costs.</li> </ul>	



Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 18/02/2021
					<ul style="list-style-type: none"> <li>Value engineering opportunities being explored at Stage 5</li> <li>Monthly reports and Client meetings to ensure works are agreed and information provided to design team.</li> <li>Regular budget review meetings between Westrock and CBC</li> <li>Cat A and Cat B are now fixed price.</li> </ul>	
PB8	Contractor is declared bankrupt and is unable to complete the construction contract	2 2 4	2 2 4	2 3 6	<ul style="list-style-type: none"> <li>Contract retention of 8% of the contract value has been agreed in lieu of a performance bond as part of Due Diligence process. The mechanism agreed is a 5% retention of construction costs until practical completion of the project. This is in addition to a further 3% retention previously negotiated for quality purposes. The latest results from the contractor see improvements.</li> </ul>	Ongoing

#### Responsibility – Group 1 – New Town Hall Design and Build

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 18/02/2021
G1-1	Errors in detailed design specification – New Town Hall	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> <li>Consultant Architects appointed as our client to oversee design brief.</li> <li>Board to monitor mitigation actions to reduce costs, use of value engineering and errors</li> <li>Regular design team meetings held to ensure variations are discussed before change requested. Consultant procured to provide advice and support to ensure Employers Requirements (ER's) are met and where necessary any changes are in line with original ER's.</li> <li>Expert advice was given when designing the commercial space and canopy.</li> </ul>	



Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 18/02/2021
G1-1 DHN	Errors in detailed design specification - DHN	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> <li>Consultant Architects appointed as our client to oversee design brief.</li> <li>Board to monitor mitigation actions to reduce costs, use of value engineering and errors</li> <li>Regular design team meetings held to ensure variations are discussed before change requested. Consultant procured (Ramboll) to provide advice and support to ensure Employers Requirements (ER's) are met and where necessary any changes are in line with original ER's.</li> </ul>	
G1-2	New Town Hall not delivered on time	2 3 6	1 2 2	3 3 9	<ul style="list-style-type: none"> <li>Robust monitoring governance agreed with all parties.</li> <li>Monthly meetings with Contractor and Design Team to ensure programme is monitored and changes communicated.</li> <li>Covid-19; Keir and the CMT (Construction Management team) are monitoring the situation.</li> <li>Kier are reporting that they are on programme.</li> </ul>	Provision for financial penalties built into the contract however the impact of Brexit and the Coronavirus could impact
G1-2 DHN	DHN not delivered on time	2 3 6	1 2 2	3 3 9	<ul style="list-style-type: none"> <li>Provision of temporary heating boilers are included in the Town Hall Contract</li> </ul>	
G1-3	Members facilities do not meet their requirements	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> <li>Regular consultation with Members and Member Working Group, they are aware of decisions that need to be made</li> <li>Member sign-off to this element of the final design brief of these elements</li> </ul>	
G1-4	Staff facilities / infrastructure do not meet their requirements.	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> <li>Regular consultation with staff via a number of formats</li> <li>Desk ratio demonstrates meeting needs and will work with staff to co-ordinate remaining elements.</li> <li>Will be delivering office etiquette guidelines and trails for new ways of working</li> <li>Links with the transformation plan</li> </ul>	



Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 18/02/2021
G1-5	Customer facilities do not meet their requirements	2 3 6	1 2 2	2 2 4	<ul style="list-style-type: none"> <li>• Crawley Homes Tenants Panel have been consulted.</li> <li>• Will undertake a consultation with customers</li> <li>• Will offer significant improvements to current arrangements.</li> <li>• Sufficient time to trail new arrangements for customers.</li> <li>• TAG (Town Access Group) are being consulted as part of the process, they have inputted into changes in detailed design.</li> </ul>	
G1-6	<del>Provision of the internal wall during the demolition period does not meet planning conditions</del>	3 3 9	1 1 1	1 1 1	<ul style="list-style-type: none"> <li>• Discussions with demolition contractor to ensure requirements are outlined in tender documents</li> </ul>	
G1-7	New Town Hall building as completed not to required quality/specification	2 4 8	1 2 2	2 2 4	<ul style="list-style-type: none"> <li>• Establish robust project management structure</li> <li>• Maintain regular contact between CBC/developers to monitor construction against design specification</li> <li>• Regular design team meetings held to ensure Stage 4 designs meet requirements.</li> <li>• Developers appoint Clerk of Works/Site Agent to oversee construction</li> <li>• Within the contract there is a requirement for Kier to provide warranties.</li> <li>• Building control are regularly going to the Town Hall site to assess progress.</li> </ul>	
G1-7 DHN	DHN building as completed not to required quality/specification	2 4 8	1 2 2	2 2 4	<ul style="list-style-type: none"> <li>• Establish robust project management structure</li> <li>• Maintain regular contact between CBC/developers to monitor construction against design specification</li> <li>• Regular design team meetings held with Ramboll to ensure Stage 4 designs meet requirements.</li> <li>• Developers appoint Clerk of Works/Site Agent to oversee construction</li> <li>• Within the contract there is a requirement for Kier to provide warranties.</li> <li>• Building control are regularly going to the Town Hall site to assess progress</li> </ul>	



Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 18/02/2021
G1-8	Condition of Trees in service road and possible impact to the design of the DHN	2 2 4	1 2 2	2 2 4	<ul style="list-style-type: none"> <li>All trees removed or topped in phase 1 development at start of construction of DHN</li> </ul>	
G1-9	Health & Safety – ensure compliance during and after the construction period and for the future.	2 3 6	1 2 2	3 3 9	<ul style="list-style-type: none"> <li>Robust project management from construction contractor(s)</li> <li>Consultation programme to include all relevant authorities with regard to health &amp; safety matters</li> <li>Covid-19; Kier CMT (Construction Management Team) to monitor the situation. Kier have implemented their “COVID19-STAYING SAFE” procedures</li> <li>Discussions have been taking place with the contractor they have reviewed site safety and they are implementing further health and safety measures.</li> </ul>	
G1-10	Unforeseen circumstances with the development delay the project; Examples: Problems with any of the utilities, adverse weather; industrial disputes  Links to group 2	2 2 4	2 1 2	2 1 2	<ul style="list-style-type: none"> <li>Covered by the contract</li> <li>Early warning of any problems so that the impact of the risk could be prepared for;</li> <li>Impact of Covid is being managed well, early warning notifications will be issues by the contractor, no big issues at the moment.</li> </ul>	Ongoing risk
G1-11	The commercial entrance for the building is delayed  Links to group 3	2 2 4	2 2 4	2 1 2	<ul style="list-style-type: none"> <li>Possible for commercial tenants to use the Council staff entrance until the commercial entrance is complete.</li> <li>Included in the Kier delivery programme</li> </ul>	Ongoing risk
G1-12	Delivery of improved car park facilities, allocated spaces and management plan. Consider risk of staff morale by using the Orchard St car park instead of Exchange Road.  Links to group 2 and 3	1 1 1	1 1 1	2 3 6	<ul style="list-style-type: none"> <li>Car Park improvements part of development plan</li> <li>Need to review spaces allocations and control systems</li> <li>Car Park management plan to be submitted to planning.</li> <li>Shorter and longer term risks of spaces to meet all the demand there will be sufficient in phase 1 but will be a bigger risk in phase 2.</li> </ul>	



### Responsibility – Group 2 – Cat C Design and procurement, mobilisation and decant

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 18/02/2021
G2-1	Unable to deliver new ways of working to support reduced council operating space	3 3 9	1 2 2	3 3 9	<ul style="list-style-type: none"> <li>Structured approach through Digital &amp; IT Strategy to deliver key projects</li> <li>The transformation plan is a working document which looks to work in new ways</li> </ul>	
G2-2	Delays in mobilisation to new building impacting on service to customers	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> <li>Current plans allow for six month mobilisation, there would be financial penalties if we exceed the six months</li> </ul>	
G2-3	<p>The Council and its staff are unprepared to move into the New Town Hall</p> <p>There is a lack of succession planning for key staff involved in the New Town Hall Project</p> <p>Managers are unprepared to manage their staff in the changed environment</p> <p>Links to group 4</p>	3 3 9	2 3 6	2 3 6	<ul style="list-style-type: none"> <li>Facilities will ensure that all of the infrastructure including IT is ready for the New Town Hall to be ready for occupation with all statutory permits and insurances in place;</li> <li>Staff and managers will plan and prepare for the new building by visiting the new office accommodation to confirm where they will be located and when they will move;</li> <li>Phased transfer of staff to the new Town Hall so not to disrupt operations;</li> <li>Managers will plan contingency measures if key staff were to leave before the New Town Hall is completed;</li> <li>The transformation programme looks at digital transformation and new ways of working and changing the culture around agreed values and behaviours</li> </ul>	Ongoing risk

### Responsibility – Group 3 – Commercial Space

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 18/02/2021
G3-1	Impact of demolition of phase 2 and the public square may discourage occupiers of commercial space over first few years	3 3 9	2 2 4	3 3 9	<ul style="list-style-type: none"> <li>Financial projections are cautious for letting, work will take place with Westrock to minimise the impact</li> </ul>	



Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 18/02/2021
G3-2	Commercial office space including car park specification/design not attractive to potential occupiers.	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> <li>Design set at required level to attract commercial occupiers</li> <li>Use of consultant architect to provide advice and support</li> <li>External advisors state that the quality of the car park is not material to commercial customers</li> <li>Consultant letting agents who will provide advice appointed in June 2020.</li> <li>Professional advice received from the Commercial Agents will help to decrease the impact of the risk.</li> <li>Regular meetings with Commercial Agents on and changes to the design.</li> </ul>	
G3-3	<p>Letting the top floors commercial office space may be difficult in the new business environment due to:</p> <ul style="list-style-type: none"> <li>An oversupply of available office space in the Borough and with neighbouring Councils</li> <li>The impact of home working on the need for organisations to require new office space to accommodate their staff.</li> </ul> <p>This risk could be reduced by the potential for London based organisations to move to Crawley where the costs will be cheaper.</p>	2 4 8	1 1' 2	2 5 10	<ul style="list-style-type: none"> <li>Consultant letting agent appointed to market and promote the letting of the office space.</li> <li>Consultant letting agents consider that there is not an oversupply of new, Grade A office space.</li> <li>The ability to let half floors will enable a flexible letting strategy thus marketing the building to those occupiers requiring smaller floor sizes.</li> </ul>	19/11/20 Risk G-3 and G-4 amalgamated

#### Responsibility – Group 4 – Facilities Management (FM)

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 18/02/2021
G4-1	Facilities management services provided do not meet expectation of commercial tenants / building not kept at a level satisfactory to the commercial tenant	2 5 10	1 3 3	2 4 8	<ul style="list-style-type: none"> <li>Work with commercial letting agent to clearly define requirements.</li> <li>Ensure FM provisions are flexible and adaptable to meet various tenants needs</li> <li>Visiting other providers to see how they operate both public and private sector FM</li> </ul>	



