

Crawley Borough Council

Audit Committee

Agenda for the **Audit Committee** which will be held in **Committee Rooms A & B - Town Hall**, on **Tuesday, 8 November 2022 at 7.00 pm**

Nightline Telephone No. 07881 500 227



Chief Executive

Membership:
Councillors

J Millar-Smith (Chair), T Rana (Vice-Chair), M L Ayling, T G Belben
and Y Khan

Please contact Democratic Services if you have any queries regarding this agenda.
democratic.services@crawley.gov.uk

Published 31 October 2022

Emergency procedure for meetings will be circulated to Councillors and visitors attending this meeting. Please familiarise yourself with these procedures and the location of fire exits.



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

Town Hall
The Boulevard
Crawley
West Sussex
RH10 1UZ

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

Part A Business (Open to the Public)

	Pages
1. Apologies for Absence	
2. Disclosures of Interest	
In accordance with the Council's Code of Conduct, Councillors are reminded that it is a requirement to declare interests where appropriate.	
3. Minutes	5 - 10
To approve as a correct record the minutes of the Audit Committee held on 25 July 2022.	
4. Public Question Time	
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.	
5. Draft Risk Management Strategy	11 - 30
To consider report FIN/589 of the Head of Corporate Finance.	
6. Fraud and Investigation Team Report	31 - 34
To consider report FIN/603 of the Operational Benefits and Corporate Fraud Manager.	
7. Internal Audit Progress Report	35 - 48
To consider report FIN/591 of the Head of Corporate Finance.	
8. Risk Management Update	49 - 60
To consider report FIN/602 of the Head of Corporate Finance.	

9. Appointment of External Auditors

On 17 October 2022 Public Sector Audit Appointments (PSAA) informed the Head of Corporate Finance of the outcome of its procurement to let audit contracts from 2023/24. Ernst & Young was successful in winning a contract in the procurement, and PSAA propose appointing that firm as the auditor of Crawley Borough Council for five years from 2023/24.

RECOMMENDATION

That the Committee note that Ernst & Young have been appointed as the Council's external auditors for five years from 2023/24.

10. 2022/23 Scale Fee for Crawley Borough Council

61 - 62

On 9 September Public Sector Audit Appointments (PSAA) provided the Scale Fee for the 2022/23 Audit. That Scale Fee is attached as report FIN/592.

Subsequently, on 3 October 2022 correspondence was received from the Senior Manager for Business and Procurement at PSAA which announced the outcome of the PSAA's procurement for audit services for opted-in bodies from 2023/24 onwards. They advised that:

"In summary we have offered contracts to six suppliers. We are pleased to retain the services of three existing suppliers, Grant Thornton, Mazars and Ernst & Young, to welcome former supplier KPMG back to the market, and to be entering into contracts with two new suppliers, Bishop Fleming and Azets Audit Services.

"The bid prices that we received in this procurement reflect a significant increase compared to our previous procurement in 2017. At this stage our advice to bodies is to anticipate a major re-set of total fees for 2023/24 involving an increase of the order of 150% on the total fees for 2022/23. The actual total fees will depend on the amount of work required.

"We appreciate that the extent of this likely increase in audit fees will pose a significant funding challenge for local bodies already facing a daunting range of financial pressures. We have raised this with the Department for Levelling Up, Housing and Communities for consideration. You can read the [full press release](#) via our website."

	Pages
<p>RECOMMENDATION</p> <p>That the Committee note the Scale Fee for the 2022/23 Audit and the subsequent information provided by the PSAA on 3 October 2022.</p>	
<p>11. Audit Results Report Year Ended 31 March 2021</p> <p>To consider report FIN/600 submitted by Ernst and Young.</p> <p>RECOMMENDATION</p> <p>That the Audit Results Report for the year ended 31 March 2021 be received and noted.</p>	63 - 116
<p>12. Auditor's Annual Report Year Ended 31 March 2021</p> <p>To consider report FIN/601 submitted by Ernst and Young.</p> <p>RECOMMENDATION</p> <p>That the Auditor's Annual Report for the year ended 31 March 2021 be received and noted.</p>	117 - 154
<p>13. Supplemental Agenda</p> <p>Any urgent item(s) complying with Section 100(B) of the Local Government Act 1972.</p>	

This information is available in different formats and languages. If you or someone you know would like help with understanding this document please contact the Democratic Services Team on 01293 438549 or email: democratic.services@crawley.gov.uk

Crawley Borough Council

Minutes of Audit Committee

Monday, 25 July 2022 at 7.00 pm

Councillors Present:

T Rana (Vice-Chair)

M L Ayling, T G Belben and Y Khan

Also in Attendance:

Councillor R D Burrett (observing)

Officers Present:

Chris Corker Operational Benefits and Corporate Fraud Manager

Karen Hayes Head of Corporate Finance

Mez Matthews Democratic Services Officer

Paul Windust Chief Accountant

Apologies for Absence:

Councillor J Millar-Smith

1. Disclosures of Interest

No disclosures of interests were made.

2. Minutes

The minutes of the meeting of the Audit Committee held on 15 March 2022 were approved as a correct record and signed by the Chair.

3. Public Question Time

No questions were asked by members of the public.

4. Internal Audit Annual Report 2021/2022

The Committee considered report [FIN/577](#) of the Head of Corporate Finance. The Chief Accountant presented the report on behalf of Southern Internal Audit Partnership (SIAP), the Council's Internal Auditors.

The Committee acknowledged that the Annual Report had been produced in accordance with the requirements set out in the Public Sector Internal Audit Standards. SIAP considered that in its overall opinion, for the period in question, the Council's framework of governance, risk management and control was "satisfactory" and audit testing had demonstrated controls were working in practice. SIAP thanked all staff for their continued engagement in the audit process in what continued to be a very difficult year with the ongoing pressures of the pandemic.

In response to questions from the Committee, the Head of Corporate Finance:

2020/21 Car Parks (Staff Permits) Audit:

- Provided clarification on the partially implemented recommendations, advising that staff were fully trained in the manual handling of stationery with practices and procedures being kept under review and advised that ensuring the relevant documents were stored securely had been implemented immediately.
- Stated that new procedures had been put in place following the implementation of ANPR technology in the car parks.

Health and Safety Handbook:

- Advised that the Handbook was due to be updated in 2020 but, since the Covid-19 pandemic hit, additional workload relating to the pandemic had taken precedence.

Cyber Security:

- Provided further information on the steps being taken by the Council to reduce the risk to the Council and the training being undertaken by staff to enhance the measures taken by them to increase security.

RESOLVED

That the Internal Audit Annual Report 2021/2022 be noted.

5. Internal Audit Progress Report

The Committee considered report [FIN/578](#) of the Head of Corporate Finance. The purpose of the report was to update the Committee on the status of 'live' internal audit reports, the progress against the Annual Audit Plan and provide a summary of internal audit as well as any significant issues which might impact the annual audit opinion.

The Chief Accountant presented the report on behalf of Southern Internal Audit Partnership (SIAP), the Council's Internal Auditors and advised that the Fraud Framework audit review identified in Section 7 (Rolling Work Programme) of the Appendix to the report had now been completed. The Committee noted all the Audit Plan Reviews in progress, along with other work as detailed in the report.

RESOLVED

That the Committee receive the report and note progress to date, as at 30 June 2022.

6. Fraud and Investigation Team Report

The Committee considered report [FIN/579](#) of the Operational Benefits and Corporate Fraud Manager, which focused on activity for the period from 28 February 2022 to 10 July 2022. The report indicated that the Team had continued to perform successfully.

The Committee was provided with details of cases investigated and the Team's investigations, whilst a discussion took place on the Team's work generally. The Committee sought and received clarification on a number of points raised, including the options available to the Council should an individual repeatedly offend, the financial cost to the Council in investigating fraud cases, the level of cases under investigation over time and the various ways in which the Council was alerted to potential fraud.

RESOLVED

That the Fraud and Investigation Team Report be noted.

7. Risk Management Update

The Committee considered report [FIN/580](#) 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 and considered the Strategic Risk Register. Following queries from the Committee regarding the Strategic Risk Register, the Committee:

- Noted that the level of disruption to the infrastructure in the town centre and Manor Royal was due to works relating to improved broadband within the town and the development of the new Town Hall.
- Was advised that it would be incredibly costly to adapt all properties owned by the Council so they were carbon neutral, and as such the Council would need additional support if that were to be achieved.
- Noted that levels of homelessness in the Borough were currently at their highest level and remained concerned that the increase in cost of living would exacerbate the issue.
- Was informed that the Council was not responsible for housing refugees currently housed in hotels/B&Bs as those individuals/families were the responsibility of the Home Office.

The Committee did not make any comments which it wished to be drawn to the attention of the Chief Executive or the Cabinet.

RESOLVED

That the Committee confirm its satisfaction with the risk management arrangements.

8. Progress of Annual Audit 2020/21

The Chief Accountant provided the following update on the progress of the Annual Report for 2021 on behalf of Ernst and Young (EY), the Council's External Auditors:

- There was a small amount of testing outstanding which needed to be completed before the audit report on the financial statements could be issued.
- EY was aiming to sign the audit report by the end of August 2022.
- The proposed wording for the final version Audit Results Report (ARR) regarding the housing rents issue was currently with EY's Professional Practice Department for sign off. EY had completed its testing in that area and had not identified any significant weaknesses in arrangements that would impact on the value for money reporting. EY had identified one amendment required to the 2020/21 accounts for the impact of the payments in the 2020/21 audit year totalling £688k. The Council had chosen not to adjust for that amount and therefore it would be included as an unadjusted misstatement in the ARR and Letter of Representation.
- EY had not identified any further amendments required other than those reported in the ARR to the last meeting of the Audit Committee. EY would issue an updated ARR before signing the audit report and circulate to the Committee with any final amendments.

Following a query from the Committee the Chief Accountant agreed to obtain clarification on the estimated external audit fee in relation to the housing rents issue (now confirmed to be in the range of £10,000 to £15,000). That fee would be subject to approval by Public Sector Audit Appointments Ltd. The Committee noted that the Deputy Chief Executive had requested that EY include a breakdown of the costs in the Audit Results Report.

RESOLVED

That the Progress of Annual Audit 2020/21 be noted.

9. Approval of the 2020/21 Statement of Accounts

The Committee considered report [FIN/581](#) of the Head of Corporate Finance which sought the Committee's approval of the 2020/21 Statement of Accounts.

The Committee was advised that the audit of the 2020/21 Statement of Accounts had not concluded. At the Audit Committee meeting on [15 March 2022](#) (minute 10 of that meeting refers), delegated authority had been given to the Chair of the Committee to sign the accounts if there were minor or non-material amendments to the accounts following the conclusion of the audit. One material amendment had been made in relation to depreciation on infrastructure assets at a value of £759,000.

In light of this, the Committee was requested to delegate authority to the Chair of the Committee to approve the 2020/21 Statement of Accounts once the audit was concluded. The Committee was assured that a copy of the final Statement of Accounts would be circulated to the Committee prior to them being signed.

RESOLVED

- (1) That delegated authority be given to the Chair of the Audit Committee to approve the 2020/21 Statement of Accounts once the audit is concluded.
- (2) That the Chair of the Committee be authorised to sign the 2020/21 Letter of Representation.
- (3) That the Chair of the Committee be authorised to sign the 2020/21 Statement of Accounts on behalf of the Council.

10. Approval of the Annual Governance Statement 2021/22

The Committee considered report [LDS/186](#) of the Head of Corporate Finance which sought the Committee's approval of the Annual Governance Statement 2021/22. The Head of Corporate Finance thanked the Corporate Performance Manager for the work they had undertaken in producing the Annual Governance Statement.

The Committee noted that the Annual Governance Statement had been produced before the Southern Internal Audit Partnership (SIAP) had submitted its Internal Audit Annual Report 2021/2022 (report [FIN/577](#) considered earlier in the meeting). As a result, the second paragraph of the Internal Audit section of the Annual Governance Statement (on page 71 of the agenda pack) needed to be amended as it currently stated that the Council was compliant with the Public Sector Internal Audit Standards (PSIAS) whereas SIAP had identified that the Council had not met two key fundamental principles of the Public Sector Internal Audit Standards (PSIAS). The Committee was informed that the audit was not due to be undertaken until January 2023 and a revised Annual Governance Statement would be submitted to the Governance Committee in 2023 to note the change to the Statement.

RESOLVED

That the Committee endorse the Annual Governance Statement 2021/2022 as signed by the Leader and Chief Executive (noting an amendment was required to the Internal Audit paragraph of the Statement to reflect the findings identified by the Southern Internal Audit Partnership).

Closure of Meeting

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 8.00 pm

This page is intentionally left blank

Crawley Borough Council

Report to the Audit Committee

8 November 2022

Draft Risk Management Strategy

Report of the Head of Corporate Finance – FIN/589

1. Purpose

- 1.1. The Committee has a responsibility to review the effectiveness of the Council's risk management arrangements. The Risk Management Strategy has been updated to ensure that the Council is keeping up with best practice from across the sector.

2. Recommendations

- 2.1. The Committee is requested to indicate their support for the Risk Management Strategy enclosed as an appendix to this report and/or provide any comments they may have on the Strategy which will then be submitted to the Cabinet Member for Resources for their consideration.

3. Reasons for the Recommendations

- 2.1 The Council has reviewed its Risk Management Strategy and this Committee has a responsibility to review the effectiveness of the Council's risk management arrangements, of which the Risk Management Strategy is a key component. The Strategy has been updated to include risk appetite and tolerance, better definition of impact to ensure better consistency, and the scoring of risk within the Corporate Risk Register.

4. Background

- 4.1. The Committee has a responsibility to review the effectiveness of the Council's risk management arrangements.
- 4.2. The Council has reviewed its Risk Management Strategy, including the Council's strategic risks, and an updated Strategy has been produced.
- 4.3. It is appropriate for this Committee to consider the Strategy and make such comments as they feel appropriate.

5. Background Papers

- 5.1. None.

Report author and Contact Officer: Karen Hayes Head of Corporate Finance.

This page is intentionally left blank

Draft Risk Management Strategy



CONTENTS

1. Risk Management Strategy	3
2. Risk Management Framework	5
3. Project/ Procurement/ Contract Risk	9
4. Partnership Risk	11

APPENDICES

Risk Management Arrangements: Roles and Responsibilities: Appendix 1	12
Categories of Risks Appendix 2	16
Risk Assessment Criteria: Appendix 3	18
Risk Management Assurance Framework: Appendix 4	19

1. Risk Management Strategy

1.1. Introduction

Effective risk management is part of a well-run organisation, delivering effective and efficient services and achieving value for money. Crawley Borough Council recognises its responsibility to manage risk as a key component of good governance.

