

## Crawley Borough Council

### Audit Committee

Agenda for the **Audit Committee** which will be held in **Ashurst Main Hall - The Charis Centre**, on **Monday, 19 July 2021** at **7.00 pm**

Nightline Telephone No. 07881 500 227



Chief Executive

Membership:  
Councillors

J Millar-Smith (Chair), M Flack (Vice-Chair), M L Ayling, T G Belben,  
D Crow and K Khan

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

## Part A Business (Open to the Public)

	<b>Pages</b>
<b>1. Apologies for Absence</b>	
<b>2. Disclosures of Interest</b>	
In accordance with the Council's Code of Conduct, Councillors of the Council are reminded that it is a requirement to declare interests where appropriate.	
<b>3. Minutes</b>	5 - 8
To approve as a correct record the minutes of the Audit Committee held on 29 April 2021.	
<b>4. Public Question Time</b>	
To answer any questions asked by the public which relate to an item on this agenda and which are in line with the Council's Constitution.	
Public Question Time will be concluded by the Chair when all questions have been answered or on the expiry of a period of 15 minutes, whichever is the earlier.	
<b>5. Fraud and Investigation Team Report</b>	9 - 12
To consider report FIN/530 of the Operational Benefits and Corporate Fraud Manager.	
<b>6. Progress Report and Risk Management</b>	13 - 40
To consider report FIN/529 of the Audit and Risk Manager.	
<b>7. Audit and Risk Manager's Annual Report 2020/2021</b>	41 - 48
To consider report FIN/528 of the Audit and Risk Manager.	
<b>8. Provisional Audit Planning Report for Year Ending 31 March 2021</b>	49 - 98
To consider Ernst and Young's Provisional Audit Planning Report for Year Ending 31 March 2021.	
<b>RECOMMENDATION</b>	
1. That the Provisional Audit Planning Report for Year Ending 31 March 2021 be received and noted.	
2. That the Audit Committee scheduled for 23 November	

2021 be replaced with a meeting on 14 December 2021 to allow the Statement of Accounts to be signed by the end of the calendar year.

**9. Supplemental Agenda**

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

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## Crawley Borough Council

### Minutes of Audit Committee

Thursday, 29 April 2021 at 9.30 am

#### **Councillors Present:**

J Millar-Smith (Chair)

M Flack (Vice-Chair)

T G Belben and J Purdy

#### **Also in Attendance:**

Councillor R D Burrett

#### **Officers Present:**

Gillian Edwards

Audit and Risk Manager

Karen Hayes

Head of Corporate Finance

Jess Tamplin

Democratic Services Support Officer

Paul Windust

Chief Accountant

#### **Apologies for Absence:**

Councillor M G Jones

#### **1. Disclosures of Interest**

No disclosures of interests were made.

#### **2. Minutes**

The minutes of the meeting of the Audit Committee held on 3 March 2021 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. Confirmed Total Final External Audit Fees for 2019/20**

The Head of Corporate Finance introduced the item, which requested that the Committee consider the Ernst & Young (EY) fees document set out in item five of the agenda. The document had been circulated to the Chair and Vice-Chair, who had requested that the matter be brought before the Committee due to concerns raised previously that the total fees were larger than initially estimated.

# Agenda Item 3

Audit Committee (12)  
29 April 2021

A statement submitted by EY, published as a [supplementary agenda](#) prior to the meeting, was read to the Committee. The statement set out information regarding the work carried out and a summary of the fees charged.

The Committee then raised the following matters:

- The final fees were approximately £40,000 greater than the Council had budgeted for.
- Following a query from a Committee member, it was heard that EY employed staff with varying levels of experience, but as the Council's audit was done remotely, it was difficult to gauge the experience of staff allocated to the audit.
- PSAA (Public Sector Audit Appointments) was to determine the proposed variation from £50,291 to £77,691; it was also confirmed that PSAA would determine the further increase from £77,691 to £90,824.
- A Committee member queried whether the Council could have taken any action to prevent the increase in fees. Finance officers explained that this was not the case; EY had given increased audit regulation as the main cause of the increase. There was, however, a small fee for additional work for audit papers which may have been avoided.

The Chair proposed that the Mayor be requested to place an item on the agenda for the next ordinary meeting of the Full Council (14 July 2021) relating to the increase in final external audit fees and that a representative from EY be invited to that meeting to present their justification for the increase. It was proposed that Full Council be requested to consider the justification and any further relevant information in relation to the matter.

A recorded vote was then taken in accordance with the Council's Virtual Committee Procedure Rules. The names of the councillors voting for and against the proposal, along with any abstentions, were recorded as follows:

For the proposal:

Councillors T Belben, Flack, Millar-Smith, and Purdy (4).

Against the proposal:

None (0).

Abstentions:

None (0).

## **RESOLVED**

- 1) That a representative from Ernst and Young, the Council's External Auditors, be invited to the next ordinary meeting of the Full Council (14 July 2021) and that the Mayor be requested to place an item on the agenda relating to the increase in final external audit fees to hear EY's justification for the increase.
- 2) That the Full Council considers the justification presented by Ernst and Young and any further information or updates relevant to the matter, and decides what action, if any, it wishes to take.

Committee members acknowledged a further proposal by the Chair to write to EY requesting a full detailed breakdown of the fees due. The Chair also proposed to write to PSAA on behalf of the Committee with a request that it not make any

# Agenda Item 3

Audit Committee (13)  
29 April 2021

judgement on the fees until after the next ordinary meeting of the Full Council. The Committee expressed general support for both proposals.

The Chair was advised that, rather than voting on each proposal individually, a single recorded vote could be taken on both proposals. No dissent from Committee members was expressed regarding this course of action.

A recorded vote was therefore taken in accordance with the Council's Virtual Committee Procedure Rules. The names of the councillors voting for and against the proposals, along with any abstentions, were recorded as follows:

For the proposals:

Councillors T Belben, Flack, Millar-Smith, and Purdy (4).

Against the proposals:

None (0).

Abstentions:

None (0).

## **RESOLVED**

- 3) That the Chair writes to EY requesting a full detailed breakdown of the fees due before the next ordinary meeting of the Full Council (14 July 2021).
- 4) That the Chair writes to PSAA on behalf of the Committee with a request that it not make any considerations on the fees until after the next ordinary meeting of the Full Council (14 July 2021).

## **Closure of Meeting**

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 10.00 am

**J Millar-Smith (Chair)**

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# Agenda Item 5

## Crawley Borough Council

### Report to Audit Committee

19 April 2021

### Fraud and Investigation Team Report

Report of the Operational Benefits & Corporate Fraud Manager - Report no. FIN/530

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#### 1. Purpose

- 1.1 This report describes the activity of the Corporate Fraud & Investigation Team for the period 17 February 2021 to 6 July 2021. All outcome figures are taken from closed cases. Year to date figures are also included in the report for 2021/22.

#### 2. Recommendations

- 2.1 That the Committee note the report.

#### 3. Reasons for the Recommendations

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

#### 4. Work during Covid 19

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

#### 5. Information & Analysis

- 5.1 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

Case Type	Number of Cases
Non domestic rates	4
Council Tax Reduction Scheme	4
Housing Non occupation	7
Fly Tipping	2
Council Tax Single person Discount	2
Enforcement	1
Housing general	7
Housing Succession	1
Other	1
<b>Total</b>	<b>29</b>

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

## 5.2 Housing Fraud

During the reporting period the team have achieved the following:

	<u>In period</u>	<u>2021/22 (YTD)</u>
Properties recovered	6	6
Prevented allocation (inc homeless applications)	0	0
Stopped Right to Buy (actual discount value)	1 (£84,600)	1 (£84,600)
Notional value of savings	£192,600	£192,600

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.

## 5.3 Single Person Discount

Throughout the year the Investigators and Inspectors will routinely look into referrals received from the public or other means suggesting there are 2 adults resident and are therefore not eligible to the discount.

	<u>In period</u>	<u>2021/22 YTD</u>
Discounts removed	11 (£6,048)	8 (£4,604)

In addition, the Inspectors are now commencing their annual Single Person Discount data matching exercise. This is where we match Council Tax accounts against other data sets which highlights there is a 2<sup>nd</sup> adult living in the property. We will then take action to correct these accounts.