**Responsibility – Group 5 – Heat Network**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 18/02/2021
G5-1	District Heat Network not being progressed impacts detrimentally on overall scheme	2 2 4	1 2 2	2 4 8	<ul style="list-style-type: none"> <li>See comments above, O&amp;M contract progressing.</li> </ul>	

**Responsibility – Group 6 – Benefits Realisation**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 18/02/2021
G6-1	WSSC Eastern Gateway project impact on infrastructure	1 3 3	2 2 4	3 4 12	<ul style="list-style-type: none"> <li>Early coordination with WSSC on programme dates. Discussions taking place with WSSC on the risk to delivery to the scheme.</li> </ul>	

**Risk Scoring = impact x likelihood (I x L)**

Impact/ Consequence	Likelihood				
	1	2	3	4	5
	Rare	Unlikely	Possible	Likely	Almost certain
<b>5 Catastrophic</b>	5	10	15	20	25
<b>4 Major</b>	4	8	12	16	20
<b>3 Moderate</b>	3	6	9	12	15
<b>2 Minor</b>	2	4	6	8	10
<b>1 Negligible</b>	1	2	3	4	5



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## Crawley Borough Council

### Report to the Audit Committee

3<sup>rd</sup> March 2021

### Internal Audit Annual Plan 2021-2022

Report of the Audit and Risk Manager – FIN/522

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#### **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**

- 2.1 The Committee is requested to make any recommendations they wish on the proposed 2021 – 2022 annual Internal Audit Plan.

#### **3. Reasons for Recommendations**

- 3.1 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 2021 and the following plan agreed.



# Agenda Item 7

## **5 Supporting Information and Analysis**

- 5.1 The 2021/2022 Annual Audit Plan allows for examination of the main financial areas from a systems 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 its approach to these areas year on year.
- 5.3 The shared working arrangement with Mid Sussex District Council will cease from 1<sup>st</sup> April 2021, coinciding with the retirement of one of the Senior Auditors. This commitment represented a total of 240 days which was covered by the equivalent of one full time equivalent Audit and Risk staff member.
- 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.

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



## INTERNAL AUDIT PLAN 2021/2022

Audit	Risk	Days
<b>Fundamental Systems</b>		
Council Tax	High	8
NNDR	High	8
Housing Benefits	High	12
Sundry Debtors	High	8
Creditors	High	8
Payroll	High	8
Cash and Bank	High	6
FMS	High	5
Budgetary Control	High	5
Treasury Management	High	5
Housing Rents –Biennial Review	High	8
Procurement	High	8
Commercial Properties including Rents	High	8
<b>Projects – Capital and Revenue</b>		
Corporate Project Assurance Group	High	5
Information Management Project Board attend and implement	High	8
Crawley Growth Programme	High	8
<b>Other</b>		
Ad hoc COVID-19 related work	High	16
Publication Scheme Review	High	2
DWP CIS Security Compliance	High	4
Housing Repairs – Planned Works – Wates	High	10
Housing Repairs – Responsive Repairs - Wates	High	10
Gas Servicing	High	8
Housing Allocations	High	8
Risk Management Awareness and Training	High	10
Grants	High	4
Chipside Parking Reconciliation	High	6
Adventure Playgrounds – Transitional Arrangements	High	6
Transformation – Benefits Realisation	High	8
Complaints	High	6
Refuse Collection, Recycling and Street Cleansing	High	10
The Hawth	High	6
K2	High	4
<b>ICT</b>		
Use of ICT Consultants	High	8
To be agreed	High	12
<b>Follow Up Audits</b>	High	15
<b>Contingency</b>	High	10



Audit	Risk	Days
<b>Total Productive Days (Audit)</b>		281
<b>Productive Time not allocated to audits including:</b> <ul style="list-style-type: none"> <li>• Audit Manager planning and preparation of audit plans</li> <li>• Co-ordination of Annual Governance Statement</li> <li>• Work undertaken in compliance with the Public Sector Audit Standards</li> <li>• Preparation of Audit Committee reports and attendance</li> <li>• Training</li> <li>• Advice and Consultancy to officers, managers and members</li> <li>• Corporate meetings</li> </ul>		70
<b>Non-Productive Time including:</b> <ul style="list-style-type: none"> <li>• Administration, including timesheets, team meetings, one to one meetings</li> <li>• Study, training and courses</li> </ul>		25
<b>Freedom of Information Requests</b>		260
<b>TOTAL DAYS</b>		<b>636</b>



Crawley Borough  
Council  
Audit results report  
Year ended 31 March 2020

February 2021





Private and Confidential

February 2021

Dear Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our audit conclusion in relation to the audit of Crawley Borough Council for 2019/20.

We have completed our audit of the Council for the year ended 31 March 2020. As set out on pages 5 and 6, a number of issues have arisen as a result of COVID-19 which impacted on our audit.

We confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3 of this report. We have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting 3 March 2021.

Yours faithfully

Andrew Brittain

Associate Partner

For and on behalf of Ernst & Young LLP

Encl



# Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk)). This 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 April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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



01

## Executive Summary





# Executive Summary

## Scope update

In our audit planning report distributed in lieu of the March 2020 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

### Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

### Changes to our risk assessment as a result of Covid-19

- Valuation of Property Plant and Equipment - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment and investment properties.
- Disclosures on Going Concern - Financial plans for 2020/21 and medium term financial plans needed revising for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Local Authority's actual year end financial position and performance.
- Adoption of IFRS16 - The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements was deferred initially until 1 April 2021, and then subsequently to 1 April 2022. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.