The Council is committed to integrating and embedding risk management into policy, planning and operational management and into the culture of the organisation.

The focus of risk management is the identification and treatment of risks. It increases the probability of success and reduces the likelihood of failure and the uncertainty of achieving objectives. Risk management should be a continuous and evolving process, which runs throughout the Council's strategies and service delivery.

A pro-active corporate approach is important if risks are to be identified and managed systematically and consistently across the organisation. In order to create an integrated risk management culture that is embedded into medium-term planning, a collaborative approach to risk is undertaken. Business/service plans, budgets and risk registers are developed simultaneously, and these are regularly reviewed.

Applying the risk management process - identifying, assessing, controlling and reviewing risk helps strategic decision makers and managers make informed decisions about the appropriateness of adopting policy or service delivery options and helps in improving the performance of services.

There are four levels of risk register linked to the achievement of the corporate priorities:

- (i) **Operational Risk Register** – owned by individual Heads of Service and their service managers - comprising the service risk registers that fall within their area of responsibility
- (ii) **Projects Risk Register** - owned by individual Senior Managers/Groups. These include the New Town Hall and District Heat Network project, Towns Funds and some major Capital project schemes. These are reviewed by the Corporate Projects Assurance Group.
- (iii) **Strategic Risk Register** – owned by the Chief Executive and Corporate Management Team.
- (iv) **Contracts and partnerships** arrangements risk registers.

See Sections 3 and 4 for more information. Project managers and sponsors have the major responsibility for managing the risks on their projects.

Most activities involve risks. If those risks do materialise, they may have an adverse effect on what the Council is trying to achieve. Therefore it needs to manage the risks that it faces. This paper sets out how the Council intends to approach the management of risk across the organisation.

1.2. Policy Statement

Crawley Borough Council will:

Adopt best practice in the identification, assessment and cost-effective control and management of risks to ensure that they are eliminated or reduced to an acceptable level.

The Council is aware that some risks will always exist and will not be totally eliminated. It understands the importance of managing these risks effectively.

All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of Senior Management will be provided.

1.3. Risk Management Objectives

The risk management objectives of the Council are to:

1. Integrate risk management into the culture of the Council by engendering a positive attitude and understanding of risk throughout all service areas
2. Manage risks in accordance with best practice
3. Prevent injury, damage and financial loss to all those connected with the Council's delivery of services

These objectives will be achieved by having in place:

1. Clear roles and responsibilities
2. Full incorporation of risk management considerations into the Council's performance management system (including project management and financial planning)
3. Documented risk assessment and control procedures
4. Appropriate resource allocation
5. Appropriate learning opportunities available on effective risk management for employees and Councillors
6. Contingency plans where risk assessment shows these to be necessary
7. Monitoring and review arrangement

1.4. Risk Management Strategy Review

The Corporate Management team is responsible for ensuring that the Strategy is kept under review. Changes will be agreed with the Audit Committee.

2. Risk Management Framework

2.1. Introduction

The Council has arrangements in place to ensure the effective management of risk throughout the organisation.

There are four main elements to the effective management of risk. The Council adopts this approach to ensure risks are properly managed and reduced to an acceptable level.

- **Identification** – what could happen that could prevent the Council from achieving its

corporate priorities

- **Evaluation/assessment** – what is the impact in terms of cost, reputation, service delivery, and what is the likelihood of the risk occurring
- **Management/control** – the techniques applied to manage the risk e.g. tolerate, treat, transfer, terminate
- **Review** – continual review of risk management to ensure that it is effective and making improvements where necessary

This process applies to existing service activities. It also applies when the Council is entering new partnerships, when embarking on a new project or when a new contract is being procured.

The roles and responsibilities of all employees, managers and Councillors are set out in Appendix 1.

2.2. The Nature of Risk

Likelihood – by definition a risk is something that might or might not happen.

Impact – if a risk does happen, there will be an impact. That impact may be significant – for example it might jeopardise the project. Alternatively it might be relatively insignificant.

Mitigation – usually there is some mitigating action that can either eliminate a risk or, more typically, reduce the likelihood of it happening or the impact if it does.

Costs – taking mitigating action will have associated costs – even if it is only in terms of staff time.

Benefits – often the benefits of completing a project or providing a service are a given. However, the position can be more complicated when looking at options to achieve desired policy outcomes. Sometimes the benefits can vary depending on the choice taken.

2.3. Risk Culture

The risk culture of an organisation can be categorised in a number of different ways. Typically the categorisation is based on the risk appetite of the organisation. Risk appetite has been defined as the “amount and type of risk that an organisation is prepared to seek, accept or tolerate.”

Risk appetite provides a framework which enables the organisation to make informed management decisions. The benefits of adopting a risk appetite include:

- Supporting informed decision-making
- Reducing uncertainty
- Improving consistency across governance mechanisms and decision-making
- Supporting performance improvement
- Focusing on priority areas within an organisations
- Informing spending review and resource prioritised processes.

The risk appetite scales the Council has agreed to adopt are set out below:

Risk appetite	Description
Opposed	Avoidance of risk and uncertainty is key objective
Minimalist	Preference for safe options that have a low degree of inherent risk
Cautious	Preference for safe options that have a low degree of residual risk
Mindful	Willing to consider all options and choose one that is most likely to result in successful delivery
Enterprise	Eager to be innovative and to choose options that suspend previous held assumptions and accept greater uncertainty

There is a strong relationship between the approach to risk and the level of controls an organisation operates. A risk adverse culture requires a significant level of controls, where as a risk receptive organisation requires far less.

If a risk materialises, it can have one or more of several different impacts:

- Financial loss
- Reduction or prevention of service provision
- Health and safety
- Objectives not achieved
- Reputational (which can have political impacts)
- Relationships/partnerships adversely impacted

Another way of categorising risk is between strategic, tactical and operational risks. It is not unusual to refer to project risks as a type of operational risk.

Strategic Risks – are those which may impact on the ability of the Council to achieve its corporate objectives and execute its strategies successfully. By their nature, strategic risks are generally not service or objective specific; they are areas of risk that cut across service and objective boundaries. These risks can be both negative and positive. They include risks associated with projects or procurement, and risks associated with partnership arrangements. They can also be a potential opportunity that enhances and accelerates the achievement of corporate objectives.

Tactical Risks – are those which may impact on those activities that which support the implementation of actions to achieve those corporate objectives.

Operational Risks – are those that may impact on the day to day operations of the Council

Project Risks – are those that may impact on the ability of an individual project to deliver its objectives. These risks will usually be operational, but may be tactical.

2.4. Assessment of Risk

Once risks have been identified, each one is assessed according to the impact on the service if it happened and on the probability that it will happen.

Risks are prioritised using a scoring system as set out in the risk assessment matrix below. Each risk is scored for inherent risk (i.e. with no controls in place) and for residual risk (i.e. with controls in place).

IMPACT	Catastrophic 5	5	10	15	20	25
	Major 4	4	8	12	16	20
	Moderate 3	3	6	9	12	15
	Minor 2	2	4	6	8	10
	Insignificant 1	1	2	3	4	5
		Remote 1	Possible 2	Likely 3	Probable 4	Highly probable 5
PROBABILITY						

See Appendix 3 (Risk Assessment Criteria) for further details for assessing each category.

2.5. Risk Tolerance

The risk tolerance of the Council is the threshold above which the level of risk is not acceptable and requires further action to reduce the risk. The level has been agreed by the Corporate Management Team to be any risk with a residual score of 15 or above (red risks).

2.6. Management/ Control of Risks

Senior Managers have overall responsibility for managing risks in their service area. This may include refusal to take the risk, controlling the risk as far as reasonably possible or transferring (via contract etc.) the risk to another party e.g. insurance. To ensure that this is done in the most effective manner, ownership and control of the risk may be delegated to the person (risk owner) directly responsible for managing the business activity specific to the risk - this will usually be a Business Manager. Risk registers will be updated as new risks arise.

Further actions may be identified that will improve resilience. Where this is the case, an action owner is identified together with a timeframe for this to be achieved.

Heads of Service are required to review and update their Operational Risk Registers at least quarterly to:

- Ensure controls are effective and do not require further planned actions
- Ensure identified risks are still relevant and have not changed over time
- Re-assess risks when change happens e.g. re-organisation, different systems, new equipment etc. or at the start of a new project/procurement
- Review key project, procurement, contract management and partnership risks and, where risks impact on services, consider for inclusion in the relevant Service Risk Register
- Prevent loss and damage and reduce the cost of risk to all involved
- Use best practice to manage risk

The Strategic Risk Register is reviewed quarterly by the Corporate Management Team. This ensures that identified risks are current and relevant to the planned activities for the coming year(s); controls put in place to mitigate risks are effective and adequate resources and budgets are allocated for the delivery of planned projects.

Significant risks are reviewed by the Corporate Projects Assurance Group where key projects have their own business case that has risks and mitigations identified, these use the grid method. The group includes the Chief Executive, the Deputy Chief Executive, the Monitoring and s151 officers Procurement Manager and Corporate Performance Manager. Business cases are reviewed by this group before being progressed further within the organisation. These projects can be where there is major expenditure such as a capital programme scheme or a review of a service delivery such as the new ways of working programme.

It is important to note and accept that no organisation will, or should, have the same approach to all risks at all times. For instance, it would be inappropriate for the Council to behave unlawfully. Therefore, it should have a high level of controls to avoid the risks of acting unlawfully.

It is also true that risks will vary over time, both in terms of their likelihood and impact. Therefore, risks have to be managed – not just recorded for some types of risk.

2.7. Risk Registers

As stated above there are four levels of risk register maintained across the organisation:

Operational Risk Register – owned by individual Heads of Service and their service managers - comprising the service risk registers that fall within their area of responsibility. Each Departmental Management Team is jointly responsible for maintaining.

Projects Risk Register - owned by individual Senior Managers/Groups. These include the New Town Hall and District Heat Network project, Towns Funds and some major Capital project schemes. These are reviewed by the Corporate Projects Assurance Group.

Strategic Risk Register – owned by the Chief Executive and Corporate Management Team. CMT has the responsibility for ensuring that there is effective management of strategic risks. The Head of Corporate Finance has a responsibility to satisfy themselves that effective management is in place and reporting to the Audit Committee.

Risk registers for contracts and partnership arrangements. See Sections 3 and 4 for more information. Project managers and sponsors have the major responsibility for managing the risks on their projects.

See Appendix 2 for information on categories of risk.

2.8. Risk Management Assurance Framework

The Council has a risk management assurance framework in place which ensures that controls put in place for mitigating risks are effective. The framework is applied to risks on the Strategic and Significant Risk Registers.

It aims to give the Council assurance that the controls defined for each of these risks are in place and operate effectively.

See Appendix 4 for further information.

2.9. Reporting Risks

As stated above the Corporate Management Team (CMT) receive a risk management update on a quarterly basis which includes the Strategic Risk Register.

Departmental Management Teams ensure that they review their operational risks on a quarterly basis.

Special projects such as the Town Hall board have an agenda item on each meeting to review the risk register, this register is presented to the Audit Committee together with the Strategic Risks.

Financial risks are included within the annual Budget Report and the Budget Strategy report(s).

2.10. Incorporating Risk in Reports

Risk management is a fundamental part of the decision making process. It is therefore critical that risks are identified and included in Committee reports, to enable Councillors to make informed decisions. All reports to Cabinet are reviewed by the Head of Governance, People and Performance and the Head of Corporate Finance who will ensure that they are satisfied that risks have been identified and any mitigations covered.

3. Project/ Procurement/ Contract Risk

3.1. Project Management

In the context of a project, it is the project's objectives that are at risk. These will include completing the project to a number of targets, typically covering time, cost, quality, scope and benefits. Each major project should have its own risk register containing information on all of the identified threats and opportunities relating to the project. In the context of a project, a threat is an uncertain event that could have a negative impact on the project's objectives; an opportunity is an uncertain event that could have a favourable impact on the objectives. Both the Business Case and Project Initiation Document templates includes a Risk Register template.

3.2. Procurement Approach

In instances where there is a commercial relationship involved in the project (i.e. supply is contracted out to a third party) risk should be placed with the party best able to manage that risk. The procurement approach employed determines the way in which risk is managed. A well-defined, low risk project will suit traditional tendering and contracting approaches where transferred risk can be readily quantified and competitively priced by the market. At the other end of the spectrum, partnering contracts suit projects of higher risk and complexity that require collaboration under risk reward sharing arrangements.

3.3. Contract Management

Contracts where the risk of contract failure poses significant risk to the Council (for example, it provides a significant income stream, delivers a key service to residents, is integral to the Council's operations, would result in the Council itself being in breach of contract/statute and/or incurring significant reputational damage) are likely to require the most focus (high levels of reporting and pro-active monitoring), whilst a lighter touch approach with exception reporting may be acceptable for lower risk contracts.

The degree of contract management may need to be periodically re-assessed in light of the service provider performance, previous experience of delivering such contracts and the contract

maturity. Risk registers should include:

- How will you ensure that risks related to the contract are formally identified, appropriately mitigated and regularly reviewed, with 'obsolete' risks removed from consideration where appropriate? Is there clear identification of who is best placed to manage risk?
- What escalation and reporting routes are in place for risk governance?
- What contingency planning will the provider undertake, and what contingency planning are you putting in place? Consider both temporary and long-term failure/default, with arrangement proportional to the business impact or the difficulty in moving to a new service provider. Does the service provider's contingency plan integrate with the Council's own contingency plans?
- Have you diarised your tracking of the on-going financial health of the service provider, any guarantor and/or any key sub-contractors.

4. Partnership Risk

Partnership working and joint arrangements are playing an increasingly important and practical role in helping local authorities, including Crawley Borough Council, to maintain service and financial resilience. In this context the term partnership working involves achieving objectives by co-operation.

Examples of partnership working include:

- Joint commissioning with other public bodies
- Joint management teams
- Joint provision with other local authorities
- Joint ventures with the public sector
- Partnerships and joint ventures with the private sector
- Local authority companies, social enterprises and trusts

Partnership working can bring many benefits, but can also carry significant risks. It is therefore imperative that, as part of the process of setting up partnerships, that relevant risks are identified, shared and a risk management plan agreed.