## 5.4 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	2021/22	In period	2021/22
New billable CT or Rates	£268,694	£173,317	£677,742	£556,300

# Agenda Item 5

## **6. Prosecution Case**

- 6.1 Miss Tasquier was observed in Crawley Town Centre throwing her cigarette on the floor. She was stopped by a Community Warden. Miss Tasquier's details were taken and a Fixed Penalty Notice was issued. The notice was returned as 'not living at the address'.
- 6.2 The Investigation Team were able to verify the address given to the Warden by Tasquier was false and were also able to track her down at her real address.
- 6.3 The case proceeded to Crawley Magistrates Court where Miss Tasquier was found guilty of littering and was fined £200, she was also found guilty of giving a false address and was fined a further £300. Including prosecution costs and a victim surcharge, she was ordered to pay a total of £802 to Crawley Borough Council.

## **7. Implications**

- 7.1 There are no implications from the report.

## **8. Background Papers**

- 8.1 None

Report author and contact officer:

Chris Corker, Operational Benefits & Corporate Fraud Manager (telephone 01293 438598).

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## Crawley Borough Council

### Report to the Audit Committee

19<sup>th</sup> July 2021

### Progress Report and Risk Management

Report of the Audit and Risk Manager – FIN/529

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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 30<sup>th</sup> June 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 19<sup>th</sup> February 2021 the following work has been completed/undertaken:

Audit Title	Audit Opinion
Temporary Accommodation	Substantial
COVID-19 Discretionary Grants	Substantial
COVID-19 Small Business Grant Fund	Substantial
Disabled Facilities Grants	Satisfactory
Cash and Bank	Substantial
Budgetary Control	Substantial
Financial Management System (FMS)	Substantial
Payroll	Substantial
Treasury Management	Satisfactory
NNDR	Substantial
Council Tax	Substantial
K2	N/A
Fleet Management	Limited Assurance
<b>Other Governance Work</b>	
<b>Throughout the year:</b>	

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Attendance at Corporate Project Assurance Group	
Attendance at Town Hall Board	
Member of Information Management Project Board	
Member of Information Governance Board	
Freedom of Information Requests	
Subject Access Requests	
Complaints	
Investigate Data Breaches	

## 4.2 Work in Progress

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

## 4.3 High Priority Findings in this Period

There were two high priority findings identified in this period:

### Fleet Management Audit 2020/2021

- High Priority Findings – 1
- Medium Priority Findings - 4

The contract for the provision of vehicle tracking has expired.

### Treasury Management Audit 2020/2021

- High Priority Findings – 1

During this review it was noted that a reconciliation between Logotech and the FMS system had not been carried out since February 2020. Whilst we have not identified any errors during this review, the failure to carry out an important check as part of a system where the transaction values are so large is in itself a high priority weakness which should be addressed.

## 4.4 Follow Up Audits

We have undertaken two follow up audits in this period.

### Car Parking Permits Audit 2020/2021

We are unable to confirm that the actions agreed at the time of the audit have been satisfactorily implemented due to staff shortages in Parking Services. However, we are advised that changes are in the process of being implemented and we will undertake further work in this area and report the outcome to the next meeting of this Committee.

### Treasury Management Audit 2020/2021

As reported at 4.3 above, we identified that reconciliations were not being undertaken in a timely manner. We can confirm that this has been rectified.

## 4.5 Freedom of Information (FOI) Requests

Between 20<sup>th</sup> February 2021 and 30<sup>th</sup> June 2021 we have processed 225 requests, and of these, 4 were responded to late.

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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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## Corporate Risks with CMT input – July 21

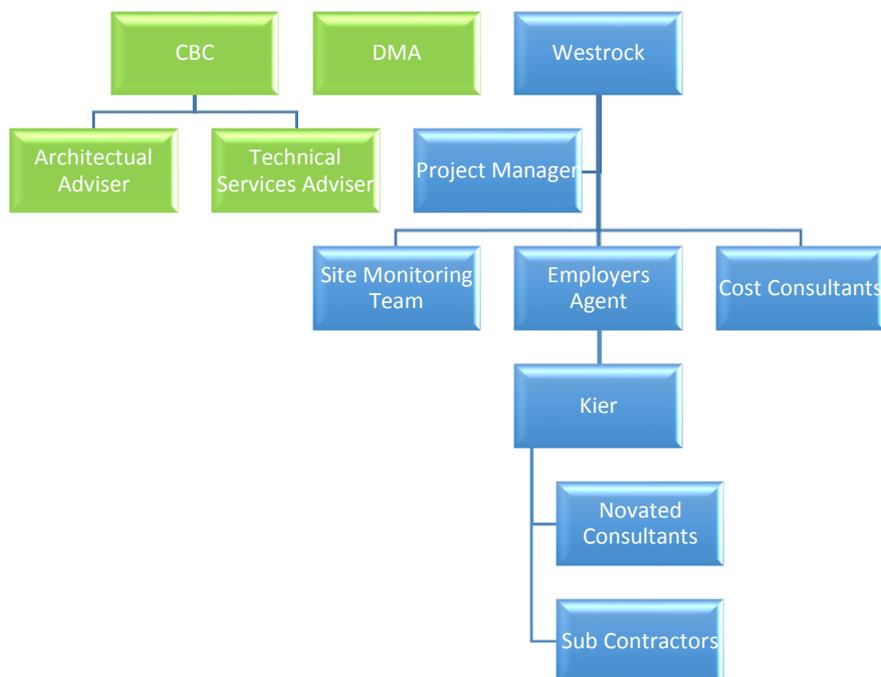
**Failure to deliver key infrastructure projects as planned, on time and within budget, such as:**

- **New Town Hall**

Despite the challenges of Covid, the construction of the New Town Hall building continues to budget, and working across stakeholders continues to improve. Handover of the building has moved from Dec 2021 to Feb 2022 but this is advantageous to the Council to realign interdependencies with the District Heat Network and to avoid lost time over the Christmas period. 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 increases confidence that the organisation will be ready to move, and allows the Council to occupy a smaller amount of space. Nonetheless there is significant work required to implement all aspects of new ways of working ahead of the move. Decisions on layout and capacity within the new space 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 A.

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>

- **District Heat Network**

The final element of Phase 1 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 to programme and budget and the remaining design areas are being finalised. The procurement of the O&M Contractor has been completed and this a key milestone in the project.

- **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 development of proposals for a brand new Crawley railway station complex and associated public realm / parking / access improvements

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on site. These proposals, alongside a residential development at Station Gateway, were granted planning permission by Planning Committee on 26 April 2021.

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 / Town Centre Bus Station – Station Way and Friday Way
- Grade A commercial space development
- Three Bridges Station Improvement scheme
- Western Boulevard Cycle Scheme
- Manor Royal Cycle Scheme
- 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 / autumn 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

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- 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 or until a formally agreed CIL payment plan is in place.

- 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 / autumn 2021

- **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.

- **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

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

Work has been undertaken that will seek to identify these future sites and opportunities, feeding into the Local Plan and developing programmes of work. Planning and Housing teams continue to work proactively to maximise opportunities afforded by development within neighbouring Districts and Boroughs adjoining the Council's boundaries.

- **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 more flexible 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.

- **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

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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 some its line of business systems. This has been a key consideration in the development of the Move to Cloud work outline 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.

- **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.

- **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.

- **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 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 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

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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 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. 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 and the Overview and Scrutiny Commission. There are sufficient General Fund reserves to cover the initial years of the New Town Hall until the upper floors are let.

- **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.

- **Challenges and Risks: Workforce capacity, resilience and health and wellbeing.**

**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

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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 were not necessarily 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.

## **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 three staff surveys 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 did take 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

## **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.

## **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 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.

- **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).

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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.

- **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.

- **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.

- **Local Plan Failure to Adopt**

Crawley's refreshed Local Plan 2021-2037 was published for another round of "Regulation 19" consultation on 6<sup>th</sup> January 2021 and this consultation period closed on 30<sup>th</sup> June 2021. The Local Plan document was out to consultation alongside a wide range of supporting evidence and documentation. Officers are reviewing the written representations received from the consultation from residents, stakeholders, other local authorities, businesses and developers. This will be with a view to submitting the refreshed submission Local Plan document to the Planning Inspectorate this autumn 2021 in order for an examination of it by a Planning Inspector to then take place in the New Year.. Subject to process and the outcome of the examination, the Local Plan document would then come back to Cabinet and 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 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.