Changes in materiality - In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £2.7m, with performance materiality, at 75% of overall materiality, of £2m, and a threshold for reporting uncorrected misstatements of £135,000. We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross revenue expenditure we have updated our overall materiality assessment to £2.9m. This results in updated performance materiality, at 75% of overall materiality, of £2.2m, and an updated threshold for reporting misstatements of £147,000.





## Executive Summary

### Scope update

Extended significant risk – valuation of investment properties. In our audit planning report, we identified a significant risk around “Valuing and Accounting for Property, Plant and Equipment (Other Land and Buildings and Assets Under Construction)”. This risk was focused on the valuation itself rather than it’s disclosure. With investment property valuations being closely linked with markets that are uncertain, we consider that the risk extends to the investment property category of Land and Buildings as well as the Land and Buildings included within PPE.

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority’s systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We will report the impact on our audit fee at the completion of our procedures.





# Executive Summary

## Status of the audit

We have completed our audit of Crawley Borough Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit Planning Report. We expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3.

## Audit differences

We have identified the following unadjusted audit differences:

### Other Land and Buildings (OLB)

- Bewbush Centre – The Wilks, Head & Eve (WHE) valuation is £353k greater than the top of the valuation range which our specialists provided.

This difference is below our performance materiality.

### Investment properties (IP)

- Atlantic House – The WHE valuation is £230k greater than the top of the valuation range which our specialists provided.
- Ashdown House – WHE valuation £1,675k greater than the top of the valuation range which our specialists provided.

The total of these two judgemental differences within IP (£1,905k) is below our performance materiality of £2.2 million. Our preference was for the Council to adjust its Investment Property balances to account for these. However, given that differences of opinion between RICs (Royal Institution of Chartered Surveyors) valuers are judgemental in nature, the Council has decided to remain with the valuations as notified by WHE.

### Pension Fund

- The Crawley Borough Council share of West Sussex Pension Fund assets (at 31 March 2020) is overstated by £159k.
- Pension Fund liabilities are understated by £456k due to the Pension Fund not making allowance for the Goodwin case judgement.
- Reduction of £300k in the pension liability after allowance made for the McCloud judgement.

The net effect of these errors is a £156k understatement of the Council's net pension asset. This is below our performance materiality.

Refer to pages 14 and 15 for full details.





## Executive Summary

### Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Crawley Borough Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report:

- Misstatements due to fraud or error – page 11
- Risk of fraud in revenue and expenditure recognition - inappropriate capitalisation of revenue expenditure – page 12
- Valuing and Accounting for Property, Plant and Equipment (Other Land and Buildings and Assets Under Construction and Investment Properties) – page 13
- Valuation of Pension Fund Assets and Liabilities – page 15
- Valuation of NNDR Appeals Provision – page 16
- Financial Statements presentation – Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement – page 16
- Going concern – page 17

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed elsewhere in this report, which we believe should be brought to the attention of the Audit Committee.

### Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.





## Executive Summary

### Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified a significant risk around the signing of a contract with Kier for building a new Town Hall.

As detailed in section 5 of this report, we assessed project governance and project and risk management. Arrangements were found to be appropriate in terms of the Authority making informed decisions and working with partners and other third parties. The Council is constantly updating its arrangements to respond to the changing environment of the project and acting accordingly. The arrangements in place are open and transparent (unless commercially sensitive) and available freely to residents and service users. Appropriate contingency has been built into the contract to protect the Council if Kier is unable to deliver its contract with Westrock.

We have no further matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

### Other reporting issues

Our work includes reviewing the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority.

Our work found nothing to report.

### Independence

Please refer to Section 9 for our update on Independence.





## 02 Areas of Audit Focus







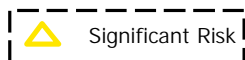
## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error

##### What is the risk?

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.



##### What judgements are we focused on?

We focussed on testing key areas that are susceptible to management bias.

##### What did we do?

Our testing included:

- 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.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Assessing accounting estimates for evidence of management bias, and
- Evaluating the business rationale for significant unusual transactions.

##### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business

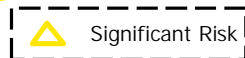




## Areas of Audit Focus

### Significant risk

Risk of fraud in revenue and expenditure recognition - inappropriate capitalisation of revenue expenditure



#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. The Council has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.

#### What judgements are we focused on?

Inappropriate capitalisation of revenue expenditure would decrease the net expenditure from the general fund, and increase the value of non-current assets.

#### What did we do?

We took a substantive approach to respond to this risk, undertaking the following procedures:

- Tested a sample of capital expenditure at a lower testing threshold, to verify that revenue costs had not been inappropriately capitalised;
- For significant additions we examine invoices, capital expenditure authorisations, leases and other data that support these additions. We review the sample selected against the definition of capital expenditure in IAS 16. In particular, the New Town Hall spend and spend associated with the proposed heat distribution network was flagged for testing as part of our work.
- Journal testing – we used our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.

#### What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition procedures.

We note that spending on the Heat Distribution Network has been delayed until 2020-21.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.

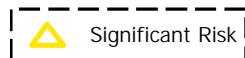




## Areas of Audit Focus

### Significant risk

#### Valuing and Accounting for Property, Plant and Equipment (Other Land and Buildings and Assets Under Construction and Investment Properties)



##### What is the risk?

At 31 March 2019, Other Land and Buildings included within Property, Plant and Equipment were valued at £181,768,000. Assets Under Construction included within Property, Plant and Equipment were valued at £31,168,000.

Assets Under Construction are accounted for at cost until they come into use and most Land and Buildings are valued on a rolling basis over a five year cycle. However, the highest value Land and Buildings are valued annually at the year end and include the Town Hall; the K2 leisure centre; the Hawth theatre; a medical centre; and a 3G pitch and pavilion.