In Crawley partnerships are for the most part shared service arrangements (where there may be a contract in the form of an inter-authority agreement) where in reality rights aren't typically going to be enforced in a legal way, so having good governance arrangements is more important than in a commercial arrangement. Unlike commercial contracts, where consideration is given upfront as to how long the relationship will last, in a shared service environment, the duration of arrangements are more long-term, and so having a review function to make sure that the shared service is still fit for purpose and working for all partners is probably more important.

The key questions to consider are:

- What are our objectives?
- What will stop us from achieving them?
- What mitigating factors can we apply?

Clear reference should be made as to which partner has responsibility for each risk, control and improvement plan. In joint working (shared services), certain responsibilities are held by the lead authority. If it is not clear who the lead authority is (e.g. in a consortium) or where the lead may

change depending on the activity (e.g. in a Community Safety Partnership) there should be a clear understanding between the partners of who is responsible for what and, ideally, that agreement should be recorded.

The Council's objective for being involved in the partnership can be identified by undertaking it as part of a strategic risk exercise. It should address how the terms of the partnership deal with risk allocation, seek assurance that the partners understand risk management and consider how robust the partnership is. Risk management may have a direct effect on resource requirements and all parties need to agree on the allocation of risk. The control of some risks will be in the hands of partners and the Council will need to have a means of assurance that the risk is being suitably managed. The choice of partner at the outset might be the Council's main control but monitoring and break clauses can provide ongoing assurance.

Councillors	<p>All Councillors</p> <ul style="list-style-type: none"> • Apply principles of risk management in all aspects of their functions/duties • Ensure that risks have been considered during all decision making 	<p>Cabinet</p> <ul style="list-style-type: none"> • Oversees effective risk management across the Council and ensure that key risks are identified, managed and monitored • Ensures that key risks within their portfolio are effectively managed through discussions with Senior Managers • Are proactive in raising risks from the wider Crawley area and community 	<p>Audit Committee</p> <ul style="list-style-type: none"> • Ensures that an effective Risk Management Strategy is in place and implemented • Approves major changes to the Risk Management Strategy • Regularly reviews the effectiveness of the Council's risk management strategy and overall arrangements • Ensures an appropriate challenge is provided to risks identified
--------------------	---	---	--

The Corporate Management Team (CMT)

- Implements and drives policies on risk across the Council
- Ensures the Risk Management Strategy is regularly reviewed
- Annually carries out a strategic risk and issues assessment and review of the risk tolerance level
- Sets priorities for dealing with unacceptable risk and significant improvable risks
- Considers proposals for additional funding for risk control measures
- Ensures that regular and appropriate risk management briefings are made to Cabinet Members
- Ensures that risk is an integral element of decision making
- Oversees departmental risks and ensures they are being actively managed with appropriate controls in place and working effectively

Corporate Projects Assurance Group (CPAG)

- Monitors and manages strategic and significant risks and ensures improvement plans are adequate and managed effectively
- Supports a framework of corporate controls to manage risks across the Council

Service Managers

- Has responsibility for the identification, assessment, management and control of all risks arising out of the activities, assets and resources under their authority
- Documents risk assessment and controls i.e. maintain their Operational Risk Register
- Ensures that risk, including project and procurement risk, is effectively managed within their departments and across service areas as a whole.
- Regularly reviews and reports on risks as part of the business review and monitoring process
- Identifies partnership and contract arrangements where the risk is shared and ensures that these are managed appropriately
- Provides information to the Insurance Officer on new assets, liabilities, significant risks and other matters on request to enable the insurance programme to be put in place and maintained
- Provides information to the Insurance Officer on risk incidents, accidents and losses so that any insurance claim may be made and post-incident analysis carried out
- Regularly reports and offers appropriate assurance on management of risks within the Council

Project Managers

- Identify and assess risks arising from any new or proposed projects in line with the Council’s Project Management Approach
- Document all risk assessments and put controls in place to eliminate or reduce risks to a manageable level
- Identify partnership or contractual arrangements where the risk is shared and ensure that these are effectively managed
- Consider high project risks, where relevant, for inclusion in the Operational Risk Register

All Staff

All staff have a responsibility for managing risks effectively within their own work and area of authority, and to report risks to management

Insurance

Insurance will sometimes be an appropriate control for financial risks. The Head of Corporate Finance / Chief Accountant, together with the Insurance Officer will:

- Consider how insurance should be funded
- Manage the operation of any internal insurance fund
- Review insurance policies and new exclusions and assess their impact on the internal insurance fund
- Review the Council’s insurance renewal strategy
- Determine the most economic balance between self-retention and Insurance purchase

Categories of Risks¹

Appendix 2

The risk categories are neither prescriptive nor exhaustive; they however provide a framework for identifying and categorising a broad range of risks facing each service.

1. Strategic Risks

Strategic risks are risks to be taken into account in judgements about medium to long-term goals and objectives of the Council.

- **Political:** those associated with a failure to deliver either local or central government policy, or to meet the local administration's manifesto commitments
- **Economic:** those affecting the Council's ability to meet its financial commitments, including internal budgetary pressures, the failure to purchase adequate insurance, inadequate reserves or the consequence of investment decisions
- **Social:** those relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives
- **Technological:** those associated with the Council's capacity to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives
- **Legislative:** those associated with current or potential changes in law (e.g. TUPE² Regulations, Health and Safety Regulations, Human Rights Act, Freedom of Information, Data Protection etc.)
- **Environmental:** those relating to the environmental consequences of progressing the Council's strategic objectives (e.g. energy efficiency, pollution, recycling, landfill requirements, biodiversity, emissions etc.)
- **Competitive:** those affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value
- **Customer/Citizen:** those associated with the failure to meet the current and changing needs and expectations of customers and citizens

Managing strategic risk is a core responsibility for Senior Managers in close liaison with elected Councillors. Strategic risk assessments should be undertaken as part of the corporate and service planning process, and as a key element of service reviews. Strategic risk assessment draws on techniques such as group assessment, brainstorming and SWOT³ or PESTLE⁴ analysis.

¹Audit commission – Worth the Risk: Improving Risk Management in Local Government

² Transfer of Undertakings (Protection of Employment) Regulations relating to the possible transfer of staff terms and conditions when in-house work is transferred to an external contractor.

³ SWOT – Strengths, Weaknesses, Opportunities and Threats

⁴ PESTLE – Political, Economic, Social, Technological, Legislative and Environmental.

2. Operational Risks

Operational risks are risks that managers and staff will encounter in the daily course of their work.

- **Professional:** those associated with the particular nature of each profession (e.g. social work service concerns over children at risk; housing service concerns as to the welfare of tenants)
- **Financial:** those associated with financial planning and control and the adequacy of insurance cover
- **Legal:** those related to possible breaches of legislation
- **Physical:** those related to fire, security, accident prevention and health and safety (for example, hazards/risks associated with buildings, vehicles, plant and equipment, etc.)
- **Contractual:** those associated with the failure of contractors to deliver services or products to the agreed cost and specification
- **Technological:** those relating to a reliance on operational equipment (for example, IT systems or equipment and machinery)
- **Environmental:** those relating to air, land and water pollution, noise, biodiversity (which includes the protection of habitats and wildlife), or the energy efficiency of ongoing service operations

3. Organisational Risks

Organisational risks relate to the reputation and tools of the Council such as people, information and corporate governance.

Risk Assessment Criteria

Appendix 3

Risk assessment categorises risk according to impact and probability and results in a total risk score. Risks are assessed on both inherent risk level (no controls in place) and residual risk level (after controls).

1. Impact Criteria

	Risk Level	Financial ⁵	Service	Reputation ⁶
5	Catastrophic	>£1m	Total service failure	National publicity more than 3 days. Resignation of leading Member or Chief Officer
4	Major	£500k - £1m	Serious disruption to service	National public or press interest
3	Moderate	£50-500k	Moderate disruption to service	Local public/press interest
2	Minor	£5k-£50k	Some minor impact on service	Contained within service
1	Insignificant	<£5k	Annoyance but does not disrupt service	Contained within business unit

N.B: The overall score should be weighted in favour of the highest score in either financial, service or reputational impact. This will include health and safety considerations under 'reputation'.

2. Probability Criteria

	Risk level	Description
5	Highly probable	Expected to occur in most circumstances (>80%)
4	Probable	Will probably occur in most circumstances (>50% to 80%)
3	Likely	Fairly likely to occur (>20%-50%)
2	Possible	Could occur at some time (>5%-20%)
1	Remote	May occur only in exceptional circumstances (0%-5%)

The scores are calculated as follows to make up the total risk score:

Total risk score = Impact x probability

Risk Management Assurance Framework

Appendix 4

The Risk Management Assurance Framework aims to give the Council assurances that controls defined for those risks included in the Strategic Risk Register are in place and operate effectively.

Controls in place will be assessed for their effectiveness by the Corporate Governance and Strategy Team during the quarterly review of the Strategic Risk Register.

A gap in assurance will be deemed to exist where there is no evidence that there are controls in place, or that they are effective. Whenever a gap in assurance is identified, an action must immediately be put in place and allocated to an owner.

Where controls exist, levels of assurance will be attributed to them during the review process. Levels of assurance to be applied are:

Assurance Level	Details
Level 1: None	There is no evidence to support the effectiveness of the control and/or based on evidence the control is completely ineffective
Level 2: Limited	The control is appropriately designed, however it is not consistently applied resulting in it being ineffective and inefficient
Level 3: Adequate	The control is working effectively but there is scope for improvement to make it more efficient to reduce the cost of mitigation
Level 4: Substantial	The control is working effectively and efficiently

The Council aims to obtain an assurance level 3 in all cases, depending on the severity of the risk in terms of impact on the Council. A substantial level of assurance needs to be obtained for risks with higher impact, as determined by management.

Agenda Item 6

Crawley Borough Council

Report to Audit Committee

8 November 2022

Fraud and Investigation Team Report

Report of the Operational Benefits & Corporate Fraud Manager - **FIN/603**

1. Purpose

- 1.1. This report describes the activity of the Corporate Fraud & Investigation Team for the period 11 July 2022 to 28 October 2022. All outcome figures are taken from closed cases. Year to date figures are also included in the report for 2022/23.

2. Recommendation

- 2.1. That the Committee note the report.

3. Reasons for the Recommendation

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

4. Information & Analysis

- 4.1. The Fraud Team are currently investigating the following case types:

<u>Case Type</u>	<u>Number of open cases</u>
Council Tax Support	10
Housing Cases	18
Non Domestic Rates	1
Single Person Discount	1
Council Tax Liability	1
Enforcement	4
Right to buy	6
Total	41

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

Agenda Item 6

4.2. Housing Fraud

During the reporting period the team have achieved the following:

	<u>In period</u>	<u>2022/23 (YTD)</u>
Properties recovered	3	5
Notional value of savings	£54,000	£90,000

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.

4.3. 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>2022/23 YTD</u>
Discounts removed	4 (£2,621)	8 (£5,454)

In addition, the Inspectors have now concluded 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 2nd adult living in the property. We will then take action to correct these accounts.

187 cases were matched as having a possible 2nd undeclared adult resident. Out of those 187 cases we have confirmed 99 has a 2nd adult resident. Their discount has been removed resulting in a saving of £45,000.

4.4. 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	2022/23	In period	2023/23
New billable CT or Rates	£281,404	£287,701	£1,040,457	£1,648,407

Agenda Item 6

5. Fly Tipping Prosecutions

- 5.1. The team was asked by The Community Wardens to help investigate a case of fly tipping. Domestic waste had been dumped in a garage compound. We were able to identify the origins of the waste from some of the paperwork which had been dumped and engaged with that person. It became clear this person had paid someone who they thought was a legitimate waste clearance company to dispose of the waste.

Mr Rehman was identified as collecting the waste and disposing of it. It was established Mr Rehman did not have a certificate of authority to transport waste and was not able to produce a waste transfer notice.

Fixed penalty notices were issued to Mr Rehman. He failed to pay or engage with the council.

Due to the seriousness and prevalence of this crime, criminal proceedings were brought for:

- Failing to furnish a waste transfer notice
- Failing to produce a certificate of authority to transport waste

Mr Rehman failed to attend court so a warrant for his arrest was issued. He was later arrested and brought to Court by Sussex Police.

Mr Rehman pleaded guilty to both offences and was fined £600 and ordered to pay costs of £989.

- 5.2. Community wardens responded to an incident of fly tipping at a garage compound in Ifield. The case was referred to the investigation team to identify who had illegally dumped the waste.

We identified Mr Burchell had been paid to collect and dispose of the waste legally, however he took payment and dumped the waste.

Mr Burchell was issued two fixed penalty notices but failed to pay or engage with the Council so legal proceeding were brought under the Control of Pollution Act and the Environmental Protection Act.

Mr Burchell initially pleaded not guilty but, prior to the trial, changed his plea to guilty. He was sentenced to a £600 fine and £1,000 costs and a victim surcharge of £60.

6. Implications

- 6.1. There are no implications from the report.

7. Background Papers

- 7.1. None

Report author and contact officer:

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

This page is intentionally left blank

Crawley Borough Council

Report to the Audit Committee

8 November 2022

Internal Audit Progress Report

Report of the Head of Corporate Finance – FIN/591

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 31 October 2022.

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 Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:

- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
- undertaking an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.

- 4.2 In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:

- The status of 'live' internal audit reports (outstanding management actions);
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and a summary of significant issues that may impact on the Chief Internal Auditor's annual opinion.

Agenda Item 7

- 4.3 The progress report is attached at Appendix A and provides a clear and transparent articulation of internal audit activity, performance, and outcomes during the period up to the end of October 2022.