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- **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 financial year.

- **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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# Agenda Item 6 Appendix a

## Internal Audit Plan 2021/2022

### Progress Report as at 30<sup>th</sup> June 2021

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
<b>A. Work Completed in the Current Period</b>				
Temporary Accommodation	2020/21	Substantial		
COVID-19 Discretionary Grants	2020/21	Substantial		
COVID-19 Small Business Grant Fund	2020/21	Substantial		
Disabled Facility Grants	2020/21	Satisfactory		
Cash and Bank	2020/21	Substantial		
Budgetary Control	2020/21	Substantial		
Financial Management System (FMS)	2020/21	Substantial		
Payroll	2020/21	Substantia		
Treasury Management	2020/21	Satisfactory	1	
NNDR	2020/21	Substantial		
Council Tax	2020/21	Substantial		
K2	2020/21	N/A		
Fleet Management	2020/21	Limited	1	
<b>B. Work In Progress</b>				
Complaints	2021/22			
Responsive Repairs – Wates	2021/22			
Programmed Works – Wates	2021/22			
Commercial Properties including Rents	2021/22			
DWP CIS Compliance	2021/22			
Publication Scheme Review	2021/22			
K2	2021/22			
<b>C: Other Work</b>				
Member Corporate Project Assurance Group				
Member Information Governance Management Project Group				
Member Information Governance Board				
FOI Requests – day to day work				
Subject Access Requests – review/approve				
Data Breaches - Investigate				
Complaints				
Mid Sussex District Council	2020/21			Contract ended 31 <sup>st</sup> March 2021
<b>D: Follow Ups</b>				
Car Parking Permits Audit 2020/21				Further work to be undertaken
Treasury Management Audit 2020/21				Agreed actions implemented

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TOWN HALL  
PROJECT RISK  
REGISTER

Likelihood	Impact
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	Monitored by:	Project Board	Date Printed:	
Name of Doc:	Risk Register 7 July 2021				
Version No:					
File path:	T:\Town Hall Project\townhallprojectriskregister .doc			No of Pages	11

Responsibility – Project Board

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 07/07/2021
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
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	1 4 4	<ul style="list-style-type: none"> <li>Clear decision making leads identified at member and officer level agreed by Cabinet</li> </ul>	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 07/07/2021
					<ul style="list-style-type: none"> <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	1 4 4	<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> <li>Proposed rents still in line with previous estimates</li> </ul>	
PB7	Project exceeds budget	2 4 8	1 4 4	2 4 8	<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> <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</li> </ul>	Ongoing

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 07/07/2021
					Improvements. <ul style="list-style-type: none"> <li>• Kier half year results issued on 21 April 21 show improved results despite the impact of the pandemic with significant progress on operational and financial turnaround strategy.</li> <li>• There is the potential of releasing part of the 5% bond in December 2021 based on Progress.</li> </ul>	

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

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 07/07/2021
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> <li>• Cat B Commercial Office fit out design and fixed cost has been agreed</li> </ul>	
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</li> </ul>	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 07/07/2021
					<p>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.</p> <ul style="list-style-type: none"> <li>July 21 Review meeting with RPS/Kier, awaiting issue of complete design review pack, schedule of changes from ER's and commissioning information to undertake review of risk</li> </ul>	
G1-2	New Town Hall not delivered on time	2 3 6	1 2 2	3 2 6	<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>Awaiting confirmation of the programme impact as a result of the Fabric design integration</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> <li>Connection of DHN to New Town Hall will take place before PC of new Town Hall.</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> <li>Procurement programme has been aligned with Member engagement to ensure sufficient input from members</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, new ways of working stream within Transformation Plan is picking this up this area of work</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> <li>Regular updates at Managers Conference on key issues, activities and timeline</li> <li>People Board created to consider policies and processes to support staff working in the new agile way.</li> </ul>	
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</li> </ul>	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 07/07/2021
					<ul style="list-style-type: none"> <li>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> <li>Plans will reflect safe working environments and COVID restrictions where feasible</li> <li>Plans around engagement have been more restricted due to the pandemic, however there will be opportunities to engage.</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> <li>Kier reviewing BREEAM assessment score during construction to ensure excellence is achieved during construction.</li> </ul>	
G1-7 DHN	DHN building as completed not to required quality/specification	2 4 8	1 2 2	2 3 6	<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> <li>Regular contact with planning to ensure design and planning conditions are signed off.</li> </ul>	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 07/07/2021
G1-9	Health & Safety – ensure compliance during and after the construction period and for the future.	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> <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 issued 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>	
G1-13	WSSC Eastern Gateway project impact on infrastructure	1 3 3	2 2 4	3 3 9	<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>	

**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 07/07/2021
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> <li>Information Gov project will support digitalisation of historic documents and reduce storage requirements.</li> <li>Changes to customer behaviour has resulted in less cash payments and appointments which is likely to continue going forward.</li> <li>Channel shift group looking at range of operational efficiencies for council processes as well as new ways of providing services.</li> </ul>	
G2-2	Delays in mobilisation to new building impacting on services 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> <li>Will look at additional resources and expertise to manage the mobilisation planning and decant of current building.</li> <li>Delays in procurement &amp; delivery of key furniture can be mitigated by reuse of existing desks and other items if required.</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
G2-4	Scanning solution isn't ready in time to avoid double handling of scanning for teams.	3 3 9	3 2 6	3 3 9	<ul style="list-style-type: none"> <li>New ways of working group closely monitoring</li> </ul>	

**Responsibility – Group 3 – Commercial Space**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 07/07/2021
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> <li>A robust communications plan will be put into place</li> </ul>	
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</li> <li>Market changed due to the pandemic due to more hybrid working. Design cannot be split further than half floors</li> </ul>	

					<ul style="list-style-type: none"> <li>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> <li>Marketing has commenced, stating first new Grade A office space in Town Centre for 7 years.</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><b>This risk could be reduced by the potential for London based organisations to move to Crawley where the costs will be cheaper.</b></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
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> <li>Will need to operate two buildings during the mobilisation period.</li> </ul>	07/07/2022

**Responsibility – Group 5 – Heat Network**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 07/07/2021
G5-1	District Heat Network not being progressed impacts detrimentally on overall scheme	2 2 4	1 2 2	2 3 6	<ul style="list-style-type: none"> <li>See comments in Group 1.</li> </ul>	21/6/21 O&M contractor has been appointed PC still on target for Feb 2022
G5-2	Operational efficiencies DHN costs more to maintain as the O&M contractor does not have the direct relationship with the design and build		1 2 2	2 4 8	<ul style="list-style-type: none"> <li>Ongoing meetings with O&amp;M contractor to update on design</li> <li>Robust commissioning schedule to be implemented</li> </ul>	21/6/21 Following final design review meeting, meeting to present final design to O&M contractor to be arranged
G5-3	Commercial risks -DHN performance does not meet design criteria so costs more to run -Completed scheme does not meet HNIP funding requirements		1 2 2	2 4 8	<ul style="list-style-type: none"> <li>Confirm gas and electricity with LASER</li> <li>Obtain confirmation that final designs meet ERs and funding requirements</li> </ul>	21/6/2021 Following final design review meeting, Westrock has been asked to supply confirmation that final design meets ER's and HNIP requirements

**Responsibility – Group 6 – Benefits Realisation**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 07/07/2021
G6-1	Project benefits not realised	3 2 6	3 2 6	3 4 12	<ul style="list-style-type: none"> <li>Monthly monitoring of anticipated project benefits from other groups, to track progress.</li> <li>Monthly E&amp;S Plan updates from Kier and bi-monthly meetings to track progress.</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

19 July 2021

### Audit and Risk Manager's Annual Report 2020/2021

Report of the Audit and Risk Manager – FIN 528

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#### 1. Purpose

1.1 This report has been prepared to:

- Summarise the work undertaken by Internal Audit during 2020/2021 and provide an overall opinion on the adequacy of the Council's governance arrangements, risk management systems and internal control environment.
- Summarise the effectiveness of audit work.
- Provide a statement on conformance with the Public Sector Internal Audit Standards.

