

Crawley Borough Council

Minutes of Audit Committee

Tuesday, 15 March 2022 at 7.00 pm

Councillors Present:

J Millar-Smith (Chair)

M Flack (Vice-Chair)

M L Ayling, T G Belben, D Crow and K Khan

Also in Attendance:

Iona Bond Senior Audit & Counter Fraud Manager, Southern Internal
Audit Partnership

Officers Present:

Chris Corker Operational Benefits and Corporate Fraud Manager

Karen Hayes Head of Corporate Finance

Mez Matthews Democratic Services Officer

Stuart Small Deputy Fraud Manager

Paul Windust Chief Accountant

Apologies for Absence:

Elizabeth Jackson Associate Partner, Ernst and Young

1. Disclosures of Interest

No disclosures of interests were made.

2. Minutes

The [minutes](#) of the meeting of the Audit Committee held on 29 July 2022 were approved as a correct record and signed by the Chair.

Due to the rise in Covid cases at the time, the Chair of the Audit Committee had cancelled the formal meeting of the Audit Committee which had been scheduled to take place on 14 December 2022. Audit Committee members had held an informal briefing meeting in its place but no formal decisions had been made at that Briefing.

3. Public Question Time

No questions were asked by members of the public.

4. **Fraud and Investigation Team Report**

The Committee considered report [FIN/563](#) of the Operational Benefits and Corporate Fraud Manager which focused on activity for the period from 7 July 2021 to 27 February 2022. The report indicated that the Team had continued to perform successfully. The Committee noted the increased work undertaken by the Team due to the new benefits introduced by the Government in response to Covid-19, such as the Council Tax 'Energy Rebate' Scheme.

The Committee was provided with details of cases investigated and the Team's investigations, whilst a discussion took place on the Team's work generally. The Committee sought and received clarification on a number of points raised, including removal of the single person discount and the single person discount data matching exercise.

The Committee thanked the Fraud and Investigation Team for their continued work.

RESOLVED

That the Fraud and Investigation Team Report be noted.

5. **Internal Audit Progress Report**

The Committee considered report [FIN/564](#) of the Head of Corporate Finance. The purpose of the report was primarily to update the Committee on the progress made towards the completion of the 2021/2022 Audit Plan, and to report on the progress made in implementing the previous recommendations.

The Committee welcomed the Senior Audit & Counter Fraud Manager from Southern Internal Audit Partnership (SIAP) to the meeting and acknowledged that the Cabinet, at its meeting on [12 January 2022](#) had agreed that SIAP provide the internal audit service for Crawley Borough Council from 2022/23.

The Committee discussed and noted the Audit Plan Reviews in progress, along with other work as detailed in the report and noted that it was still a 'Covid-19 related year' for Audit. The Senior Audit & Counter Fraud Manager took the opportunity to brief the Committee on the work as detailed in the report and, in relation to the following areas, the Committee noted:

Progress Report (Appendix A to the report):

- That the italicised wording in the Progress Report identified changes since the last Report, with several Audits now underway which had previously been pending.
- There were no high priority findings to report on work completed since the last Report.
- That all Local Authorities had experienced delays in progressing their Audit Plans due to the pandemic.
- That SIAP was confident the remaining Audits would go ahead in time for annual reporting.
- That SIAP did not have any concerns at present in relation to the outcome of the Audits completed under the 2021/2022 Audit Plan. An overall level of Audit Assurance could not however be given until all remaining Audit work had been completed.

Follow Up Audit (Fleet Management Audit 2020/21):

- That the findings relating to “driver assessment checks” and “eligibility to drive” would be looked at as part of an upcoming health and safety review.

Follow Up Audit (Complaints Audit 2021/22):

- That the lack of monthly reporting on complaints identified by the Audit was likely to be due to the extra work created by the pandemic and staff sickness. Following a further query from the Committee, it was requested that the Democratic Services Officer send Committee members the Audit Committee minutes and/or the report which related to the initial findings of the Complaints Audit.
- An item would be published shortly in the Councillors’ Information Bulletin relating to the Complaints Procedure.
- A review of actions taken following the Complaints Audit was included in the Internal Audit Plan and was scheduled to take place in the next three years. The version of the Internal Audit Plan which was attached to the Agenda Pack (and would be considered by the Committee later in the agenda) only included those Audits scheduled for 2022-2023. The Senior Audit & Counter Fraud Manager agreed to consult the full three–year Plan and, should the Complaints review be scheduled for year 3, they would flag to bring it forward into at least year 2.

RESOLVED

That the Internal Audit Progress Report be received and progress noted, as at 28 February 2022.

6. Risk Management Update

The Committee considered report [FIN/562](#) of the Head of Corporate Finance which provided an update on the Council’s Strategic Risks.

The Committee discussed the update provided on Strategic Risk Management. Following queries from the Committee relating to the following areas, the Committee:

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

- Was informed that the issue regarding letting the upper floors of the new Town Hall would be reviewed over the next few months.
- Was provided with more detail regarding the letting arrangements for the upper floors.

Cost of Living:

- Noted that this had recently been included as a Corporate Risk.
- Was informed that a Working Group, being set up by the Head of Crawley Homes, would assist in building a means of signposting those in need of financial assistance to the most relevant organisation/s.

The Head of Corporate Finance advised the Committee that the Strategic Risk updates were provided by the relevant member of the Corporate Management Team and so, should the Committee have specific queries relating to a risk, it would be helpful to email the question in advance so a comprehensive response could be sought ahead of Committee.

RESOLVED

That the Committee receive and note the report.