Report author and contact officer: Karen Hayes, Head of Corporate Finance

Southern Internal Audit Partnership

Assurance through excellence
and innovation

CRAWLEY BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT OCTOBER 2022

Prepared by: Iona Bond, Senior Audit & Counter Fraud Manager

October 2022

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

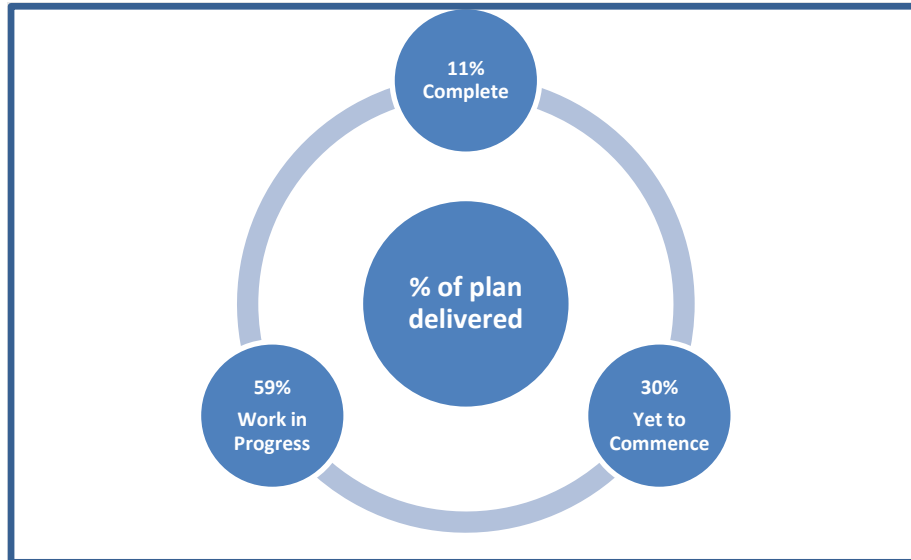
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Substantial	<i>A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited</i>
Reasonable	<i>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</i>
Limited	<i>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</i>
No	<i>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</i>

* Some reports listed within this progress report (pre 2022-23 audit plan) refer to categorisations previously adopted by the Council. Opinions applied to all work from 2022/23 are in accordance with the CIPFA standard definitions, reference is provided at Annex 2

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.'

'We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
2021/22										
Health and Safety	15.06.2022	HofGP&P	Limited	7 (2)	0	0 (0)	5 (2)		2	
Annual Governance Statement	23.06.2022	HofCF	Satisfactory	5 (3)	0	1 (0)	4 (3)			
Car Parking (Staff Permits) Follow Up	28.06.2022	HofComS	N/A	3 (2)	0	1 (0)	2 (2)			
2022/23										
Fraud Framework	26.07.2022	HofCF	Reasonable	4 (0)	0	2 (0)	0 (0)		2	
Financial Resilience	19.09.2022	HofCF	Reasonable	5 (0)	0	1 (0)	4 (0)			
Total								0	4	0

*Total number of actions (total number of high priority actions)

Audit Sponsor			
HofCF	Head of Corporate Finance	HofD&T	Head of Digital and Transformation
HofE&P	Head of Economy and Planning	HofComS	Head of Commercial Services
HofCoS	Head of Community Services	HofGP&P	Head of Governance, People and Performance
HofCH	Head of Crawley Homes	HofSS	Head of Strategic Housing

5. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

There have been no reports published concluding a "Limited" or "No" assurance opinion to date for 2022/23.

6. Planning & Resourcing

The internal audit plan for 2022-23 was presented to the Corporate Management Team (CMT) and the Audit Committee in March 2022.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. A mid year review of the plan has been undertaken in conjunction with CMT and this has identified a number of audit areas where, for this year, no significant added value would be obtained in conducting an audit review. A full list of those areas removed and the rationale is provided in section 8. All removed audits will be reconsidered as part of the planning process for the 2023/24 – 2025/26 strategic audit plan.

We are satisfied that the revised audit plan for the year remains robust and sufficient to enable an annual assurance statement to be provided.

Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Governance								
Contract Management	HofCF							Q4
Fraud Framework	HofCF	✓	✓	✓	✓	✓	Reasonable	
Decision Making and Accountability	HofGP&P	✓	✓					
Health and Safety – New Town Hall	HofGP&P							Q4
Health and Safety – Driver Safety Checks	HofGP&P							Q4
Recruitment & Selection, Leavers and Retention	HofGP&P	✓	✓	✓				
IT								
Cyber Security	HofD&T							Q4
Core Financial								
Housing Benefits	HofCF	✓	✓	✓				
Payroll	HofCF	✓	✓	✓				
Delivering value for money and modernising the way we work								
Financial Resilience	HofCF	✓	✓	✓	✓	✓	Reasonable	

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Transformation - Governance	HofD&T	✓	✓	✓	✓	✓	Substantial	
Delivering affordable homes for Crawley and reducing homelessness								
Housing Allocations	HofSS	✓	✓	✓				
Compliance - Asbestos	HofCH							Q4
Compliance - Electrical	HofCH	✓	✓	✓				
Compliance - Fire Safety	HofCH	✓	✓	✓				
Compliance - Gas Safety Checks	HofCH	✓	✓	✓				
HMO's/Enforcement	HofSS	✓	✓	✓				
Protecting the Environment								
District Heat Network	HofComS							Q4
Environmental Health - Pollution	HofCoS	✓	✓					
Improving job opportunities and developing the local economy								
Towns Fund	HofCF							
Crawley Growth Programme	HofE&P							Q4
Providing high quality leisure and culture facilities and supporting health and wellbeing services								
Parks and Open Spaces	HofCoS	✓						Q4
Play Service	HofCoS	✓	✓	✓				
Leisure Contracts (The Hawth)	HofComS	✓	✓	✓				
Leisure Contracts (K2)	HofComS	✓	✓					
Community Facilities - Regulatory Compliance	HofComS							Q4
Creating stronger communities								
Taxi and Private Hire Licenses	HofComS							Q4

8. Adjustments to the Internal Audit Plan

The following adjustments to the plan have been made:

Plan Variations	
Audit Review	Reason
Flexi time Policy	No longer considered a priority area for review. Time better utilised in 2023/24 for coverage of wider flexible/hybrid working arrangements post move into new Town Hall.
Water Neutrality	Delays in production of the overall Strategy due to complexities in multi agency involvement.
Sustainability	More timely for 2023/24
IT Asset Management	More timely for 2023/24 post move into new Town Hall

Overdue 'High Priority' Management Actions

There are no overdue high priority recommendations.

Overdue 'Low & Medium Priority' Management Actions (July 2022)

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Health and Safety	15.06.2022	Reasonable	Medium	31.08.2022	31.03.2023
			Medium	30.09.2022	31.03.2023
Fraud Framework	26.07.2022	Reasonable	Medium	01.10.2022	31.12.2022
			Medium	01.10.2022	31.12.2022

Crawley Borough Council Assurance Opinions (Pre 2022/23)

- Substantial** *There is a sound system of internal control designed to achieve the system objectives. Compliance with the control process is considered to be of a high standard and few or no material errors or weaknesses were found.*
- Satisfactory** *Whilst there is a basically sound system of internal control designed, there are weaknesses, which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.*
- Limited** *Weaknesses in the design of the system of internal controls are such as to put the system objectives at risk, and/or the level of non-compliance with some of the controls puts the system objectives at risk.*
- No** *Control design is generally weak leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.*

This page is intentionally left blank

Agenda Item 8

Crawley Borough Council

Report to the Audit Committee

8 November 2022

Risk Management Update

Report of the Head of Corporate Finance – FIN/602

1. Purpose

- 1.1 The Committee is asked to review the action taken by the Corporate Management Team and staff to mitigate Strategic Risks.

2. Recommendations

- 2.1 The Committee is requested to consider the contents of this report and confirm it is satisfied with risk management arrangements.
- 2.2 Review the Strategic Risk register (Appendix A) and determine whether there are any matters that it wishes to draw to the attention of the Chief Executive or to Cabinet.

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 The Corporate Management team regularly review the Strategic Risks of the Council and look at the mitigations of those risks. The updated risks are presented to the Audit Committee at its meetings. The internal audit service (SIAP) will give an annual report and opinion on the organisation's framework of governance, risk management and contra based on the audit work conducted in the year. The Audit Plan looks at these Strategic risks.
- 4.2 The Corporate Management Team made a commitment to amend the strategic risks from a long list to one in tabular format; with risk scores without controls in place; what mitigations are in place which gives residual scores.
- 4.3 The focus of effective risk management is the identification and management of risks and opportunities. It increases the probability of success, reduces the likelihood of failure and the uncertainty of achieving objectives. Risk management should be a continuous and evolving process which runs throughout the Council's strategies and service delivery.
- 4.4 This enables the Audit Committee to meet its responsibilities to provide the Council with independent assurance of the adequacy of the risk management framework and associated control environment.

Agenda Item 8

5. Risk Management Arrangements

5.1 The Council's approach to risk management is set out in its Risk Management Strategy which an updated version is shown elsewhere on this Agenda. The objectives of a risk management strategy are to:

- Integrate risk management into the culture of the Council by engendering a positive attitude and understanding to risk throughout service areas
- Manage risk in accordance with best practice
- Prevent injury, damage and financial loss to those connected with the Council's delivery of services.

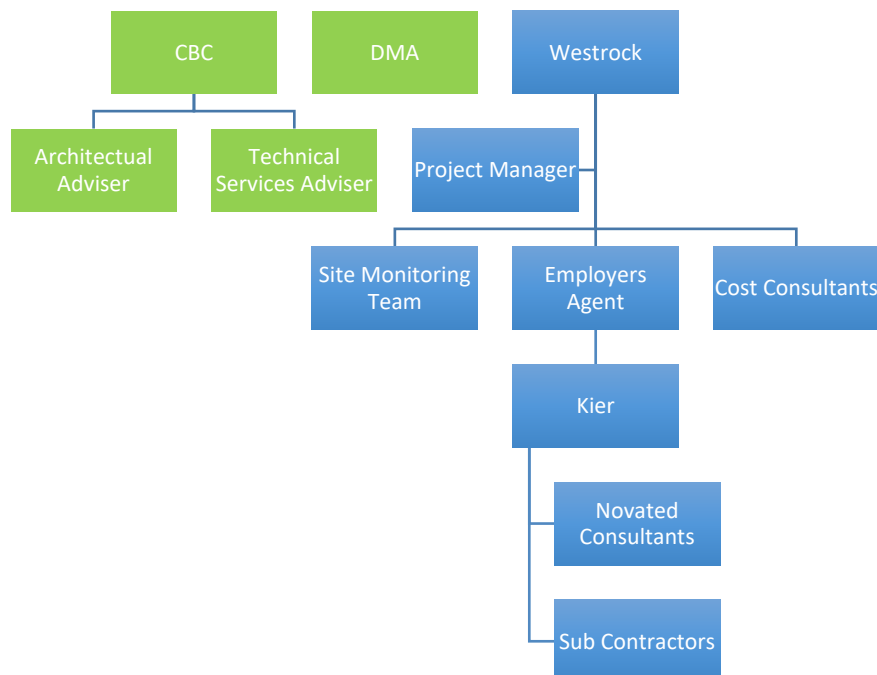
6. Strategic Risk Register

6.1 A strategic risk is defined as an event or action that will affect an organisation's overall ability to achieve its corporate objectives and execute strategies successfully. By their nature, strategic risks are generally not service or objective specific; they are areas of risk that cut across service and objective boundaries.

6.2 The Strategic Risk Register is reviewed by The Corporate Management Team and is shown in Appendix A, it includes a summary of the current analysis of residual risk as well as detail on each Strategic Risk. One of the key risks is the New Town Hall.

6.3 Now that the project has moved onto the next stage, the risk register for the New Town Hall will be thoroughly reviewed and refreshed by the project board, this will be reported to the next Audit Committee in February 2023.

Contractual Arrangements



Agenda Item 8

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

- 6.4 Appendix A shows the remaining Strategic Risks, this includes the cost of living and the impact that this will have on residents in Crawley. A webpage has been created to direct people to places for help, this webpage is being constantly updated.
- 6.5 A key element to the Risk Management Strategy is to confirm the Council's risk tolerance. The risk tolerance level is the threshold above which the level of risk is not acceptable and requires further action to reduce risk. The new Strategy to be presented in November will have an agreed level, this is likely to be 15. Risks around provision of affordable housing, cost of living, homelessness and water neutrality are exceeding this score together with climate change emergency. In these cases there are external factors that are affecting the score, these risks are being constantly reviewed and updates will be provided to future Audit Committees.

Report author and contact officer: Karen Hayes, Head of Corporate Finance

This page is intentionally left blank

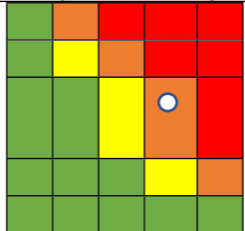
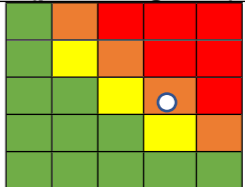
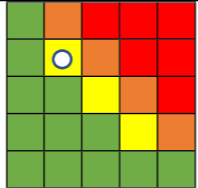
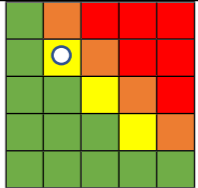
Strategic Risk Register

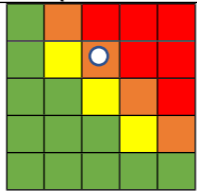
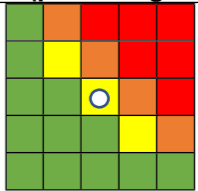
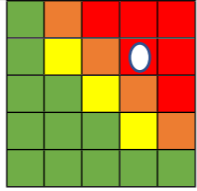
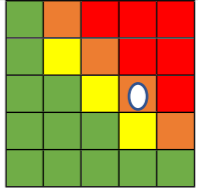
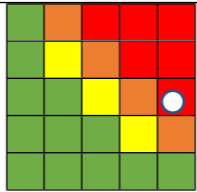
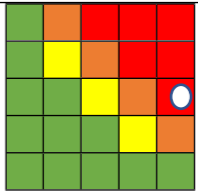
This register details the strategic risks faced by Crawley Borough Council in relation to achieving its priorities and includes the mitigation action being taken to control these risks. The register is owned by the Chief Executive and Corporate Management Team and is updated regularly.