#### 2. Recommendation

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

#### 3. Reasons for the Recommendation

3.1 To comply with the requirements set out in the Public Sector Internal Auditing Standards 2013 (updated 2017).

3.2 The Audit Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

#### 4. Background

##### 4.1 Introduction

The main purposes of the report are to:

- Summarise the work undertaken by the Council's Internal Audit Section and provide management and Councillors with an opinion on the adequacy and effectiveness of the Council's governance arrangements, risk management systems and internal control environment.
- Comment on the performance of the Internal Audit Section during the year.
- Provide a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance improvement programme.

# Agenda Item 7

It should be emphasised that internal audit work can provide reasonable, not absolute, assurance and it cannot guarantee that any system reviewed is free from material weakness. The opinion given on the overall system of internal control is based solely on the audit work undertaken.

## 4.2 Quarterly Reports

The Audit Committee received quarterly reports on the work carried out by Internal Audit as part of the Council's governance arrangements.

## 4.3 Annual Audit Plan

The Audit and Risk Section works to a one year Annual Audit Plan, prepared by the Audit and Risk Manager and aims to review the Council's major areas of operation and systems over a three year rolling cycle. The Annual Plan was developed using a risk based assessment which determines priorities and time allocations for each audit. Areas and systems which are considered to be fundamental to the Council's operations, or which are considered to be high risk, are reviewed on an annual basis.

## 4.4 Staffing

During 2020/2021, the Internal Audit section operated with three full time members of staff with additional resources supplied by the use of contract staff. All Auditors have the requisite experience to effectively fulfil their responsibilities; the Audit and Risk Manager is a Member of the Certified Institute of Internal Auditors, one Senior Auditor has passed the CISA computer audit exams and the other Senior Auditor is a Certified Fraud Examiner. The contract member of staff has many years' experience in internal auditing both local government and other organisations.

## 5. Relevant Policies

### 5.1 Statutory and Policy Background

The Accounts and Audit Regulations 2015 require the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Proper practices as stated within the Regulations are now defined as the Public Sector Internal Audit Standards (PSIAS). PSIAS replaced the CIPFA Code of Practice for Internal Audit in Local Government (2006) with effect from 1 April 2013.

### 5.2 Relevant Government Policy / Professional Standards

Internal Audit follows the Public Sector Internal Audit Standards (PSIAS) which came into force on 1<sup>st</sup> April 2013.

### 5.3 Relevant Council Policy

Sections G8 and G9 of the Financial and Budget Procedure Rules contained within the Council's Constitution support the statutory requirements outlined above and states:

- The Head of Corporate Finance is responsible for providing the internal audit of the Council's systems and processes, ensuring it is sufficient in its coverage and independent in its planning and operation;
- The Head of Corporate Finance is responsible for ensuring that the individual responsible for the Council's audit function has direct access to the Chief Executive, all levels of management, and Chairs of Committees, as appropriate.

# Agenda Item 7

- 5.4 The Audit and Risk Manager reports on a quarterly basis the results of internal audit work, and on an annual basis to provide an opinion on the overall adequacy and effectiveness of the Council's governance arrangements, risk management systems and internal control environment.

## **6. Compliance with the Public Sector Internal Audit Standards**

- 6.1 The Council's Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1<sup>st</sup> April 2013.
- 6.2 Section 1320 of PSIAS - Reporting on the Quality Assurance and Improvement Programme – states that 'the chief audit executive (Audit and Risk Manager) must communicate the results of the quality assurance and improvement programme to senior management and the board'.
- 6.3 A review was undertaken as at 31<sup>st</sup> March 2021 and I can confirm that the Internal Audit Service was compliant for 2020/2021.
- 6.4 The Internal Audit Team has maintained its independence throughout 2020/2021 in accordance with PSIAS.

## **7. Effectiveness of Internal Audit**

### **7.1 Progress against Annual Audit Plan**

The Annual Audit Plan is always flexible, allowing for audits or other pieces of work to be undertaken which are not in the Plan if they are deemed to be of a higher risk than those contained in the Plan. In addition, there is always a small number of days allocated to contingency for unexpected work to be completed.

During the year, I worked closely with the Head of Corporate Finance (S151 Officer) to ensure that risks that emerged as a result of the COVID-19 pandemic were identified in a timely manner. Where these risks necessitated a change to the Annual Audit Plan, this was agreed with the Head of Corporate Finance. Examples include our work on the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund and the Local Authority Discretionary Grants Fund.

Overall, I am satisfied that from the work that was undertaken, the audit assurance levels in previous years and the stability of both systems and staff in the financial year 2020/2021, that there were no significant internal control issues and that I am therefore able to form an overall opinion – see 8.2 below.

### **7.2 Other Work**

During the first few weeks of the financial year 2020/2021 a member of the Audit and Risk section continued to work in the Council's Community Hub to provide emergency assistance to the community. Additionally, they were involved in assessing eligibility for the grants referred to at 7.1 above\*. They were not, however involved in the decision making process. Whilst this impacted on our ability to cover the agreed audit plan, I am satisfied that the work undertaken was sufficient to enable me to form an overall opinion on the adequacy of the Council's governance arrangements, risk management systems and internal control environment.

\*It should be noted that our independence was not compromised by the Senior Auditor being operationally involved in Grants. The audit of this area was undertaken by a Contract member of staff.

# Agenda Item 7

## 7.3 Implementation of Agreed Actions

The Audit and Risk Section reports all high priority findings or all findings if an audit has received a rating of limited or no assurance, to the Audit Committee on a quarterly basis. Implementation of agreed actions is then confirmed and reported back to that Committee.

## 7.4 Reporting

Draft audit reports and working papers are subject to a quality review undertaken by the Audit and Risk Manager before the final report is issued. Where appropriate, the Auditor continues to meet face to face – in this financial year via Microsoft Teams - with the 'auditee' at the end of the audit fieldwork to discuss findings arising and to devise agreed actions. This is considered to be a more collaborative approach and makes the end to end process of the audit quicker.

In addition, if there is nothing to report, or just a minor or advisory finding has been identified, a short, rather than a full audit report, may be produced. This reduces the end to end time taken to complete an audit and reduces the time spent by the auditor on writing reports.

## 8. Opinion on the Control Environment

8.1 This section of the report draws attention to any issues the Audit and Risk Manager considers are particularly relevant to the preparation of the Annual Governance Statement and includes an opinion on the overall adequacy and effectiveness of the Council's governance arrangements, risk management systems and internal control environment and discloses any qualifications to that opinion, together with the reasons for the qualification.

8.2 My overall opinion is that "**Substantial**" assurance can be given that there is generally a sound system of internal control designed to meet the Council's objectives, and that the controls are generally being applied consistently. The opinion is based upon audit work undertaken during the year and project work. My opinion also takes into account the number of outstanding agreed action items from audit follow ups and management's positive approach to implementing agreed actions.

8.3 This opinion is given notwithstanding:

- The identification of major control weaknesses during an audit of Car Parking permits, as reported to the Audit Committee on 3rd March 2021;
- Notification of two frauds, which have been fully investigated and reported to Ernst and Young, and which were considered to be isolated incidents.

8.4 COVID-19 measures have continued to result in a significant level of challenge to the Council and put pressure on the expected control environment; the need for prompt and urgent action by officers has required changes to some procedures and control arrangements for example, Business Grant Funding.