During 2019/20, work started to demolish the existing Town Hall and replace it with a new Town Hall, affordable housing and, in the longer term, infrastructure to support a district heat network. The building project will span several years and ultimately cost up to £50 million. At the time of writing this report, the expectation is that the Statement of Financial Position (SoFP) will include amounts representing the work in progress. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the SoFP.

##### What judgements are we focused on?

When planning the audit, we were focused on judgements around valuing and accounting for work in progress on the new town hall project. With a high value, high profile project ongoing, there was also a focus on resourcing of and conclusions from the year end valuations exercises for other assets in the Authority's Property, Plant and Equipment portfolio.

In the wake of the Covid-19 pandemic, the Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer give rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.

With investment property valuations being closely linked with markets that are now uncertain, we also consider that both the valuation and disclosure risks extend to the investment property category of Land and Buildings as well as the Land and Buildings included within PPE.





## Areas of Audit Focus

# Significant risk

### What did we do?

Our testing procedures include:

- Considering the work performed by the Council's valuer, this included a review of the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample testing key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- instructing our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Council's Valuer
- Considering 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.
- Reviewing assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- Considering changes to useful economic lives as a result of the most recent valuation;
- Testing accounting entries have been correctly processed in the financial statements including a review of the accounting paper on the treatment of the NTH; and
- We also note that the Council valuer attached a 'material uncertainty' clause to their valuation as a result of Covid-19. We reviewed the adequacy of the disclosure of this in the Council's accounts.

### What are our conclusions?

As a result of our work we have reviewed and challenged a number of the valuations undertaken by Wilks Head and Eve (WHE). In three specific cases we found there to be a difference in our estimated value of the properties and those concluded by WHE. Our opinion is the WHE estimates over-value the properties as follows:

Bewbush Centre - The replacement cost per square foot is higher and the age-obsolescence adjustment applied by the valuer lower than would be expected given the age and condition of the building. We therefore consider the asset to be over-valued by £353k from the top of the valuation range calculated by our RICS specialists. Management declined to adjust and we have recorded this minimum difference as an unadjusted misstatement.

Ashdown House and Atlantic House - The valuation approach used does not currently make an allowance for re-letting voids or tenant incentives at expiry or re-letting costs. We would expect there to be deductions for purchaser costs and net initial yields used for valuation are lower than expected given the age and quality of the buildings. Our RICS specialists calculated a minimum overstatement (above a highest range) of £1.675m for Ashdown House and £230k for Atlantic House. Again, management has declined to adjust and we have recorded the variances as unadjusted misstatements.

Management's decision not to adjust is based on the judgemental nature of both WHE's and EY specialist's valuation assumptions. The Council's external valuer did disclose a 'material uncertainty' in its year end valuation report in line with RICS guidance, which is disclosed within note 4 of the accounts.

Unadjusted misstatements have been recorded at Section 4.





## 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?

##### 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 2019 the net liability was valued at £16,164,000. However, as noted in our Audit Results Report for 2018-19, that balance was stated net of an unadjusted increase to net pension scheme assets of £543,000. The unadjusted increase related to an unadjusted difference of £1,655,000 between West Sussex County Council's estimated value of pension scheme assets and their audited valuation, combined with an unadjusted increase to pension scheme liabilities of £1,112,000 to allow for the impact of the McCloud ruling.

Asset and Liability values captured in Crawley Borough Council's 2019/20 accounts will again derive from information issued to the Council by the actuary to West Sussex County Council Pension Fund and will again involve significant estimation and judgement and potentially be impacted by any future employment tribunal rulings in connection with the McCloud case.

#### What did we do?

We have:

- Liaised with the auditors of West Sussex Pension Fund to obtain assurances over the information supplied to the actuary in relation to West Sussex County Council.
- Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team.
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and

The work of the Pension Fund Auditor identified that the assets of the pension fund were overstated at 31 March 2020. The Council's share of this overstatement was calculated to be £159k. Management deemed this to be immaterial, however it is above our reporting threshold for unadjusted misstatements and therefore has been recorded on in the Summary of Audit Differences section at page 24.

The UK Government recently announced on the McCloud remedy consultation that the estimated impact for McCloud may now be less than previously estimated figure included in the majority of employers' current 31 March 2020 IAS19/FRS102 balance sheet positions. At the same time, a UK Tribunal ruled on 30th June 2020 in another discrimination case (Goodwin) that additional liabilities are likely to be required to correct widow/ widower discrimination in the Teacher's Pension scheme. The Local Government pension scheme is likely to be equally affected.

We walked through management's assessment that the maximum impact of adjusting liabilities for McCloud could reasonably be assessed as a reduction to liabilities of £300,000 and that the maximum impact of adjusting for Goodwin could reasonably be assessed as an increase to liabilities of £456,000, and this management deemed this to be immaterial, however, both values are above our reporting threshold for unadjusted misstatements, and have been recorded as such at page 24.

We note that as it did not have a material impact on the net pension asset, there is no requirement to be disclosed as a post balance sheet event.





## 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?

Valuation of NNDR Appeals Provision  
Crawley Borough Council's NNDR Appeal Provision was valued at £4,083,000 at 31 March 2019. This is a high value estimate driven by internal calculations and judgement.

Financial Statements presentation – Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement  
Crawley Borough Council's internal reporting structure changed during 2019/20. The classifications on the Expenditure and Funding Analysis and of the Comprehensive Income and Expenditure Statement will need to reflect the new reporting structure, both for 2019/20 and for 2018/19 amounts.

#### What did we do?

We tested data, assumptions and calculations supporting the Appeals Provision balance of £1,948,000 at 31 March 2020.