Below is the matrix we use when scoring risk for any project or activity. We have also considered the risk appetite, based on guidance included in the Orange Book – Management of Risk, Principles and Concepts (2020)

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

Risk Appetite	Description
Opposed	Avoidance of risk and uncertainty is key objective
Minimalist	Preference for safe options that have a low degree of inherent risk
Cautious	Preference for safe options that have a low degree of residual risk
Mindful	Willing to consider all options and choose one that is most likely to result in successful delivery
Enterprise	Eager to be innovative and to choose options that suspend previous held assumptions and accept greater uncertainty

Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
New Town Hall	PC has now been achieved and at the time of writing mobilisation is underway. The Council must be out of the current building by late-April or incurs penalties. This is a new building and there are likely to be issues as we settle in. Focus now shifts to agreeing the final account with Kier.	Deputy Chief Executive		Significant planning has been undertaken for mobilisation and the risk of not being out of the current building in time is minimal. Processes in place to deal with any issues arising and messaging to go to staff and members. Mechanisms within the contract are being used to address delay and cost concerns. Significant effort was taken to ensure these were robust before entering the contract. Professional advice being taken throughout, and communication with key stakeholders being maintained. The Council is close to announcing its first commercial tenant, and interest whilst low in numbers has proven strong. A London-based commercial agent has also been appointed to capture companies wishing to move out of the capital.		Mindful
District Heat Network	The District Heat Network Phase 1 has reached practical completion and has been handed over. The key risks moving forward therefore relate to the ongoing operation, maintenance, and billing. The inflationary context in particular creates a pricing risk, attempting to ensure value for residents whilst achieving the required return. There is significant reputational risk in getting this balance wrong, especially in the context of potential expansion.	Head of Major Projects & Commercial Services		The operation, maintenance and billing has already been contracted out to a specialist, and the onboarding went very well. Two rounds of price setting have been undertaken, which seems to demonstrate that the DHN is able to balance value with return. However, the score remains consistent given that volatility in energy prices.		Mindful

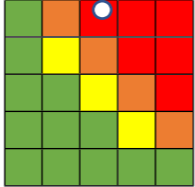
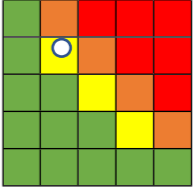
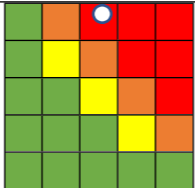
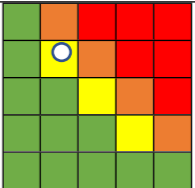
Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
LEP Infrastructure - Crawley Growth Programme	<p>Risk of failure to deliver the Crawley Growth Programme due to:</p> <ul style="list-style-type: none"> Budget overspend for the future project delivery within the Programme and scheme delivery time overruns. Discontinuation or withdrawal of support from key partners. A sustained period of economic downturn which slows up private sector investment on key regeneration sites in the town centre. Ineffective co-ordination of delivery across projects, leading to multiple disruption in the town centre and Manor Royal when this was avoidable. 	Head of Economy & Planning		<p>Regular financial monitoring and audit work carried out, including quarterly updates to CPAG. The Head of Corporate Finance attends six weekly Programme Delivery Team meetings with West Sussex County Council. A mid-term programme review is to take place in Q3 2022.</p> <p>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.</p> <p>Regular interaction to identify and resolve issues promptly at project Board level with the Manor Royal Business District, Network Rail, GTR, Metrobus etc.</p> <p>The target date for delivery of regeneration site outcomes is 2030 to take account of the economic cycle and potential for a sustained downturn, which has been exacerbated by the impact of the COVID-19 crisis nationally and internationally.</p> <p>Careful planning and close cooperation between CBC, WSCC officers and third-party partners / contractors. All partners within the Crawley Growth Programme follow a Communications protocol to ensure effective coordination and communications around project delivery.</p>		Mindful
Delivering the Affordable Housing Programme	<p>The recent water neutrality position statement issued by Natural England has both immediate and future impacts on the delivery programme. A delay of at least 6 months to schemes due to be starting on site now is expected impacting the delivery of 230 new affordable homes. Additional costs arising from the requirement for schemes to evidence water neutrality through on-site and off-setting measures may impact the viability of schemes and the level of affordable housing that can be delivered.</p>	Head of Strategic Housing Services		<p>Officers are engaged in discussions with Natural England and Southern Water as well as with neighbouring local authorities in seeking to minimise impacts on the delivery programme. Work is underway to quantify and maximise headroom to take forward new development through offsetting measures within existing stock. Supported by external consultancy advice officers are working up proposals to evidence water neutrality for key developments caught by the new requirements.</p> <p>Pilot project in Council's housing stock has generated sufficient water savings to enable development of two key affordable housing sites to be progressed. This work will continue to generate further water savings to support more housing development</p>		Mindful
Delivering the Affordable Housing Programme	<p>Beyond the medium term, the majority of larger sites within the Council boundary that can easily be built upon 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.</p>	Head of Strategic Housing Services		<p>Work has been undertaken 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.</p>		Minimalist

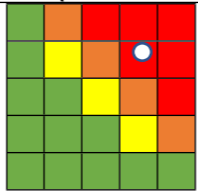
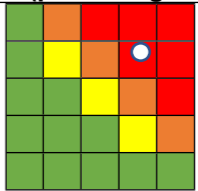
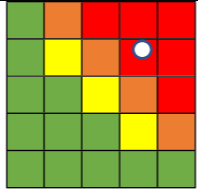
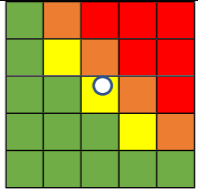
Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
Homelessness	Following increased demand for temporary accommodation during the pandemic, levels of homelessness continue to rise. The on-going economic impacts from the pandemic, cost of living rises and increased additional demand arising from asylum and refugee resettlement programmes are placing an unprecedented burden on the Council in meeting temporary accommodation duties. Demand for TA significantly outstrips supply necessitating heavy reliance on expensive nightly paid accommodation with significant budgetary implications. The full TA budget allocation for 2022/23 has been fully spent during Q1.	Head of Strategic Housing Services		Efforts to relieve and prevent homelessness using all available options continue. 5 additional units of TA have been secured and negotiations are in progress in relation to a potential further 18 units. All potential acquisition opportunities continue to be explored. Three potential sites have been identified for modular housing and design work is currently under consideration in relation to 2 of these sites. The 3 rd presents issues that mean securing planning consent will be more challenging. Homelessness grant reserves will offset impacts for the current financial year.		Mindful
Migration/Asylum pressures	Currently Crawley is host to a number of individuals either seeking asylum or providing Afghan Bridging accommodation. These are arrangements made directly by the Home Office. In addition, new legislation has recently been passed to provide Chagossians UK Citizenship entitlement from British Overseas Territories. The application process goes live on 23 November. Estimates by the Foreign, Commonwealth & Development Office are that 3,000-5,000 will take up this entitlement with a view to moving to the UK, and that the majority will first head to Crawley due to an already established community in the town. No impact analysis or implementation planning has been put in place by the Government. Potential impacts are wide but none more serious than potential impact on housing and homelessness, in addition to the risks set out in the above entry.	Chief Executive		Representation to Government officials has been made and will be extended to Ministers now they have been appointed. Discussions ongoing.		Cautious
Three Bridges Station	A way forward for the scheme is unable to be agreed.	Head of Economy & Planning		A planning application for the scheme is being finalised for submission later this autumn. Work is being progressed with Network Rail and GTR on the processing of the Station Change procedure, the completion of which is required prior to the works starting on site. The scheme features as part of the overall Crawley Growth Programme review jointly with West Sussex County Council which takes place in Q3 2022. This will include a review of the budget required. A comprehensive risk register is overseen by the Project Board of the Crawley Growth programme.		Cautious

Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
Disaster Recovery and Business Continuity - Data Breaches (Technical issue)	<p>Inadequate data sharing and data security arrangements, including failure to maintain public services network accreditation (PSN).</p> <p>Failure to maintain technical security safeguards – e.g. that firewalls are up to date or that the latest advice from NCSC has not been assessed and followed where appropriate.</p>	Head of Digital & Transformation		<p>The Council has made some considerable strides in this area. 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.</p> <p>The migration to the Azure Cloud provides an extremely high level of confidence as it has the weight of Microsoft's technology and finance to support it and is used globally.</p> <p>MFA (multi-factor authentication) has been rolled out to all staff with network accounts – this was done face to face for complete assurance.</p> <p>Immutable back-ups are being secured for all of CBC's systems, as recommended by NCSC.</p> <p>The council recruited an Information Security Officer.</p>		Minimalist
Disaster Recovery and Business Continuity - Data Breaches (Human error)	<p>Improper disclosure of confidential information (in any format i.e. digital, paper etc.) could bring both financial loss (ICO fines, or worse, a ransomware attack) as well as reputational damage to the organisation.</p> <p>Failure to comply with GDPR legislation could lead to major reputational damage, loss of public confidence and the inability to operate key business processes</p>	Head of Digital & Transformation and Head of Governance, People & Performance (Data Protection Officer)		<p>A recent audit report identified a few areas of weakness, all of which have now been addressed.</p> <p>Training and awareness are key, as well as clear procedures for staff on what to do in the event of suspicious activity or possible breach. Additional training and testing of staff responses (with further training for those that fail) has been commissioned and began rollout in October 22 with a phishing test exercise and training programme.</p> <p>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 the Information Governance Board has been refreshed.</p> <p>The council recruited an Information Security Officer</p>		Minimalist
Disaster Recovery and Business Continuity - Health & Safety Breaches	<p>Failure to comply with the requirements set out by Health & Safety legislation which covers the functions of the Council.</p> <p>Lack of clarity and / or understanding regarding the legal duties of Managers to ensure that risk assessments in respect of places, activities and people are regularly undertaken.</p>	Head of Governance, People & Performance		<p>Review the council's Health & Safety Handbook for Employees and Health & Safety Policy. Provide training where appropriate.</p> <p>Evaluate the Council's Health & Safety compliance status.</p> <p>Implement a H&S Action Plan for compliance</p>		Minimalist

Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
Maintaining a balanced budget	A balanced budget is not achieved in the Medium Term, resulting in an increased use of reserves, which is not sustainable.	Head of Corporate Finance		<p>Quarterly budget monitoring reports are submitted to Cabinet and Overview & Scrutiny Commission, the cost-of-living crisis, increased pay offer and a high number of homeless placements has resulted in a projected in year overspend. This impacts on future years. A challenge of budgets exercise has taken place to identify savings, efficiencies, and increased income in order to mitigate future budget gaps of £413,080.</p> <p>Budget projections will be constantly monitored, an all-Member seminar took place on 12th October 2022 updating Members on the moving position of budgets and future gaps. The Mid-Year Budget Strategy will identify further gaps due to homelessness; future years savings are likely to be needed.</p>		Mindful
Organisational Capacity, Recruitment & Succession Planning Statutory roles	Failure to recruit and retain Cat 1 employees namely Chief Officer roles e.g. S.151 Officer, Monitoring Officer	Head of Governance, People & Performance		<p>HR is undertaking benchmarking exercise to ensure that the Council is 1) aware of market salaries and trends and 2) may consider measures which might make it more competitive with the view to attracting quality candidates.</p> <p>People Board and HR Team working on developing the Council's "Employer Value Proposition". This will shape future recruitment campaigns and communications with existing staff.</p> <p>HR are working closely with managers to ensure that they properly plan and execute a professional recruitment campaign including quality, modern adverts and better communication and feedback with candidates before, during and after the process.</p> <p>Address the skills gap (and therefore lack of candidates) in the market by potentially "growing our own" experienced staff</p>		Mindful
Organisational Capacity, Recruitment & Succession Planning Professional roles	Failure to recruit and retain Cat 2 employees namely professional roles e.g. lawyers, accountants, planners, EHOs	Head of Governance, People & Performance		<p>HR is undertaking benchmarking exercise to ensure that the Council is 1) aware of market salaries and trends and 2) consider measures which might make it more competitive with the view to attracting quality candidates.</p> <p>People Board and HR Team working on developing the Council's "Employer Value Proposition". This will shape future recruitment campaigns and communications with existing staff.</p> <p>HR are working closely with managers to ensure that they properly plan and execute a professional recruitment campaign including quality, modern adverts and better communication and feedback with candidates before, during and after the process.</p> <p>Address the skills gap (and therefore lack of candidates) in the market by potentially "growing our own" experienced staff</p>		Mindful

Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
Organisational Capacity, Recruitment & Succession Planning Manual /front facing roles	Failure to recruit and retain Cat 3 employees namely manual / front facing roles e.g. Civil Enforcement Office's, Community Wardens, Neighbourhood Services	Head of Governance, People & Performance		<p>HR undertaking benchmarking exercise to ensure that the Council is 1) aware of market salaries and trends and 2) consider measures which might make it more competitive with the view to attracting quality candidates.</p> <p>People Board and HR Team working on developing the Council's "Employer Value Proposition". This will shape future recruitment campaigns and communications with existing staff</p> <p>HR are working closely with managers to ensure that they properly plan and execute a professional recruitment campaign including quality, modern adverts and better communication and feedback with candidates before, during and after the process.</p> <p>Address the skills gap (and therefore lack of candidates) in the market by potentially "growing our own" experienced staff</p>		Mindful
Organisational Capacity, Recruitment & Succession Planning Key staff retirement	Impact of ageing workforce and an increase of key staff retiring.	Head of Governance, People & Performance		Managers need to undertake PDRs and have open and honest discussions with reports. They should be aware, in advance, of upcoming events e.g. retirements and be planning for recruitment / stepping up / reassigning duties with an appropriate knowledge handover, exit interview etc		Mindful
Climate Emergency	<p>Failure to reduce carbon emissions by at least 50% and as close to net zero as possible by 2030.</p> <p>Failure to achieve carbon zero by 2040 at the latest.</p>	Head of Economy & Planning		<p>The Council's Climate Change Emergency Action Plan is in place</p> <p>Officers are currently working on a funding plan to ensure delivery of the Council's carbon emissions reductions targets for its activities and services are fully costed.</p> <p>Indications are that HMG will reduce intervention to support this work moving forward, reducing the availability of external funding, and increasing the risk of not being able to deliver on key aspects of the plan.</p>		Mindful
National Waste Strategy (including Food Waste)	The National Waste & Resources Strategy is delayed which may impact on the Waste Contract.	Head of Major Projects & Commercial Services		To be closely monitored. It seems likely that the Strategy will mandate changes to refuse and recycling collections including the introduction of a mandatory weekly food waste collection. However, the delay in the publication of the National Waste Strategy constrains the ability to amend the specification in advance of the contract re-procurement. There is also a risk of the National Waste Strategy being dropped by HMG.		Mindful

Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
Local Plan	Failure to adopt the Local Plan within the timeframe set by the government	Head of Economy & Planning		<p>The Crawley Local Plan process has been on hold, pending the drawing up and then agreement of the Water Neutrality Strategy with Natural England and other stakeholders. Once the Strategy is agreed consideration will need to be given as to whether there is an impact on the existing submission Local Plan document 2022-2037 and what revisions to the document are required to take account of the new Water Neutrality Strategy. A revised timetable for the Local Plan process will be implemented once this matter has been considered in full.</p>		Cautious
Water Neutrality	Failure to agree a Water Neutrality Strategy	Head of Economy & Planning		<p>Intense discussions at Chief Executive Level are taking place between the Local Planning Authorities affected, Natural England, Southern Water, the Environment Agency, and government representatives. These discussions are chaired by the Council's Chief Executive and seek long term strategic infrastructure solutions to this situation.</p> <p>The Council's planning officers have agreed a new screening proforma with Natural England so that most householder and minor planning applications can proceed to decision without hindrance</p> <p>Several major planning applications have been able to demonstrate water neutrality and have been back to Planning Committee and had their "resolution to permit" confirmed.. These include 3 major commercial space developments - bringing in / retaining hundreds of Crawley jobs - and most recently two affordable housing residential schemes -= Longley House and Breezehurst Drive, which have successfully argued that they can achieve water neutrality thanks to an "off-site" water efficiency appliance offsetting programme developed by the Council through Crawley Homes housing stock. Further major applications will be referred to Planning Committee where on site and / or off-site water neutrality can be demonstrated.</p>		Cautious

Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
Cost of Living	Impact of more residents presenting themselves as homeless and being unable to pay their debts.	CMT		<p>A webpage has been created https://crawley.gov.uk/council-information/help-money-worries designed to direct people to help.</p> <p>Home visits are taking place where the council is aware that someone is claiming Universal Credit but has not responded to requests for them to claim Council tax reduction. Claims then are being fast tracked. Debt officers are discussing a range of payment plans to manage debt. Modelling work being investigated to identify those that are not currently in debt but are likely to become so.</p> <p>Staff have been trained on Breathing Space. Reserves review taking place to identify reserves to support people being impacted by the cost of living. A project will take place to look at ways of helping to support people, this will include the Wellbeing bus. Will lever in community and voluntary sector support.</p>		Mindful
Towns Fund and related programmes	Risks associated with the delivery of this programme are mainly centered around budget overspend and timescales exceed beyond the Towns Fund end date. A detailed risk register has been produced for each project within the programme.	Head of Economy & Planning		Regular financial monitoring and project monitoring undertaken by the Towns Deal Board and relevant project boards. The Head of Corporate Finance attends the s151 officers meeting. Internal assurance is via CPAG, through quarterly reporting on programme / risk updates.		Mindful

2022/23 scale fee for Crawley Borough Council

PSAA is [consulting on the fee scale for 2022/23 audits](#). Your proposed scale fee based on the consultation proposals is set out below.

Our aim is to keep your audit fee as up-to-date as possible based on the most recent information we have available. We propose setting your 2022/23 scale fee by updating your 2021/22 scale fee with the most recent recurring fee variations we have approved in relation to your audit. Table 1 below provides a summary of your proposed 2022/23 scale fee.

Table 1: 2022/23 scale fee summary*

2021/22 scale fee	£50,291
Recurring approved fee variations for consolidation into 2022/23 scale fees (see Table 2)	£9,000
2022/23 scale fee	£59,291

* Please note: the fee scale consultation also refers to the contractual inflationary increase in auditor remuneration, which PSAA proposes to fund from monies that would otherwise be part of a future distribution to opted-in bodies. Further details are set out in the consultation.

In line with the Appointing Person Regulations, we cannot change your 2022/23 scale fee after 30 November 2022. Any further recurring fee variations or changes approved after 30 November will therefore be considered in a future fee scale.

We will not be consolidating additional fees needed for work on the VFM commentary and ISA 540 into the 2022/23 scale fee as we do not currently have sufficient information to enable us to do so. The additional work will continue to be subject to the fee variation process and consolidated into a future fee scale when the evidence base is sufficiently robust.

Table 2 below sets out the fee variations approved to date for your audit over the three audit years 2018-21 in respect of additional work performed on groups, pension valuations, PIE, PPE valuations, increased FRC challenge and PFI (left-hand side of Table 2). These figures are taken from the Fee Variation Statements we have sent you for approved fee variations.

The fee variations shown for each of the three audit years are not necessarily final figures. In some cases, for example, where audits have yet to be completed, further fee variation claims are expected. The recurring elements of any further fee variations approved will be addressed in future fee scale consultations.

The proposed aggregate value of recurring fee variations to date for consolidation into your 2022/23 scale fees is shown in column A of Table 2 and is based on the most recent approved fee variations for your audit.

Sometimes fee variations can be a combination of recurring and non-recurring work. We have reviewed each fee variation to identify the recurring element/s within the categories and so the aggregate recurring element may differ from the lefthand side of the table (the figures included in your Fee Variation Statement).

Some of these recurring fee variations may have already been consolidated within your scale audit fee. Where this is the case relevant figures are shown in column B. The balance of any recurring fee variations (A minus B) which have not yet been consolidated are shown in column C. These are the additional fees which we propose to incorporate within your 2022/23 scale fee.

Agenda Item 10

Table 2: Summary of recurring approved fee variations for consolidation into 2022/23 scale fees

Fee variation area of work	Approved fee variations			Proposed aggregate recurring value for consolidation into 2022/23 scale fees A	2018/19 already consolidated into 2021/22 scale fees B	Recurring approved fee variations for consolidation into 2022/23 scale fees A-B=C
	2018/19	2019/20	2020/21			
Group	-	-	-	-	-	-
Pension valuation	-	£2,100	-	£2,625	-	£2,625
PIE	-	-	-	-	-	-
PPE valuation	-	£2,300	-	£2,875	-	£2,875
Increased FRC Challenge	-	£2,800	-	£3,500	-	£3,500
PFI	-	-	-	-	-	-
Total approved fee variations for recurring categories	-	£7,200	-	£9,000	-	£9,000

Crawley Borough Council Audit results report

Year ended 31 March 2021

October 2022

FIN/600



Building a better
working world

20 October 2022



Crawley Borough Council
Town Hall
The Boulevard
Crawley
United Kingdom
RH10 1UZ

Dear Audit Committee Members,

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee and management of Crawley Borough Council. We will update the Audit Committee at its meeting scheduled for 8 November 2022 on further progress to that date and explain the remaining steps to be completed before we can issue our audit report.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Crawley Borough Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on the 8 November 2022.

Yours faithfully,

Elizabeth Jackson

Associate Partner

For and on behalf of Ernst & Young LLP

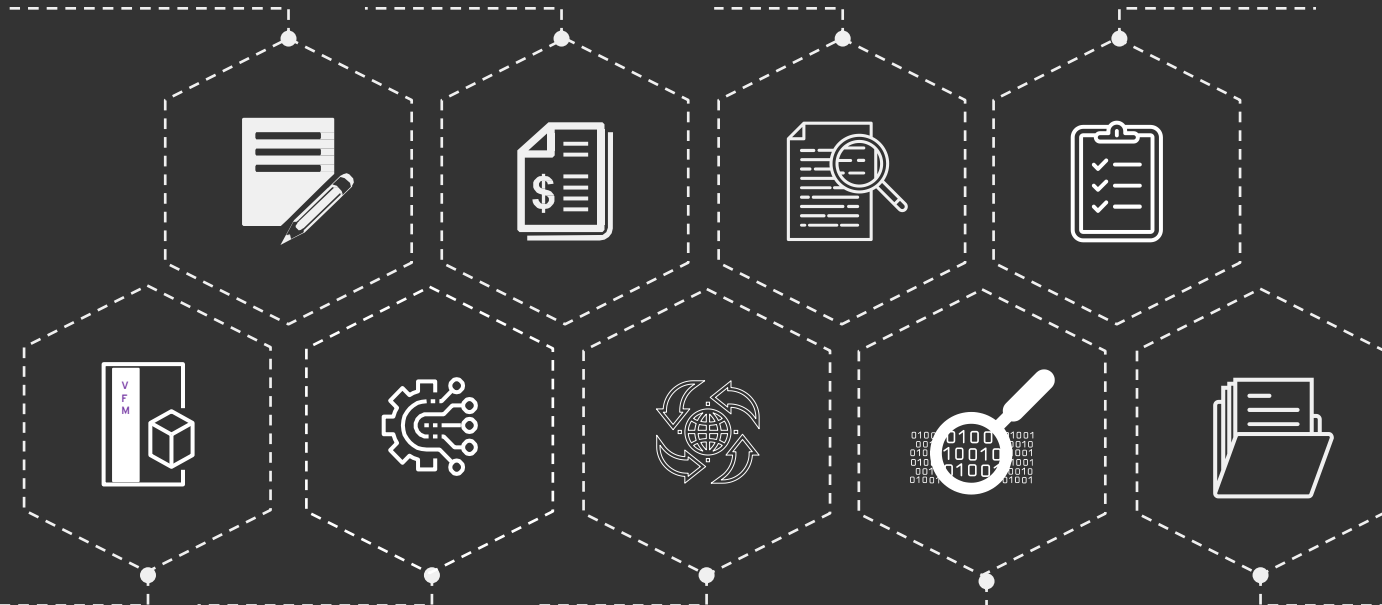
Contents

01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences



05 Value for Money

06 Other Reporting Issues

07 Assessment of Control Environment

08 Independence

09 Appendices

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



01 Executive Summary



Executive Summary

Audit Scope

In our audit planning report tabled at the July 2021 and the update tabled at the December 2021 Audit Committee meetings respectively, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

▶ **Changes in materiality**

We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £2,654,000 (Audit Planning Report – £2,952,000). This results in updated performance materiality, at 75% of overall materiality, of £1,990,000, and an updated threshold for reporting misstatements of £132,000. These thresholds decreased as a result of lower gross expenditure reported in the draft 2020/21 financial statements (£132,704,000) versus the audited 2019/20 financial statements (£147,603,000) .

▶ **Additional audit procedures as a result of Covid-19**

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

- ▶ Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:
 - ▶ Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
 - ▶ Agreed IPE to scanned documents or other system screenshots.

▶ **Additional area of audit focus**

An additional area of audit focus affecting all Local Government entities arose during the audit. This relates to the accounting for infrastructure assets as set out in section 2 of this report in more detail.

Status of the audit

Our audit work in respect of the Council opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Receipt of the signed financial statements and signed letter of management representation
- ▶ Whole of Government Accounts



Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 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. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them 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.

Status of the audit - Value for Money

As reported to the Audit Committee in December 2021, we have completed our value for money risk assessment and identified one risk of significant weakness in the Council's arrangements in relation to the overcharging of rents in the housing rents account.

We have completed our planned value for money procedures on the housing rents overcharge issue and did not consider there to be a significant weakness within the Council's arrangements. We plan to issue the value for money commentary within the Auditor's Annual report at the same time as our audit report.



Executive Summary

Audit differences

- ▶ There are eight unadjusted known differences, which we set out in more detail in Section 4 Audit Differences.
- ▶ We have identified one adjusted misstatement.
- ▶ Management have corrected disclosure misstatements in disclosures relating to the annual governance statement, Note 18 disclosure (Financial Instruments), Note 2 Accounting Standards that have been issued but have not yet been adopted, Narrative report, Note 9 Adjustments between Accounting Basis and Funding Basis and Collection Fund disclosure note.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement (AGS) for consistency with our knowledge of Crawley Borough Council. We have the following matters to report as a result of this work:

Crawley Borough Council disclosed to us in April 2021 that they had been overcharging rent to council housing tenants since April 2014 for all new tenancies since this date in properties that pre-dated April 2014. This was identified due to the Council performing a forensic investigation after being contacted by the Regulator for Social Housing following the first mandatory data return on the setting of target rents to the Regulator. The Council's return identified them as an outlier as the target rents were around 8% higher than the Governments formula rent and valuations suggested they should be. The Council came under the Regulator from April 2020.

The Council have estimated the total cost of reimbursing the rents for the period 1 April 2014 to date is expected to be in the region of about £3.3m which is greater than planning materiality of £2.6m at year end.

The Council made an initial determination that this should be accounted for as a post balance sheet non-adjusting event. We considered that the Council should account for the element of the overcharged rent relating to the year ended 31 March 2021 within the financial statements. This has been included as an unadjusted misstatement in section 4 of this report. We agree that the remaining elements of the issue are correctly accounted for as a post balance sheet non-adjusting event.

We have identified inadequate disclosure relating to this issue as it was not reported in the AGS. Although the Council has publicly reported the issue, we requested management amend the AGS to include reference to the issue arising in the year and action taken.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. Our work found no issues to report.

We have no other matters to report.



Executive Summary

Areas of audit focus

In our audit planning report, and subsequent update, we identified a number of key areas of focus for our audit of the financial report of the Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	We have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.
Inappropriate capitalisation of revenue expenditure	<p>Our sample testing of additions to PPE:</p> <ul style="list-style-type: none"> • Found costs had been correctly classified as capital and included at the correct value. • Did not identify any revenue items that were incorrectly classified as capital. <p>Our review of judgements taken by management found them to be reasonable.</p>
Significant Risk	Findings & Conclusions
Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV) and Investment Properties (IP) under Fair Value (FV)	Our sample testing identified one investment property asset that was outside our estimated reasonable range and twelve assets valued using the EUV methodology that were outside our estimated reasonable range. These misstatements are below our performance materiality threshold and therefore we are satisfied that the asset valuation is materially fairly stated and appropriately disclosed for the audit report.
Rents Issue	Overall, we concluded that the error that caused the overcharging in rent was not deliberate and that there is no obligation to repay the overcharged rents prior to 1 April 2020. We concluded that the treatment of the overpayment of rents prior to 1 April 2020 as a post balance sheet event in the year ended 31 March 2021 is correct and that the Council should adjust the financial statements for the year ended 31 March 2021 for the impact on that year only (£688,000). The Council have decided not to adjust for this and therefore it is treated as an unadjusted misstatement, see section 4 of this report.