# Agenda Item 7

<b>Assurance Areas:</b>	
Governance	<p>The Council is committed to the principles of good corporate governance, which are already demonstrated through many aspects of good practice. The Annual Governance Statement, which is prepared collaboratively by CMT and which I review as part of my role of Head of Audit, does not show any significant governance issues for 2020/2021. I am satisfied that the Annual Governance Statement accurately reflects the governance arrangements in place for 2020/2021.</p> <p>In order to observe good governance, the Audit and Risk section attends the Corporate Project Assurance Group, Town Hall Board, Procurement Board, Information Management Project Board and the Information Governance Board.</p> <p>CMT monitor performance on a regular basis and address issues in a timely manner.</p> <p>The Governance Committee meets on a quarterly basis and one of its functions is to consider a draft version of the Annual Governance Statement and provide any comments for incorporation into the final version. The final document is then included in the Annual Statement of Accounts, which is approved by the Audit Committee (the Audit Committee retains responsibility for the Annual Governance Statement).</p>
Risk Management	<p>The Council's Risk Management Strategy was updated in 2015 and remains current.</p> <p>This Strategy was a move in the culture from being risk adverse to risk cautious. A risk adverse culture is one where there is a tendency to try and mitigate all risks. A risk cautious culture is one where account is taken of the significance of the risk, the costs of the mitigation and the potential missed benefits in deciding whether to mitigate risks.</p> <p>One consequence of this change was that there was greater challenge as to the need for some controls. The second change in emphasis is away from completing forms (such as risk matrices) and towards ensuring that due consideration is given to risks and that they are managed. For instance, there will be an expectation that managers can articulate how they have considered risks rather than expecting it to be recorded in a prescribed format.</p> <p>The Audit and Risk section, during the normal course of their work, focus on the risks within systems and look at how they are controlled by management. The outcome of this work is reported to the Audit Committee on a quarterly basis.</p> <p>Strategic risks are constantly under review by the Corporate Management Team, and are formally discussed on a quarterly basis. The outcome of these discussions, along with the risks, are reported to the Audit Committee quarterly.</p> <p>Additionally, the risk register for the new Town Hall, which is updated regularly, is presented to the Audit Committee on a regular basis.</p>

# Agenda Item 7

Internal Control	<p>Whilst we were unable to complete all of the audits in the Audit Plan presented to the Audit Committee in March 2020, I am satisfied that we have reacted swiftly in identifying risk that emerged due to the COVID-19 pandemic and provided assurance on these. Audits that were removed from that Plan, and which are still required, have been incorporated into the 2020/2021 Internal Audit Plan.</p> <p>I can confirm that apart from the weaknesses identified in the Car Parking audit, internal controls are basically sound and we did not identify any significant weaknesses.</p> <p>All findings are followed up to ensure that agreed actions have been satisfactorily implemented, and the outcome of this work is presented to the Audit Committee on a quarterly basis.</p>
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# Agenda Item 7

## Summary of Work Undertaken in 2020/2021 (in chronological order)

INTERNAL AUDIT ASSURANCE OPINIONS	
AUDITS	Assurance Level
Procurement Cards	Substantial
Motor Vehicle Loan Scheme	Substantial
Budgetary Control	Substantial
Creditors	Substantial
Sundry Debtors	Substantial
Temporary Accommodation	Substantial
Payroll	Substantial
Car Parking – Visitor Parking Permits	No
Disabled Facility Grants	Substantial
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund	Substantial
Local Authority Discretionary Grants Fund	Substantial
Treasury Management	Satisfactory
Cash and Bank	Substantial
NNDR	Satisfactory
Council Tax	Substantial
Fleet Management	Limited
FMS	Substantial

MAJOR PROJECTS
<p><b>Attend Town Hall Project Board on a fortnightly basis</b> Attend in an advisory capacity and provide advice on internal control, risk management and governance arrangement</p>
<p><b>Attend Corporate Project Assurance Group (CPAG) on a monthly basis</b> The group provides an assurance role and does not have decision making powers. It was created following the significant issues that were identified with the delivery of the data centre project. As a result the Council has re-instated good project management and can demonstrate strong governance in project management.</p>
<p><b>Attend Information Project Board on a regular basis</b> Provide advice on internal control, risk management and governance arrangements</p>
<p><b>Attend Information Governance Group</b> Provide advice on internal control, risk management and governance arrangements</p>
<p><b>Attend Procurement Board</b> Provide advice on internal control, risk management and governance arrangements</p>

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# Crawley Borough Council Provisional Audit planning report

Year ended 31 March 2021  
May 2021



19 July 2021



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

Dear Audit Committee Members

### **Provisional 2020-21 Audit Planning Report**

We are pleased to attach our Provisional Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Provisional Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing, specifically in relation to the new requirements for the value for money conclusion. We will report our value for money risk assessment and inform the Audit Committee if there are any significant changes or revisions to our strategy for the financial statements audit upon completion of these procedures at the following meeting of the Committee.

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

We welcome the opportunity to discuss this report with you on 19 July 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Elizabeth Jackson

For and on behalf of Ernst & Young LLP

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Crawley Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Crawley Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Crawley Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

# Overview of our 2020/21 audit strategy



# Overview of our 2020/21 audit strategy

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

## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error (management override)	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. 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.  We believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax.
Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Estimated-Use-Value (EUV) and Investment Properties (IP) under Fair Value (FV)	Significant risk	Refocussed risk	The value of land & buildings in PPE under EUV and in IP under FV represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) and Housing Revenue Account (HRA) properties	Inherent risk	Refocussed area of audit focus	The value of land & buildings in PPE under DRC and HRA properties also represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques are required to calculate these balances held in the balance sheet and HRA notes. Although there is a risk for land & buildings under DRC due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets and HRA properties are inherently not subject to material uncertainty arising due to market conditions.

## Overview of our 2020/21 audit strategy (cont.)

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

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Accounting for Pension Fund Asset	Inherent risk	No change in risk or focus	<p>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.</p> <p>The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>In 2019/20, late changes were required to disclosures in the financial statements arising from the McCloud legal judgement. The impact for 2020/21 is not yet known.</p>
Valuation of NNDR Appeals Provision	Inherent risk	No change in risk or focus	<p>Crawley Borough Council's NNDR Appeal Provision was valued at £1,948,000 at 31 March 2020. This is a high value estimate driven by internal calculations and judgement.</p>
Accounting for Covid-19 Grant Income	Inherent risk	New area of focus	<p>The Council has received a significant level of government funding in the relation to Covid-19. There is a need for the Council to ensure that it is has recognised and accounted for these appropriately, taking into account any associated restrictions and conditions.</p>

## Overview of our 2020/21 audit strategy (cont.)

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

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Going Concern Disclosure	Inherent risk	No change in risk or focus	<p>Covid-19 has created a number of financial pressures throughout local government, increasing service demand and expenditure. The Council has incurred additional expenditure in a number of areas of its operations and has experienced some income losses. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19.</p> <p>CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.</p> <p>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</p> <p>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.</p>

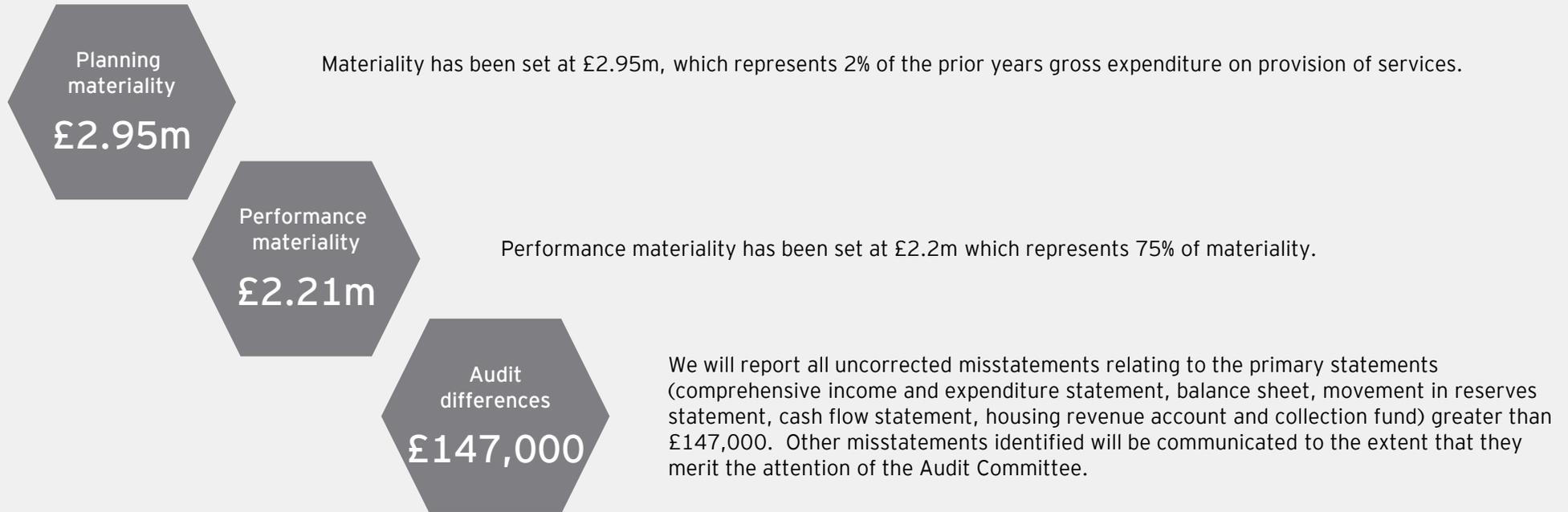
### Auditing accounting estimates

In addition to the above risks and areas of focus, a revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we may see the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required.