We compared the level of appeals at 31 March 2020 and 31 March 2019 to assess the reasonableness of amounts provided for at year end.

We also checked alignment of the Authority's accounting treatment with West Sussex County Council's NNDR debtors and creditors.

There were no issues identified from our work.

We:

- Reviewed proposed changes to the format of accounts during the interim audit visit;
- Confirmed that the prior year reclassification is correctly disclosed; and
- Tested correctness extraction from the ledger and consistency of that extraction with the internal reporting structure for all other items on the Income Statement and Expenditure and Funding Analysis.

No issues were identified from our work.





## 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?

##### Going Concern

Covid-19 has created a number of financial pressures throughout Local Government. There is currently uncertainty in terms of financial support from MHCLG that covers all financial consequences of Covid-19. Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. The disclosures on Going Concern for 2019/20 also became a focus of attention. We consider the unpredictability of the current environment gives rise to a risk that the Local Authorities may not appropriately disclose the key factors relating to going concern.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

#### What did we do?

We undertook a review of management's own assessment that the Authority is a going concern. Management's (and our) assessment includes consideration of liquidity, borrowings and 2021/22 budget reporting and the disclosure in the 2019/20 accounts. Our work was in agreement with the Authority's assessment.

Due to the impact of Covid-19, we are required to consult internally with our risk department over the level of disclosure. That process has been completed and concludes our work in this area, with no material reporting issues.





## 03 Audit Report





# Audit Report

## Audit report

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRAWLEY BOROUGH COUNCIL

##### Opinion

We have audited the financial statements of Crawley Borough Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement;
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- Housing Revenue Account
- Collection Fund, and
- The related notes 1 to 43 of the Authority's main Financial Statements; notes 1 – 8 of the Housing Revenue Account; and notes 1 to 3 of the Collection Fund.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Crawley Borough Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below.

We are independent of Crawley Borough Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Head of Corporate Finance (S151 Officer)s' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Corporate Finance (S151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Head of Corporate Finance (S151 Officer) is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.





# Audit Report

## Our opinion on the financial statements

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Crawley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

## Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

## Responsibility of the Head of Corporate Finance (S151 Officer)

As explained more fully in the Statement of Responsibilities set out on page 16, the Head of Corporate Finance (S151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Corporate Finance (S151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.





# Audit Report

## Our opinion on the financial statements

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Crawley Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Crawley Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Crawley Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Certificate

We certify that we have completed the audit of the accounts of Crawley Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.





# Audit Report

## Our opinion on the financial statements

### Use of our report

This report is made solely to the members of Crawley Borough Council,, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Crawley Borough Council and Crawley Borough Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Reading  
XX February 2021

The maintenance and integrity of the Crawley Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.  
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.





## 04 Audit Differences





# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of audit differences

We undertook to highlight unadjusted misstatements greater than £135,000 that were identified during the course of our audit and not corrected by Management. We have identified the following unadjusted audit differences:

### Other Land and Buildings (OLB)

- Bewbush Centre – The Wilks, Head & Eve (WHE) valuation is £353k greater than the top of the valuation range which our specialists provided.

This difference is below our performance materiality.

### Investment properties (IP)

- Atlantic House – The WHE valuation is £230k greater than the top of the valuation range which our specialists provided.
- Ashdown House – WHE valuation £1,675k greater than the top of the valuation range which our specialists provided.

The total of these two judgemental differences within IP (£1,905k) is below our performance materiality of £2.2 million. Our preference was for the Council to adjust its Investment Property balances to account for these. However, given that differences of opinion between RICs (Royal Institution of Chartered Surveyors) valuers are judgemental in nature, the Council has decided to remain with the valuations as notified by WHE.

### Pension Fund

- The Crawley Borough Council share of West Sussex Pension Fund assets (at 31 March 2020) is overstated by £159k.
- Pension Fund liabilities are understated by £456k due to the Pension Fund not making allowance for the Goodwin case judgement.
- Reduction of £300k in the pension liability after allowance made for the McCloud judgement.

The net effect of these errors is a £156k understatement of the Council's net pension asset. This is below our performance materiality.

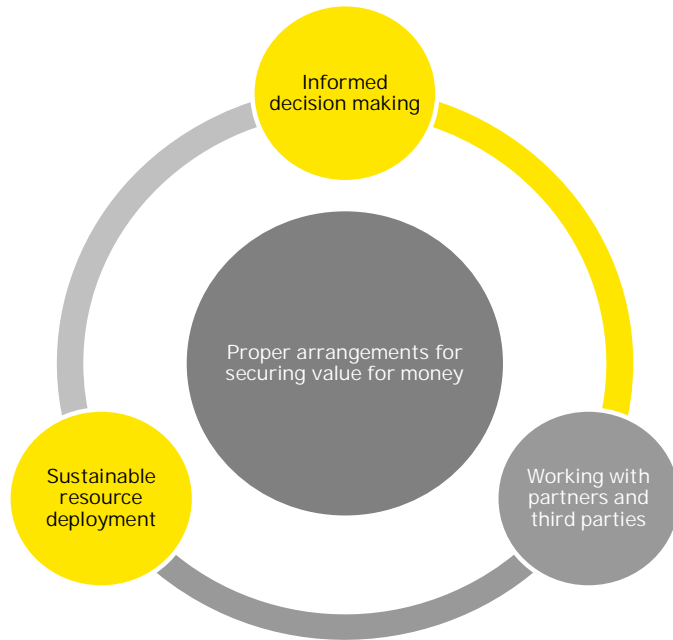
There were no adjusted errors corrected by Management above our threshold of £2.2 million.