Executive Summary

Areas of audit focus continued

Area of audit focus / Inherent risk	Findings & Conclusions
Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) and Housing Revenue Account (HRA) properties (Inherent risk)	Based on the assessment performed, we have obtained reasonable assurance over valuation assertion and no differences were noted or property which were outside our calculated expected ranges.
Pension Liability and Asset Valuation (Inherent risk)	<p>We modified our planned approach to address the requirements of the revised auditing standard on accounting estimates by testing the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model.</p> <p>We have completed our work and are satisfied that the pension asset valuation is materially fairly stated. Further details are set out in Section 2 of this report.</p>
Going Concern (Area of audit focus)	We undertook a review of management's own assessment that the Council is a going concern. Management's (and our) assessment includes consideration of liquidity, borrowings and 2022/23 and 2023/24 budget reporting and the disclosure in the 2020/21 financial statements. Our work was in agreement with the Council's assessment.
Accounting for Covid-19 related government grants (Inherent risk)	Based on our work, we are satisfied that the accounting treatment adopted for Covid-19 related government grants accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.
Valuation of NNDR Appeals Provision	We were satisfied that the accounting treatment adopted for provisions is appropriate and the calculations are accurate. From our work we identified a judgemental difference of £245,000 where we disagreed with the percentage used by the Council to estimate the provision required for successful appeals from the latest valuation listing.
Accounting treatment for infrastructure assets	We were satisfied that the Council has sufficient information available and was compliant with the CIPFA Code.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised.

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



Executive Summary

Control observations

We have adopted a fully substantive approach, and have not tested the operation of controls. We have, however, updated our understanding of the key processes and the controls which are in place to detect or prevent error. Through this work, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

However, we have noted three control exceptions that lead to a deficiency in the control environment that we wish to bring to your attention:

- an immaterial salary account was incorrectly included in the cash and cash equivalents balance which was not identified as part of the bank reconciliation process;
- we struggled to obtain floor plans for all assets valued under Depreciated Replacement Cost method as the Council did not maintain sufficient records for these assets held on its Balance Sheet; and
- our existence testing of intangible assets identified one asset that was on the asset register at nil net book value but did not exist. The gross book value and accumulated amortisation of the asset is overstated in the financial statements. The extrapolated potential overstatement of the gross book value and accumulated depreciation of intangible assets of £326,000 with nil net book value impact so assurance has been obtained that this error cannot lead to a material misstatement in the note.

Further detail of the control observations is set out in Section 7.

Independence

We can confirm that we remain independent of Crawley Borough Council and include an update in Section 09.



02

Areas of Audit Focus





Areas of Audit Focus

Fraud Risk

Misstatements due to fraud or error

What is the risk?

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

As identified in ISA (UK and Ireland) 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.

What judgements are we focused on?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of assets as a potential area of manipulation, which is recorded as a separately identified significant risk - Inappropriate capitalisation of revenue expenditure.

Our work on estimates focussed on the valuation of Land & Buildings in PPE under EUV and IP under Fair Value as significant risk, and the valuation of Land & Buildings in PPE under (DRC) and HRA properties, and IAS19 pension estimates as areas of higher inherent risk and are reported further in this report.

What did we do?

We have performed the procedures described in our original audit plan. Please see the following page for full details.

What are our conclusions?

Our work is complete in this area.

- ▶ We have found no evidence that management had attempted to override internal controls.
- ▶ We have not identified any inappropriate journals being raised.
- ▶ We have not identified any instances of materially inappropriate judgements being applied.
- ▶ We have not identified any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.



Areas of Audit Focus

Fraud risk



Further details on procedures/work performed

We identified the key fraud risks at the planning stage of the audit and considered the effectiveness of management's controls that are designed to address the risk of fraud. We updated our understanding of the risks of fraud and the controls put in place to address them and made enquiries of Internal Audit, management and those charged with governance to support our understanding.

We have:

- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.

We have performed mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- ▶ Assessing accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to the revaluation of Property Plant and Equipment, Investment Properties & surplus assets and pension liability and asset valuation. Please see the following pages for our findings in relation to these estimates.
- ▶ Evaluating the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work.

Having re-evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We continued to conclude that only those procedures included under 'Inappropriate capitalisation of revenue expenditure' were required - See the next page for further details.



Areas of Audit Focus

Fraud risk

Risk of misstatements due to fraud or error - specifically in inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

The Council 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.

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.

What judgements are we focused on?

We focused on whether expenditure was properly capitalised in its initial recognition, or whether subsequent expenditure on an asset enhances the asset or extends its useful life.

What did we do?

Our approach focussed on:

- ▶ For significant additions we examined invoices, capital expenditure authorisations, leases and other data that support the additions. We reviewed the sample selected against the definition of capital expenditure in IAS 16.
- ▶ We extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold.
- ▶ Journal testing - we used our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.
- ▶ Revenue Expenditure Funded by Capital Under Statute (REFCUS) - We extended our testing of items that were classified as REFCUS in the year by lowering our testing threshold. We challenged management's classification to ensure that items were appropriately included in this category. Expenditure that is classed as REFCUS is mainly in the form of capital grants where the Council does not receive an asset on the Balance Sheet.

What are our conclusions?

We have completed our work as follows:

- ▶ From our testing of additions to property, plant and equipment we did not identify any misstatements. We are consequently satisfied that the capital additions within the financial statements are appropriately classified.
- ▶ From our work on REFCUS, we did not identify any misstatements. We are consequently satisfied that the expenditure under REFCUS was appropriately classified.
- ▶ Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.



Areas of Audit Focus

Significant risk

Rents Issue

What is the risk?

Crawley Borough Council disclosed to us in April 2021 that they had been overcharging rent to council housing tenants since April 2014 for all new tenancies since this date in properties that pre-dated April 2014. This was identified due to the Council performing a forensic investigation after being contacted by the Regulator for Social Housing following the first mandatory data return on the setting of target rents to the Regulator. The Council's return identified them as an outlier as the target rents were around 8% higher than the Governments formula rent and valuations suggested they should be. The Council came under the Regulator from April 2020.

There is risk of inappropriate accounting for the transactions based on the interpretation of the regulations.

What judgements are we focused on?

We have focused on whether the overcharge costs have been correctly calculated. Over and above the reasonability and accuracy of the calculations, we have focused on determining that the accounting effects of the transaction have been recorded in the correct periods based on the requirements of the Regulations.

What did we do?

In order to address this risk we have carried out a range of procedures including:

- ▶ Obtaining and reviewing the Council's root cause analysis for this issue.
- ▶ Obtaining confirmation from the Regulator regarding the actions they intend to take.
- ▶ Evaluating the procedures undertaken by the client, to determine whether the quantification of the issue is reliable and reasonable.
- ▶ Reviewing the legal advice received by the Council regarding this issue.
- ▶ Determining whether the proposed accounting treatment is correct.
- ▶ Documenting Council's approach to notifying impacted tenants.
- ▶ Considering the impact of repaying the rents on the going concern of the Council.

What are our conclusions?

Based on the extensive work completed by the Council the pre 1 April 2020 financial impact is £1.5m and the impact on 2020/21 is £688,000. The Council have made a judgement that the accounting for the total amount should be recognised in the 2021/22 accounts.

Overall, we conclude that the error that caused the overcharging in rent was not deliberate. We conclude that there is no obligation to repay the overcharged rents prior to 1 April 2020. We conclude that the treatment of the overpayment of rents prior to 1 April 2020 as a post balance sheet event in the year ended 31 March 2021 is correct and that the Council should adjust the financial statements for the year ended 31 March 2021 for the impact on that year only (£688,000). The Council have decided not to adjust for this and therefore it is treated as an unadjusted misstatement, see section 4 of this report.

Following our investigation into the rents issue, the overall impact on the financial statements has been concluded as immaterial.



Areas of Audit Focus

Significant risk

Valuation of Land & Buildings in Property, Plant & Equipment (PPE) under Existing 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.

At 31 March 2021, the value of land & buildings in PPE under EUV was £66.9m and in IP under FV was £24.6m.

What did we do?

Our approach focussed on:

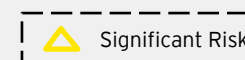
- ▶ Considering the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Challenging the assumptions used by the Council's valuer by reference to external evidence and 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.
- ▶ Sampling testing key asset information used by the valuers in performing their valuation (e.g. yield).
- ▶ Considering 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.
- ▶ Reviewing any EUV and FV properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated.
- ▶ Considering changes to useful economic lives as a result of the most recent valuation.
- ▶ Testing accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Our work in this area is complete. From our work performed, we have identified an unadjusted misstatement pertaining to the valuation of Investment Property (Ashdown House) asset at the reporting date of £1,120,000.

We also identified that 12 assets valued using the EUV methodology, out of our sample of 43 assets, were outside our estimated range of an appropriate value. This resulted in an understatement of 11 of these assets of £135,000 (as these were all key items) and an extrapolated understatement of assets totalling £207,000 for the asset which was a representative item in our sample.

These misstatements are below our performance materiality threshold (£2,654,000) and therefore we are satisfied that the asset valuation is materially fairly stated and appropriately disclosed for the audit report.



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.

What is the area of focus?	What did we do?	What are our conclusions?
<p>Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) and Housing Revenue Account (HRA) properties</p> <p>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.</p> <p>At 31 March 2021, the value of land & buildings in PPE under DRC was £100.7m and in HRA properties was £700.7m.</p>	<p>Our approach focussed on:</p> <ul style="list-style-type: none"> ▶ Considering 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. ▶ Challenging 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). ▶ Considering 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. ▶ Reviewing properties not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated. ▶ Considering changes to useful economic lives as a result of the most recent valuation. ▶ Testing accounting entries have been correctly processed in the financial statements. 	<p>We considered the work performed by the Council's Valuer, this included a review of the adequacy of the scope of the work performed, their professional capabilities and the results of their work. We have further instructed our own Property valuation team (EY Real Estates - EYRE) to review a sample of property valuations performed by the Council's Valuer. The review focused on whether the valuation is based on reasonable and supportable assumptions.</p> <p>We performed additional testing to ensure that the base data provided by the Council to the valuers to aid in their valuations, such as floor areas and rental agreements, were consistent with the underlying records.</p> <p>Based on the assessment performed by the audit team and EYRE, we have obtained reasonable assurance over the valuation assertion and no differences were noted nor properties identified which were outside our calculated expected ranges.</p> <p>Therefore we are satisfied that the asset valuation is materially fairly stated and appropriately disclosed for the audit report.</p>

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
<p>Net Pension Asset Valuation</p> <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 liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £28.3m.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary.</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) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have:</p> <ul style="list-style-type: none"> ▶ Obtained assurances over the information supplied to the actuary in relation to the Council; ▶ Assessed 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; and ▶ Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. <p>We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.</p>	<p>Our planned work in this area is complete. Subsequent to our planning reports, an issue arose across all local government audits in relation to the impact of the revised auditing standard on accounting estimates.</p> <p>We planned to take an audit approach to this estimate based on procedures to evaluate management's process. The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model.</p> <p>From our work performed, we have identified an unadjusted misstatement pertaining to the valuation of the pension fund assets at reporting date. This misstatement (£1,025k) is below our performance materiality threshold (£2,654k). We are satisfied that the pension liability and asset valuation is materially fairly stated and appropriately disclosed.</p>

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
<p>Going Concern</p> <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. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.</p> <p>To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.</p>	<p>We have met the requirements of the revised auditing standard on going concern (ISA 570) and considered the adequacy of the Council's going concern assessment and its disclosure in the accounts by:</p> <ul style="list-style-type: none"> ▶ Challenging management's identification of events or conditions impacting going concern. ▶ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias). ▶ Reviewing the cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern. ▶ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern. ▶ Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties. 	<p>We undertook a review of management's own assessment that the Council is a going concern. Management's (and our) assessment includes consideration of liquidity, borrowings and 2022/23 and 2023/24 budget reporting and the disclosure in the 2020/21 financial statements. Our work was in agreement with the Council's assessment.</p> <p>We have reviewed the going concern disclosure in detail and requested a minor amendment be made to include the date to which the going concern assessment has been performed to.</p>

Other areas of audit focus (continued)

What is the area of focus?	What did we do?	What are our conclusions?
<p>Accounting for Covid-19 related government grants</p> <p>We also considered outturn information available at the time we undertook our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments were required.</p>	<p>We considered the Council's judgement on material grants received in relation to whether it is acting as:</p> <ul style="list-style-type: none"> ▶ 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. <p>For grants received where the Council acted as principal, we have further considered whether any associated restrictions and conditions have been met and that grants have been claimed and recognised in accordance with the scheme rules.</p>	<p>Based on our work, we are satisfied that the accounting treatment adopted for Covid-19 related government grants and accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.</p>
<p>Valuation of NNDR Appeals Provision</p> <p>Crawley Borough Council's NNDR Appeal Provision was valued at £4.1m at 31 March 2021. This is a high value estimate driven by internal calculations and judgement.</p>	<p>We have:</p> <ul style="list-style-type: none"> ▶ Agreed data used to calculate the provision to reports received from the Valuations Office Agency. ▶ Confirmed appeals percentage provided for its reasonability, considering the government's baseline data for predicting business rates appeals. ▶ Repeat performed the calculations to confirm arithmetical correctness. ▶ Compared the level of appeals at 31 March 2021 and 31 March 2020 to assess the reasonableness of amounts provided for at year end. 	<p>Based on our work, we are satisfied that the accounting treatment adopted for provisions is appropriate and the calculations are accurate. However, we identified that the Council had used a generic percentage for calculating the successful appeals from the latest listing. Although this percentage has been suggested by Central Government, it is not based on any statistical data. We consider that the Council should use a rate more appropriate to their own statistical data. Using such a rate indicates that the NDR appeals provision is over stated by £614,000 in the Collection Fund with an impact of £245,000 on the Council's own Balance Sheet. The Council has chosen not to adjust for this misstatement.</p>



Audit risks

Other areas of audit focus (continued)

What is the area of focus?

Accounting treatment for infrastructure assets

The value of infrastructure non-current assets is material in the financial statements. Once an item of PPE has been recognised and capitalized, the Council may incur further costs on that asset at a later date. The accounting treatment requires such subsequent expenditure to be capitalized to the value of the asset where these costs meet the recognition criteria. Where the subsequent expenditure represents the replacement of a component, the old component must be written out of the balance sheet. There is a need for the Council to ensure that it has recognised and accounted for such subsequent expenditure appropriately.

What did we do?

We considered the Council's accounting policy for infrastructure assets and whether the capitalised expenditure was accounted for correctly and was compliant with the CIPFA Code.

What are our conclusions?

We were satisfied that the Council has sufficient information available and was compliant with the CIPFA Code. The Council has two main infrastructure assets that were recognised in the 2015/16 financial statements and therefore the Council holds appropriate supporting information for these assets due to the nature and age of the assets.