## Overview of our 2020/21 audit strategy (cont.)

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

### Materiality



## Overview of our 2020/21 audit strategy (cont.)

### Audit scope

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

- ▶ Our audit opinion on whether the financial statements of Crawley Borough Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on value for money in Section 03, highlighting the changes included in the NAO's Code of Audit Practice 2020.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

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

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

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

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

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Crawley Borough Council's audit, we will discuss these with management as to the impact on the scale fee.



# 02

## Audit risks



## Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

**Misstatements due to fraud or error\***

### What is the risk?

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

As part of our work to identify fraud risks during the planning stage, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.

We identify and respond to this fraud risk on every audit engagement.

### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determine an appropriate strategy to address those identified risks of fraud; and
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including;
  - ▶ Testing of journal entries and other adjustments in the preparation of the financial statements;
  - ▶ Reviewing accounting estimates for evidence of management bias; and
  - ▶ Evaluating the business rationale for significant unusual transactions.

### Financial statement impact

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

## Our response to significant risks (cont.)

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p><b>Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure and REFCUS *</b></p>	<p><b>What is the risk?</b></p> <p>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.</p> <p>The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.</p> <p>We consider the risk applies to capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.</p>	<p><b>What will we do?</b></p> <p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> <li>▶ Sample test additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised;</li> <li>▶ Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources; and</li> <li>▶ Use our data analytics tool to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes within the general ledger.</li> </ul>
<p><b>Financial statement impact</b></p> <p>Inappropriate capitalisation of revenue expenditure would decrease the net expenditure from the general fund, and increase the value of non-current assets.</p> <p>In 2019/20, the Council incurred additions to PPE of £37.9m and to IP of £7.5m, and REFCUS represented £7.8m.</p>		

## Our response to significant risks (cont.)

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

**Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Estimated-Use-Value (EUV) and Investment Properties (IP) under Fair Value (FV).**

### What is the risk?

The value of land & buildings in PPE under EUV and in IP under FV represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Given the nature of Covid-19 and the fact that 2020/21 was predominantly influenced by local and national lockdowns, we anticipate that the valuer will not be able to conduct site visits due to the restrictions that are in place and that the valuer will have to perform a remote approach to valuing the properties which will further increase the risk around these valuations.

### What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Consider the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Challenge the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary - for example, significant or unusual movements in valuation or investments in areas of the economy under stress such as retail;
- ▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. yield);
- ▶ Consider the annual cycle of valuations to ensure that EUV assets have been valued within a 5 year rolling programme as required by the Code for PPE, and annually for IP. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review any EUV and FV properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

## 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 Land & Buildings in PPE under Depreciated Replacement Cost (DRC) and Housing Revenue Account (HRA) properties

The value of land & buildings in PPE under DRC and HRA properties also represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques are required to calculate these balances held in the balance sheet and HRA notes. Although there is a risk for land & buildings under DRC due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets and HRA properties are inherently not subject to material uncertainty arising due to market conditions.

#### What will we do?

We will:

- ▶ Consider the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Challenge the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary - for example, significant or unusual movements in valuation, or difficult to value specialist assets;
- ▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that properties have been valued within a 5 year rolling programme as required by the Code for PPE. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

## Audit risks

### Other areas of audit focus (cont.)

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?

##### Accounting for Pension Fund Asset

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.

The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £24.8m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

In the prior year the 'McCloud' judgement and 'Goodwin' judgement impacted the estimate and resulted in an uncorrected overstatement of the net pension asset totalling £156,000. We anticipate that 'McCloud' will again be a key assumption in estimating the pension liability. We would expect the Council's actuary to be basing their assumptions taking into account the Council's specific membership profile and how it has been impacted by the judgement. We also note that there may be further developments in this area, potentially again coming after the balance sheet date.

#### What will we do?

We will:

- ▶ Liaise with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;
- ▶ Assess the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office 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
- ▶ Where outturn information is available at the time we undertake our work after production of the Council's draft financial statements (for example the year-end actual valuation of pension fund assets), we will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

### Other areas of audit focus (cont.)

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 £1,948,000 at 31 March 2020. This is a high value estimate driven by internal calculations and judgement.

#### What will we do?

We will:

- ▶ Agree data used to calculate the provision to reports received from the Valuations Office Agency;
- ▶ Confirm appeals percentage provided for is reasonable, considering the government's baseline data for predicting business rates appeals;
- ▶ Repeat perform calculations to confirm arithmetical correctness; and
- ▶ Compare the level of appeals at 31 March 2021 and 31 March 2020 to assess the reasonableness of amounts provided for at year end.

##### Accounting for Covid-19 related grant funding

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

We will:

- ▶ Consider the Council's judgement on material grants received in relation to whether it is acting as:
  - ▶ An agent, where it has determined that it is acting as an intermediary; or
  - ▶ Principal, where the Council has determined that it is acting on its own behalf.
- ▶ For grants received where the Council acted as principal, we will further consider whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules.

## Audit risks

### Other areas of audit focus (cont.)

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, increasing service demand and expenditure. The Council has incurred additional expenditure in a number of areas of its operations and has experienced some income losses. The extent of support from MHCLG has developed over time, but does not include all financial consequences of Covid-19.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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 will we do?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will seek documented and detailed consideration to support management's assertion regarding the going concern basis. Our audit procedures to review these will include consideration of:

- ▶ Current and developing environment;
- ▶ Liquidity (operational and funding);
- ▶ Mitigating factors;
- ▶ Management information and forecasting; and
- ▶ Sensitivities and stress testing.

Due to the impact of Covid-19, we will consult internally, if required, with our risk department over the level of appropriate disclosure.

## Other areas of audit focus (continued)

### Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

- ▶ We may place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.
- ▶ We may provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradict them.
- ▶ We may make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.
- ▶ You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.
- ▶ We may ask for new or changed management representations compared to prior years.



03

## Value for Money Risks



# Value for money

## Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

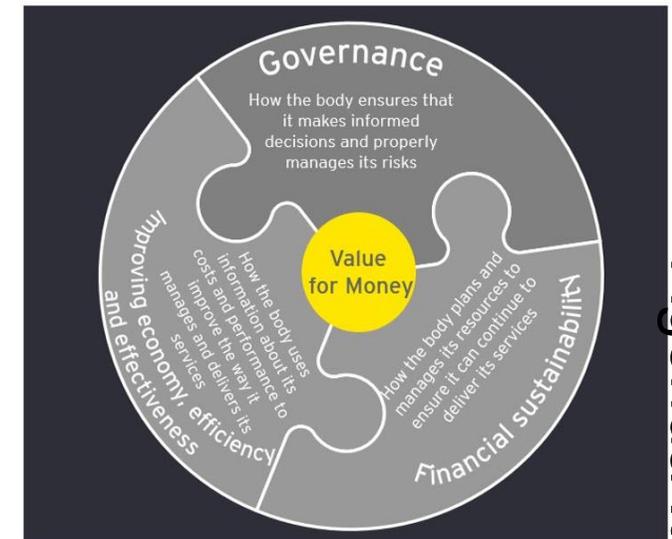
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in an annual governance statement. In preparing its annual governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer one overall evaluation criterion on which we need to conclude. Instead the 2020 Code requires us to design our work to provide sufficient assurance to enable us to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ Financial sustainability  
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- ▶ Governance  
How the Council ensures that it makes informed decisions and properly manages its risks; and
- ▶ Improving economy, efficiency and effectiveness:  
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





## Value for money risks

### Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes, where the NAO required auditors, as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's Annual Governance Statement;
- ▶ Evidence that the Council's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or
- ▶ Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.