7. Internal Audit Annual Plan 2022-23

The Committee considered report [FIN/565](#) of the Head of Corporate Finance. The Plan was attached as Appendix A to the report.

The Senior Audit & Counter Fraud Manager from Southern Internal Audit Partnership (SIAP) informed the Committee that the Plan was considered to be robust and had been put together by SIAP in collaboration with the Council's Corporate Management Team (CMT) and they thanked CMT for making the time to meet with them as well as their engagement with the process. In addition, the Committee noted that the Plan before it, whilst for the year 2022-2023, was indicative of the work to be undertaken in the second and third year. It was acknowledged that the Plan was a dynamic document and the delivery of the audit work was likely to be subject to change depending on other factors.

RESOLVED

That the Internal Audit Annual Plan 2022-23 attached as Appendix A to report [FIN/565](#) be noted.

8. Internal Audit Charter 2022-2023

The Committee considered report [FIN/566](#) of the Head of Corporate Finance. The Charter was attached as Appendix A to the report.

RESOLVED

That the Internal Audit Charter attached as Appendix A to report [FIN/566](#) be approved.

9. Audit Results Report: Year Ended 31 March 2021

The Committee considered [FIN/567](#) which had been submitted by Ernst and Young (EY). The Head of Corporate Finance read out the key reporting provided by the EY representative who had sent their apologies for the meeting. The Committee was informed that, whilst EY was proposing a draft unqualified Audit Report at this stage, the Committee should be aware that work was still in progress and the Report could change if a material misstatement was identified or another misstatement that management declined to adjust. EY was aiming to sign the Audit Report in April 2022, however specific timing would depend on resolution of its work regarding the rents issue, and an updated Audit Results Report would be circulated via email to Committee members before it was signed. The Head of Corporate Finance referred to two unadjusted errors within the Accounts, these were both where the Council's Valuers disagreed with EY valuers. They had no impact on the bottom line so the Head of Corporate Finance suggested that they would not be adjusted.

The Committee considered matters raised, and in doing so expressed its ongoing concern that the Audit continued to remain unfinished despite its spiralling cost.

Following a query, the Committee was provided with clarification regarding the financial impact of the overcharging of rent to Council Housing tenants.

The Chair informed that Committee that EY had been requested to regularly communicate with regard to the process of external audit work. Following comments made by the Committee, the Head of Corporate Finance agreed to reiterate to EY that it should provide an early indication if/when it became clear that the Audit was likely to cost more than anticipated.

In response to comments made by the Committee, the Head of Corporate Finance agreed to raise the following requests with EY for future reference:

- That EY clarify in its Report whether adjustments related to an overcharge or an undercharge as, in several instances, it was unclear (eg pages 88 and 90 of the Agenda Pack refer).
- That in relation to Internal Controls EY provide more detail as to any “significant deficiencies identified” or, where deficiencies are not found, be more explicit that is the case (page 116 of the Agenda Pack refers).

RESOLVED

That the Audit Results Report for the year ended 31 March 2021 be received and noted

10. Approval of the 2020/2021 Statement of Accounts

The Committee considered report [FIN/568](#) of the Head of Corporate Finance which sought the Committee’s approval of the 2020/21 Statement of Accounts.

The 2020/21 Statement of Accounts was attached as Appendix B to the report.

The Committee noted that as the external Auditor’s Audit Results Report for the year ended 31 March 2021 had not yet been completed by the External Auditors no Audit Report had been included in the Statement of Accounts. Once the Audit had been concluded there was a chance that amendments would be required. The main risk was in relation to the overcharging of rent to Council Housing tenants and the correct accounting treatment was currently being assessed by the External Auditor’s Professional Practice Department and Legal Department.

With regard to any changes required as a result of the Audit’s conclusions, the Committee confirmed it was happy for minor and non-material amendments to be made, as well as any adjustment relating to the overcharging of rent before the Statement of Accounts were signed. The Committee then confirmed it was content to delegate authority to the Chair of the Audit Committee to sign both the Statement of Accounts and the Letter of Representation once the Audit had been concluded on that basis. Should any material changes be required (other than an adjustment relating to the rent issue) the Statement of Accounts would be brought back to the Committee for its consideration.

Following a request from the Committee the Chief Accountant agreed that, where reference was made in the Narrative Report to a grant or fund, the full name of that fund/grant be used so members of the public could identify which Government body or organisation had provided those monies.

The Committee thanked the Chief Accountant and their team for the work they had undertaken in producing the Statement of Accounts and associated documents.

RESOLVED

- (1) That the Annual Governance Statement, as signed by the Leader and the Chief Executive, be endorsed.
- (2) That the 2020/21 Statement of Accounts be approved, following any minor, non-material changes or adjustments relating to the housing rents overcharge.
- (3) That the Chair of the Committee be authorised to sign the 2020/21 Letter of Representation following any minor, non-material changes or adjustments relating to the housing rents overcharge.
- (4) That the Chair of the Committee be authorised to sign the 2020/21 Statement of Accounts on behalf of the Council following any minor, non-material changes or adjustments relating to the housing rents overcharge (should any material changes be required, other than an adjustment relating to the rent issue, the Statement of Accounts would be brought back to the Audit Committee for its consideration).

11. Head of Corporate Finance

On behalf of the Audit Committee, the Chair presented a card and some flowers to the Head of Corporate Finance who was semi-retiring. The Chair expressed the Committee's thanks to the Head of Corporate Finance for their continued support of diligence and hoped they found the work / life balance they deserved in their retirement.

Closure of Meeting

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 8.30 pm

J Millar-Smith (Chair)