## 05 Value for Money





## 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 2019/20 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.

## Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019/20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019/20 VFM arrangements conclusion.

## Overall conclusion

We identified a significant VFM risk around the signing of a contract with Kier in December 2019 for the next stage of building a new Town Hall. The table below presents our findings in response to this risk in our Audit Planning Report.

As the table shows, we have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



## Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined 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 enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risk area in our Audit Planning Report.

Crawley Borough Council signed a contract with Kier for the next stage of building of a new Town Hall on 20th December 2019. Demolition of the existing building began in January 2020.

Building work is likely to span a number of years and total spend across the project as a whole is likely to be in the region of £50 million, incurred and financed across those years.

From our VfM procedures in 2018-19 we were satisfied that effective processes were in place to support the financial forecasting that underpinned decision making for the project as a whole. Looking at 2019/20, it is the effectiveness of arrangements in place around the ongoing project management. The significant risk in a value for money context then encompasses the selection and contracting of partners, plus the oversight and monitoring of those within the overall governance structure for the project.

Effective delivery by the project partners and safeguards for contingency in the event of non delivery will be critical as will be ongoing effective budgeting; resourcing; and appointment of other partners.

The effectiveness of the ongoing project management is critical with respect to arrangements for;

- Taking informed decisions
- Deploying resources in a sustainable manner
- Working with partners and other third parties

We performed the following work as part of our audit process:

- Review of the governance around ongoing delivery partner decision making and the adequacy of measures to protect the Council’s position should the selected partner be unable to deliver on contracts once they are up and running;
- Assessment of the robustness of initial and ongoing analysis and due diligence to assess the likelihood of partners delivering against requirements;
- Evaluation of the appropriateness of governance, reporting and oversight over the contract to mitigate the risk of Kier not delivering and the contingency in place;
- Review of the sufficiency of budget and resources to manage the relationship and risks; and
- Evaluation of the timescales over which heat network contracts and mini tenders are finalised and the effectiveness of procedures for quality assuring technical advice.

Findings from this work are discussed on page 28 of this report.





# Value for Money Risks

We looked at the extent to which the New Town Hall work stream followed governance requirements laid down in the Authority's Constitution by regularly updating the Cabinet, having regular liaison with Portfolio Holders, and reporting to the Overview & Scrutiny Committee as and when requested. We concluded that appropriate communications are in place.

We noted that a risk register specially for the Town Hall is produced by the Project Board (also called Principals Meeting) and reviewed at Audit Committee approximately every six months. We found that the risks identified are appropriate and common in a major project of this kind. We noted that the risks are offset by relevant risk control and mitigations and a relevant RAG rating is provided. The Risk Register is effective in providing more detail around the specific project - ensuring risks are reviewed and dealt with in a timely manner, and updated as and when new risks arise.

Given Kier issued a profit warning during the year, we examined whether measures have been put in place to safeguard the Council. Measures were seen in the risk register - Eight risks have been identified and are being managed by the Project Board to ensure the Council's position is protected by continuous monitoring of budget and timeliness of delivery of the various stages en route to the completion of the Town Hall. These risks are:

- Planning conditions require amending which impacts on financial viability of the scheme
- Impact of construction Phase 1 and Phase 2 to residents and commercial tenants
- Errors or omissions in legal or contractual documentation
- Decision gateways and need for CBC authority result in delays making key decisions
- Westrock unable to obtain development funding for project Phase 2 (market housing)
- Impact of changes to values of offices/housing
- Project exceeds budget
- Contractor is declared bankrupt and is unable to complete the construction contract

We noted that the Council has addressed all risks and has suitable mitigating actions against each risk to ensure the Council's position is protected.

Overall, governance, project and risk management were found to be appropriate in terms of the Authority making informed decisions and working with partners and other third parties. The Council is constantly updating its arrangements to respond to the changing environment of the project and acting accordingly. The arrangements in place are open and transparent (unless commercially sensitive) and available freely to residents and service users. Appropriate contingency has been built into the contract to protect the Council if Kier is unable to deliver its contract with Westrock.

We note that the District Heat Network has been delayed and therefore was not included within the scope of our VfM work for 2019/20.





## 06 Other reporting issues



## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

Our review of the Annual Governance Statement found no issues to report.

### Whole of Government Accounts

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

Our work found no issues to report.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. We have no issues to report.





07

## Assessment of Control Environment





# Assessment of Control Environment

## Financial controls

Under ISA (UK&I) 265 it is mandatory to communicate significant deficiencies in internal control in writing to any audit client.

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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





# 08 Data Analytics





# Use of Data Analytics in the Audit

## Analytics Driven Audit

### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the Council's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

#### Journal Entry Analysis

We obtain downloads of all of the Council's financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

#### Payroll Analysis

We also use our general ledger analyser in our payroll testing. We analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.







09

Independence



## Confirmation

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning report dated March 2020. We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 3 March 2021.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.

## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The table overleaf includes a summary of the fees for the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.



## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees for the year ended 31 March 2020.

We have included the fees paid by the Authority in engaging us as a reporting accountant on DWP's the housing benefits assurance programme. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

In our Audit Plan we outlined the basis on which the scale fees are set by PSAA and we have outlined a combination of factors which mean that we do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity and therefore it endangers the sustainability of Local Audit in the future. Based on these factors, and in light of requests from PSAA to provide further detailed analysis we have estimated the impact on the Council as shown below. This proposal is currently being considered by PSAA as part of their national consideration of EY's fee proposals.