## Value for money risks

### Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

### Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

The new Code promotes more timely reporting by auditors. So where we have sufficient evidence to determine that there is a significant weakness on VFM related arrangements we can report that weakness, and an associated recommendation for improvement, at that time and not wait until we issue our Audit Results Report on the audit of the statement of accounts.

### Summary of changes in VFM requirements between the 2015 and 2020 Codes of Audit Practice

We set out a summary of key changes in VFM requirements between the 2015 and 2020 Codes in tabular form on the following pages.

### Status of our 2020/21 VFM Planning

The issue of detailed guidance to inform our risk assessment was delayed and has only recently been received. Delays in the completion of our local government audits have also impacted on our planning time. Our risk assessment is therefore not yet complete. We will update the Committee once our risk assessment is complete to confirm whether any further risks have been identified, and the work which will be undertaken to address them.



# Value for money - Code requirements

2015 Code requirement	2020 Code requirement
<p><b>Overall requirement</b> For auditors to satisfy themselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>	<p><b>Overall requirement</b> No change in requirement.</p>
<p><b>Design of work</b> The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report by exception if the auditor concludes that they are not satisfied that the audited body has put in place proper arrangements to secure value for money in the use of its resources for the relevant period.</p> <p>Where required, the auditor should report their conclusion on the audited body's arrangements having regard to specific reporting criteria.</p>	<p><b>Design of work</b> The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report to the audited body a commentary against the specified reporting criteria on the arrangements the body has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.</p> <p>Where the auditor is not satisfied in respect of arrangements to secure value for money, they should refer to this by exception in their audit report on the financial statements.</p>
<p><b>Assurance given</b> In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period.</p>	<p><b>Assurance given</b> No change in requirement. Our work remains arrangements based.</p>
<p><b>Other sources of relevant information</b> Auditors need to consider:</p> <ul style="list-style-type: none"> <li>▶ The audited body's governance statement;</li> <li>▶ Evidence that the audited body's arrangements were in place during the reporting period;</li> <li>▶ Evidence obtained from the auditor's other work;</li> <li>▶ The work of inspectorates and other bodies; and</li> <li>▶ Any other evidence source that the auditor regards as necessary to facilitate the performance of their statutory duties</li> </ul>	<p><b>Other sources of relevant information</b> No change in requirement.</p>



# Value for money - Code requirements

2015 Code requirement	2020 Code requirement
<p><b>Quantum of work</b> Determining how much work to do on arrangements to secure value for money is a matter of auditor judgement.</p>	<p><b>Quantum of work</b> Determining how much work to do on arrangements to secure value for money remains a matter of auditor judgement, but we expect the enhanced risk assessment process and reporting requirements to require more time to be input.</p>
<p><b>Reporting criteria</b> The NAO's supporting Auditor Guidance Note 3 defines proper arrangements as:</p> <ol style="list-style-type: none"> <li>1. <i>Informed decision making</i> <ul style="list-style-type: none"> <li>▶ Acting in the public interest, through demonstrating and applying the principles and values of sound governance;</li> <li>▶ Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management;</li> <li>▶ Reliable and timely financial reporting that supports the delivery of strategic priorities;</li> <li>▶ Managing risks effectively and maintaining a sound system of internal control;</li> </ul> </li> <li>2. <i>Sustainable resource deployment</i> <ul style="list-style-type: none"> <li>▶ Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions;</li> <li>▶ Managing and utilising assets effectively to support the delivery of strategic priorities;</li> <li>▶ Planning, organising and developing the workforce effectively to deliver strategic priorities;</li> </ul> </li> <li>3. <i>Working with partners and other third parties</i> <ul style="list-style-type: none"> <li>▶ Working with third parties effectively to deliver strategic priorities;</li> <li>▶ Commissioning services effectively to support the delivery of strategic priorities;</li> <li>▶ Procuring supplies and services effectively to support the delivery of strategic priorities;</li> </ul> </li> </ol>	<p><b>Reporting criteria</b> The Code specifies that auditors need to focus on these reporting criteria:</p> <ol style="list-style-type: none"> <li>1. <i>Governance</i>: how the body ensures that it makes informed decisions and properly manages its risks. Specifically: <ul style="list-style-type: none"> <li>▶ How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;</li> <li>▶ How the body approaches and carries out its annual budget setting process;</li> <li>▶ How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;</li> <li>▶ How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from the audit committee; and</li> <li>▶ How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).</li> </ul> </li> <li>2. <i>Financial sustainability</i>: how the body plans and manages its resources to ensure it can continue to deliver its services. Specifically: <ul style="list-style-type: none"> <li>▶ How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;</li> <li>▶ How the body plans to bridge its funding gaps and identifies achievable savings;</li> <li>▶ How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;</li> </ul> </li> </ol>



# Value for money - Code requirements

2015 Code requirement	2020 Code requirement
<p><b>Reporting criteria (continued)</b> See previous page</p>	<p><b>Reporting criteria (continued)</b></p> <ul style="list-style-type: none"> <li>▶ How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and</li> <li>▶ how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.</li> </ul> <p>3. <i>Improving economy, efficiency and effectiveness</i>: how the body uses information about its costs and performance to improve the way it manages and delivers its services. Specifically:</p> <ul style="list-style-type: none"> <li>▶ How financial and performance information has been used to assess performance to identify areas for improvement;</li> <li>▶ How the body evaluates the services it provides to assess performance and identify areas for improvement;</li> <li>▶ How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and</li> <li>▶ Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.</li> </ul>
<p><b>Risk assessment</b> As part of planning, auditors should consider the risk of reaching an incorrect conclusion in relation to the overall criterion.</p>	<p><b>Risk assessment</b> The auditor will need to gather sufficient evidence and document their evaluation of it in order to enable them to draft their commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.</p>



## Value for money - Code requirements

2015 Code requirement	2020 Code requirement
<p><b>Reporting</b> The auditor should report to the audit committee the results of their work. The Annual Audit Letter should provide a clear, readily understandable commentary on the results of the auditor's work and highlight any issues that the auditor wishes to draw to the attention of the public.</p>	<p><b>Reporting</b> Auditors are required to report in a commentary each year under the specified reporting criteria and the Code expects that where auditors identify significant weaknesses in arrangements as part of their work, they will raise them promptly with the audit committee.</p> <p>The auditor's annual report should bring together all of the auditor's work over the year. A core element of the report will be the commentary in accordance with the specified reporting criteria.</p> <p>The commentary should be clear, readily understandable and highlight any issues that the auditor wishes to draw to the attention of the body or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.</p>



# 04 Audit materiality

## Materiality

### Materiality

For planning purposes, materiality for 2020/21 has been set at £2.95m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



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

### Key definitions

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

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £2.95m which represents 75% of planning materiality. The rationale for using 75% is based on the anticipation of identifying few or no errors during the audit. This expectation has been built on our experience of the Council in the prior year.

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

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

**Specific materiality** - We can set a lower materiality for specific accounts disclosure e.g. remuneration disclosures, related party transactions and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this. Where we do this we will notify you.



05

Scope of our audit



# Our Audit Process and Strategy

## Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

### 1. Financial statement audit

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

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### Procedures required by standards

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

#### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, 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 and report a commentary on those arrangements.

## Our Audit Process and Strategy (cont.)

### Audit Process Overview

Our audit involves:

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

For 2020/21 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

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

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit work, where they raise issues that could have an impact on the financial statements.



06

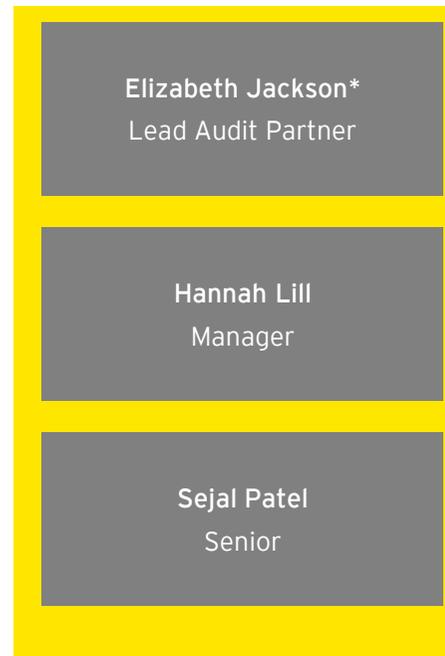
Audit team



## Audit team

### Audit team structure:

The audit team is led by Elizabeth Jackson, who has overall responsibility for the performance of the audit and for the auditor's report issued on behalf of EY. We set out below the engagement team structure for our audit.



### Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2020/21 audit.

We will continue to keep our audit approach under review to streamline it where possible.

Elizabeth Jackson is the Audit Engagement Partner will sign the opinions on the financial statements. Hannah Lill and Sejal Patel will have responsibility for all operational matters and for the day to day management and delivery of the external audit service.

\* Key Audit Partner

# Use of specialists

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

Area	Specialists
Valuation of Land and Buildings	We will consider any valuation aspects that may require EY valuation specialists to review any material specialist assets and the underlying assumptions used by the Council's valuer, WHE.
Pensions disclosure	EY Pensions Advisory, PwC (Consulting Actuary to the National Audit Office) who will review the work of Hymans Robertson, the actuaries to the West Sussex Pension Fund
Pension Fund	EY LLP - auditor at West Sussex County Council Pension Fund (administrators of the Local Government Pension Scheme of which the PCC and Sussex Police is an admitted member )
Pension Fund	EY Pensions Team PWC is commissioned by the NAO to undertake a review of Local Government Actuaries

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

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

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



07

# Audit timeline





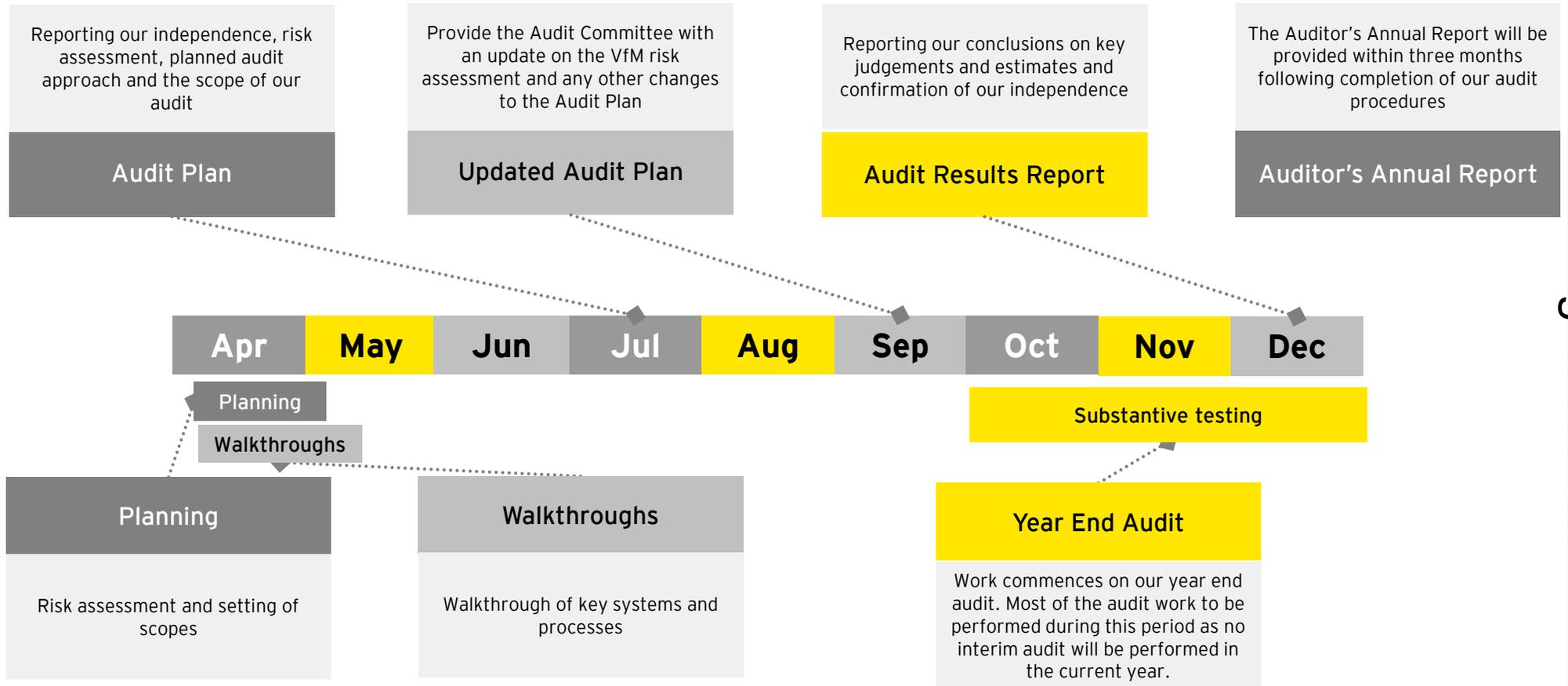
# Audit timeline

## Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21.

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





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Independence



## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

### Required communications

#### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

#### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

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

## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

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

### Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval.

The ratio of non-audit fees to audit fees is not permitted to exceed 70% and this has not been exceeded, therefore no additional safeguards are required.

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

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

### Self review threats

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

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

## Relationships, services and related threats and safeguards (cont.)

### Management threats

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

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

### Other threats

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

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

## Other communications

### EY Transparency Report 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 1 July 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)



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Appendices



## Appendix A

### Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2020/21 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21	Scale fee 2019/20	Final Fee 2019/20
	£	£	£
Total Fee - Code work	£50,291	£50,291	£50,291
Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	£27,398	£Nil	£27,398
<b>Revised Proposed Scale Fee</b>	<b>£77,689</b>	<b>£50,291</b>	<b>£77,689</b>
Scale Fee Variation:			
• Additional work required for Going Concern (Note 2)	£Nil	£Nil	£2,182
• Additional work required for significant risks included in Audit Plan (Note 2)			
o Asset valuation	£Nil	£Nil	£4,171
o Other	£Nil	£Nil	£789
• Additional Covid-19 related costs (Note 2)	£Nil	£Nil	£5,991
• Additional work required for Value for Money (Note 3)	TBC	£Nil	£Nil
<b>Total Scale Fee Variation</b>	<b>£Nil</b>	<b>£Nil</b>	<b>£13,133</b>
<b>Total fees</b>	<b>£77,689</b>	<b>£50,291</b>	<b>£90,822</b>

All fees exclude VAT

## Fees

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

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

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

### Notes:

(1) We outlined in our 2019/20 Annual Audit Letter (AAL) 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 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, which has been shared with management but we did not reach agreement on that rebasing. This has been submitted to PSAA for review.

(2) We outlined in our 2019/20 AAL the basis for the additional Scale Fee Variation expenses relating to additional work required for Going Concern and significant risks, as well as additional Covid-19 related costs. This has been discussed with management and is now subject to approval by the PSAA.

(3) Additional Value for Money work required due to changes in the Code of Practice on Local Authority Accounting impact from 20/21.

## Appendix B

# Required communications with the Audit Committee

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

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report - July 2021
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> <li>▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)</li> </ul>	Audit Results Report - December 2021

## Required communications with the Audit Committee (cont.)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
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 - December 2021	
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Corrected misstatements that are significant</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - December 2021	
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 entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Audit Results Report - December 2021	
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity’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 entity</li> </ul> </li> </ul>	Audit Results Report - December 2021	

## Appendix B

# Required communications with the Audit Committee (cont.)

		 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>	Audit Planning Report - July 2021; and Audit Results Report - December 2021
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>	Audit Results Report - December 2021
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</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>	Audit Results Report - December 2021
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - December 2021
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - December 2021
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - December 2021

 Appendix B

## Required communications with the Audit Committee (cont.)

			 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>	
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 - December 2021	
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan 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 - July 2021; and Audit Results Report - December 2021	

# Additional audit information

## Other required procedures during the course of the audit

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

<p><b>Our responsibilities required by auditing standards</b></p>	<ul style="list-style-type: none"><li>▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.</li><li>▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.</li><li>▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.</li><li>▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.</li><li>▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.</li><li>▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and</li><li>▶ Maintaining auditor independence.</li></ul>
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## Purpose and evaluation of materiality

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

Materiality determines:

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

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

**EY | Assurance | Tax | Transactions | Advisory**

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