All fees exclude VAT	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£
Code work fee (Note 1)	77,691	50,291	56,499
Additional fee to address Covid-19 related risks and other areas excluded from the above (Note 2)	TBC	N/A	N/A
<b>Total audit</b>	<b>TBC</b>	<b>50,291</b>	<b>55,511</b>
Other non-audit services (Housing Benefits – Note 3)	TBC	N/A	25,049
<b>Total other non-audit services</b>	<b>TBC</b>	<b>N/A</b>	<b>25,049</b>

Note 1: We presented summary of factors impacting our code work in our Audit Plan. Further analysis of the factors and their impact are summarised overleaf. The fees are subject to the approval of PSAA.

Note 2: As notified in the Audit Plan we have performed additional work on the restatement of the CIES and EFA. We have carried out additional work in response to updates on the McCloud and Goodwin pension cases and the material uncertainty reported by the Authority's property valuer, extending the sample of assets which we looked at. We also undertook additional procedures to address the Covid-19 related risks in relation to the going concern risk and the disclosures required within the accounts. These are specific to the 19/20 audit year and once quantified we will discuss with management and the PSAA.

Note 3 – At the time of writing this report, our work on the 2019/20 housing subsidy claim had not yet been completed.





## Update on audit fees

### Fees

#### Summary of impact

We outlined in our audit plan and additionally in our reporting to the Audit Committee for the September 2020 meeting, the basis on which the scale fees are set by PSAA. We also outlined a combination of factors which mean that we do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity. Based on these factors, and in light of requests from PSAA to provide further detailed analysis we have estimated the impact on the Council as shown below. Note that given the timing of this exercise it does not include the impact of any specific requirements in relation to additional work in response to COVID-19. These amounts are subject to the approval of PSAA.

	Rationale for fee variation	Impact on CBC
Scale fee		£50,291
Changes in risk profile	As a result of macro changes in the sector and the impact on the council in terms of the risks being faced, the decisions being made and the financial reporting of those, this in turn increases audit risk, as outlined in our audit plans, and we need to extend our procedures to address these.	£11,600
Changes in regulatory environment	There has been a significant increase in the focus on areas of the financial statements especially where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities. Our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions and the increased use of specialists. We have also seen wider changes in the regulatory environment which all firms have needed to respond to. These include the various reviews, completed or ongoing, which all have a focus on audit quality and what is expected of external auditors. This has increased compliance and quality assurance costs which are now required for us to continue to provide services to the sector.	£13,400
Changes in expectations on delivery	Our expectation of the degree of efficiency that would be achievable, for instance through greater automation, has an impact on each audit.	£2,400
Revised scale fee (to be approved by PSAA)		£77,691



## New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

### Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
  - Tax advocacy services - Remuneration advisory services - Internal audit services - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

### Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.

## Other communications

### EY Transparency Report 2020

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 end 30 June 2020: [https://www.ey.com/en\\_uk/who-we-are/transparency-report-2020](https://www.ey.com/en_uk/who-we-are/transparency-report-2020)







# 10 Appendices



# Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		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.	Audit planning report – March 2020
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"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report – Sept 2020 with update (and final) to March 2021.
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"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report



## Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Misstatements	<ul style="list-style-type: none"> <li>Uncorrected misstatements and their effect on our audit opinion</li> <li>The effect of uncorrected misstatements related to prior periods</li> <li>A request that any uncorrected misstatement be corrected</li> <li>Material misstatements corrected by management</li> </ul>	Audit results report
Subsequent events	<ul style="list-style-type: none"> <li>Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	At the time of writing this report, no subsequent events have been identified that would impact either individually or together on Crawley Borough Council's financial statements as at 31 March 2020
Fraud	<ul style="list-style-type: none"> <li>Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>Management;</li> <li>Employees who have significant roles in internal control; or</li> <li>Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit results report
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: <ul style="list-style-type: none"> <li>Non-disclosure by management</li> <li>Inappropriate authorisation and approval of transactions</li> <li>Disagreement over disclosures</li> <li>Non-compliance with laws and regulations</li> <li>Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit results report





## Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
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"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report and</p> <p>Audit results report</p>
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• 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</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report – notes that none were identified





## Appendix C

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



# Management representation letter - draft

## Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

To:

Andrew Brittain  
Associate Partner  
Ernst & Young LLP  
Apex Plaza,  
Forbury Road  
Reading RG1 1YE

Ernst & Young

This letter of representations is provided in connection with your audit of the financial statements of Crawley Borough Council ("the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Crawley Borough Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.

The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.





## Appendix B

# Management representation letter

### Management Rep Letter

We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement]

#### B. Non-compliance with law and regulations, including fraud

We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or

- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

#### C. Information Provided and Completeness of Information and Transactions

We have provided you with:

Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.

We have made available to you all minutes of the meetings of the Cabinet, Council and Audit Committee held through the year to the most recent meeting on the following date: XXXX

We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.



# Management representation letter

## Management Rep Letter

We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

From 23 July 2019 through to the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### D. Liabilities and Contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 40 to the financial statements all guarantees that we have given to third parties.

### E. Subsequent Events

Other than as described in the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### F. Other information

We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.

We confirm that the content contained within the other information is consistent with the financial statements.

### G. Going Concern

Note [X] to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### H. Use of the Work of a Specialist

We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property and in generating the IAS19 pension disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.



# Management representation letter

## Management Rep Letter

### I. Estimates

We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.

We confirm that the significant assumptions used in making the NDR appeals provision, valuation of assets and IAS19 disclosure estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.

We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on estimates and made in accordance with the applicable financial reporting framework.

We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

### J. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Karen Hayes (Head of Corporate Finance)  
Date: xxx February 2021

Cllr Millar-Smith (Chair of the Audit Committee)  
Date: xxx February 2021



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