Our testing identified that the Council had not depreciated all of its infrastructure assets in line with its accounting policy and an adjustment of £759,000 was made to the accumulated depreciation to bring the historic depreciation in line with the policy.



03

Audit Report



Audit Report

Draft audit report

Our draft opinion on the financial statements

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

Opinion

We have audited the financial statements of Crawley Borough Council (‘the Council’) for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- ▶ Expenditure and Funding Analysis
- ▶ Movement in Reserves Statement,
- ▶ Comprehensive Income and Expenditure Statement,
- ▶ Balance Sheet,
- ▶ Cash Flow Statement
- ▶ the related notes 1 to 43
- ▶ Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 8
- ▶ Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Crawley Borough Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard and the Comptroller and Auditor General’s AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Head of Corporate Finance’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council’s ability to continue as a going concern for a period to 30 November 2023 .

Our responsibilities and the responsibilities of the Head of Corporate Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council’s ability to continue as a going concern.



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

Other information

The other information comprises the information included in the Narrative Report 2020/21 and the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Head of Corporate Finance is responsible for the other information contained within the Narrative Report 2020/21 and the Statement of Accounts 2020/21.

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014

- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014
- ▶ we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects

Responsibility of the Head of Corporate Finance

As explained more fully in the Statement of Responsibility for the Statement of Accounts set out on page 2, the Head of Corporate Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the Head of Corporate Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:
 - ▶ Local Government Act 1972,
 - ▶ Local Government and Housing Act 1989 (England and Wales),
 - ▶ Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
 - ▶ Local Government Act 2003,

- ▶ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- ▶ Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
- ▶ Business Rate Supplements Act 2009,
- ▶ The Local Government Finance Act 2012,
- ▶ The Local Audit and Accountability Act 2014, and
- ▶ The Accounts and Audit Regulations 2015.

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

- ▶ We understood how Crawley Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm the Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- ▶ We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

identified the manipulation of reported financial performance through inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

- ▶ To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- ▶ To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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

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

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether Crawley Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Crawley Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Use of our report

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

Elizabeth Jackson (Key Audit Partner)
For and on behalf of Ernst & Young LLP
Luton



04

Audit Differences



Audit Differences

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

Summary of adjusted differences

We highlight one misstatements greater than £132,000 which has been corrected by management that was identified during the course of our audit The Council had omitted to charge depreciation on two of its infrastructure assets. The £759,000 charge is to bring in the historic depreciation that should have been charged to date.

A small number of other amendments were made to disclosures appearing in the financial statements as a result of our work.



Audit Differences

Summary of unadjusted differences

We highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2021 (£'000)	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors						
Investment Property valuation: Differences in the Ashdown house valuation of £1,120k identified		1,120		(1,120)		
Turnaround impact of the overstatement of investment property valuations in 2019/20 (Note 1)		(1,905)				
Understatement of land and buildings valued the EUV method	(135)			135		
Extrapolated understatement of land and buildings valued using EUV method	(207)			207		
Pension fund liabilities and assets valuation: Differences in the pension fund assets of £1,025k identified.	(1,025)			1,025		
Overcharging of rent to Council tenants relating to the year ended 31 March 2021		688			(688)	
Understatement of the shared equity debtor		(331)		331		
Overstatement of the NDR appeals provision (£614,000 total impact, £245,000 impact on Crawley Borough Council financial statements)		(245)			245	
Extrapolation of misstatement regarding intangible assets on the asset register that no longer exist				326 (326)		
Total	(1,367)	(673)	-	578	(443)	-

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2021.

Note 1: turnaround effect is the impact of uncorrected misstatements related to the prior period, on results of the current period.



05

Value for Money



Value for money

The Council's responsibilities for value for money (VFM)

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 a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

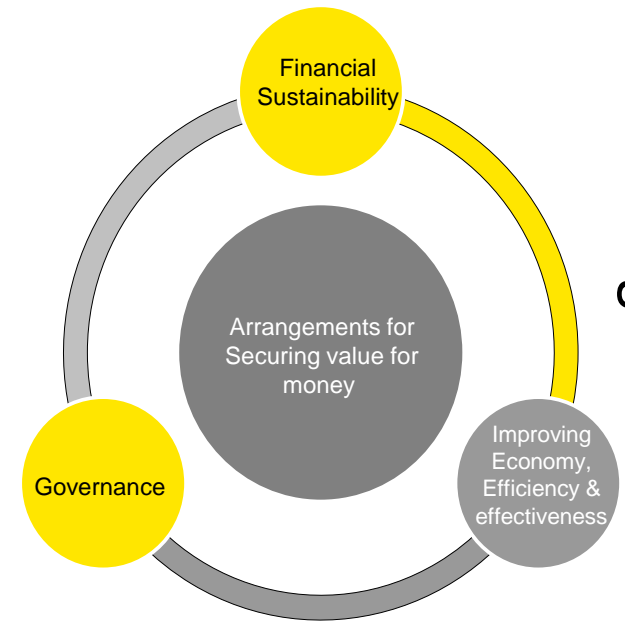
Risk assessment

As reported to the Audit Committee in December 2021, we have completed our value for money risk assessment and identified one risk of significant weakness in the Council's arrangements in relation to the overcharging of rents in the housing rents account.

We have revisited our risk assessment and have not identified any additional risks of significant weakness in the Council's arrangements.

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary at the same time as the opinion as part of issuing the Auditor's Annual Report.





Responding to a risk of significant weakness in VFM arrangements

What is the risk/area of focus?

Rents Issue

Crawley Borough Council disclosed to us that it came to their attention in April 2021 that they had been overcharging rent to council housing tenants since April 2014 for all new tenancies post April 2014 in properties that pre-date April 2014. This was identified due to the Council performing a forensic investigation after being contacted by the Regulator for Social Housing, who had identified that the Council was identified as being an outlier in that its target rents were around 8% higher than the Governments formula rent and valuations suggested they should be, following a first mandatory data return about the setting of target rents. The Council came under the Regulator from April 2020.

This is a breach of laws and regulations, therefore there is a risk that the Council's arrangements led to this breach being enabled.

What will we do?

Consider whether the refund amounts calculated have been reasonably derived.

Consider whether there is a clear audit trail / documentation in support of the refund amounts.

Consider whether there are any wider implications or indications of poor arrangements.

Gain an understanding of what led to this error.

What are our conclusions?

The Council acted swiftly on receipt of the information from the Regulator to identify the overpayment of rents issue and resolve it. It has taken time to ensure that the refunds to tenants had been calculated correctly and this delayed the Council in informing the tenants. However, this is due to the nature of the calculations rather than any weakness in the arrangements at the Council. The Council took appropriate advice, and kept members of the Council informed as appropriate and involved the Leader of the Council, the Cabinet Member for Housing and the Leader of the Opposition in key decisions during the process leading up to the public notification of the issue and resolution.

We reviewed the breach in laws and regulations as part of our Non-Compliance with Laws and Regulations (NOCLAR) procedures. Our work concluded that although there was a breach, this was not material to the Council's financial statements and the overcharging of rent was not a deliberate act by the Council.

We have not identified any significant weaknesses in the Council's arrangements.



06 Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements.

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

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. However, we conclude that there has been inadequate disclosure of the rents issue on the AGS and have requested that management report the issue arising in the year and action taken to address it.

Whole of Government Accounts

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

The Group Audit Instructions and the timetable for 2020/21 were communicated to Councils and auditors in August 2022. We have reviewed the 2020/21 WGA Data Collection Tool (DCT) and confirmed that the Council is below the reporting threshold. We will submit the audit return to the NAO at the same time as issuing the audit report.

However, we are unable to certify the 2020/21 audit as closed following this submission as the Group Audit Instructions states that the NAO may ask questions about the DCTs of audited bodies below the threshold during their audit and therefore we cannot conclude that all our work for 2020/21 is complete until the NAO's audit is complete.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest apart from the rents issue that the council has already considered and brought to the attention of the public. Therefore, we have concluded that this has been sufficiently reported publicly and further reporting by the auditor is not required.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have nothing to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

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

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements, however we have noted three control exceptions as follows:

- Through our audit of cash and cash equivalents, we identified an immaterial salary control account that was included as part of cash and cash equivalents. This account is not cash in nature. This account is part of the monthly bank reconciliations that go through various levels of management review which did not pick up this error. The Council should review the accounts categorised as cash and cash equivalents to ensure that they meet the definition of such an asset and should not be reclassified.
- As part of the audit of Property, Plant and Equipment, for assets valued under the Depreciated Replacement Cost method, we struggled to obtain floor plans for the assets selected for sampling due to such records not being maintained by the Council. The Council should hold all records pertinent to the assets held on the Balance Sheet. The Council should review the data held to ensure that it is sufficient.
- Through our audit of the existence of intangible assets we identified one asset that was on the asset register at nil net book value but no longer existed. Therefore the gross book value and accumulated amortisation was overstated. We recommend that the Council review the assets held on its asset registers to ensure that they continue to exist and be used by the Council. We obtained sufficient assurance that this error did not lead to a material misstatement in the gross book value of intangible assets in 2020/21 as the extrapolated potential overstatement of the gross book value and accumulated depreciation of intangible assets of £326,000 with nil net book value impact.

We then considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.



08

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table below sets out a summary of the fees that are due to us for the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

	Final fee 2020/21	Planned fee 2020/21	Final Fee 2019/20
	£	£	£
Scale Fee - Code work	50,291	50,291	50,291
2019/20 fee variation determined by PSAA (Note 1)	34,248	27,398	14,200
2019/20 additional audit fee for risk based work (Note 2)	-	-	8,434
2020/21 PSAA expected additional minimal core fees (Note 3):			
• VFM	8,500	-	-
• ISA 540 accounting estimates			
2020/21 proposed fee variation			
- Rents overcharging issue (Note 4)	14,000	-	-
- Asset valuations and pensions, use of specialists	2,423		
Total Fees	109,462	77,689	72,925

- (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 totalling £27,398 uprated to £34,248 in 2020/21, which has been shared with management but we did not reach agreement on that rebasing. A total of £14,200 has now been approved by PSAA for 2019/20. The final fee for 2020/21 is the planned fee uplifted to the new PSAA rates.
- (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 totalling £13,133. This was discussed with management although an additional fee was not agreed. An additional fee has now been approved by PSAA totalling £8,434.
- (3) Additional Value for Money work required due to changes in the Code of Practice on Local Authority Accounting impact from 2020/21 and additional work to address the new ISA540 risk. PSAA determined fee ranges for this work and communicated these in August 2021 in 'Additional information for 2020/21 audit fees'.
- (4) Additional work completed in relation to the rents overcharging issue for financial s'

Other communications

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

[EY UK 2021 Transparency Report | EY UK](#)






09

Appendices




Required communications with the Audit Committee

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

		Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Crawley Borough Council's audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report presented at the Crawley Borough Council Audit Committee meeting on 19 July 2021 and the update issued at December 2021 Audit Committee meetings respectively
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report presented at the Crawley Borough Council Audit Committee meeting on 19 July 2021 and the update issued at December 2021 Audit Committee meetings respectively
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Final Audit Results Report presented to the Audit Committee on 8 November 2022.

Appendix A

 Our Reporting to you

Required communications	 What is reported?	  When and where
	<ul style="list-style-type: none"> ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Final Audit Results Report presented to the Audit Committee on 8 November 2022.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Final Audit Results Report presented to the Audit Committee on 8 November 2022.
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Final Audit Results Report presented to the Audit Committee on 8 November 2022.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Final Audit Results Report presented to the Audit Committee on 8 November 2022.
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Final Audit Results Report presented to the Audit Committee on 8 November 2022.
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit planning report presented at the Crawley Borough Council Audit Committee meeting on 19 July 2021 and the update issued at December 2021 Audit Committee meetings respectively</p> <p>Final Audit Results Report presented to the Audit Committee on 8 November 2022.</p>

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Final Audit Results Report presented to the Audit Committee on 8 November 2022.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ 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 	Final Audit Results Report presented to the Audit Committee on 8 November 2022.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	<p>Audit planning report presented at the Crawley Borough Council Audit Committee meeting on 19 July 2021 and the update issued at December 2021 Audit Committee meetings respectively</p> <p>Final Audit Results Report presented to the Audit Committee on 8 November 2022.</p>
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Not Applicable to Crawley Borough Council
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Final Audit Results Report presented to the Audit Committee on 8 November 2022.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Final Audit Results Report presented to the Audit Committee on 8 November 2022.
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Final Audit Results Report presented to the Audit Committee on 8 November 2022.

Management representation letter

Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]

Elizabeth Jackson
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of Crawley Borough Council ("the Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Crawley Borough Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have

Management representation letter

Management Rep Letter

not corrected these differences identified by, and brought to the attention from, the auditor because they are judgemental variances between two technical expert methodologies and are below the materiality threshold.

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - ▶ involving financial statements;
 - ▶ related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - ▶ related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - ▶ involving management, or employees who have significant roles in internal controls, or others; or
 - ▶ in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - ▶ Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ▶ Additional information that you have requested from us for the purpose of the audit; and
 - ▶ Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Full Council, Cabinet, Audit Committee and Governance Committee held through the year to the most recent meeting of the Council on 23 February 2022, Cabinet on 2 February 2022, Audit Committee on 07 February 2022 and Governance Committee on 25 January 2022.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Management representation letter

Management Rep Letter

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter dated 02 March 2021, through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 43 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than Note 5 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Notes 18 and 22 to the financial statements, we have no other line of credit arrangements.

Management representation letter

Management Rep Letter

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Use of the Work of a Specialist

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

K. Estimates

- i. **Revaluation of land and buildings classified as property, plant and equipment, investment property and HRA properties**
- ii. **Pension liability and asset valuation**

1. We confirm that the significant judgments made in making the revaluation of land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation.

3. We confirm that the significant assumptions used in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation appropriately reflect our intent and ability to carry out these valuations on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making the land and buildings classified as property, plant and equipment, investment property, and HRA properties, and the pension liability and asset valuation.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

L. Retirement benefits

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

Yours faithfully,



Appendix B

Management representation letter

Management Rep Letter

(Chief Financial Officer)

I confirm that this letter has been discussed and agreed at the Audit Committee on 8 November 2022.


(Chair of the Audit Committee)

Appendix C

Implementation of IFRS 16 Leases

In previous reports to the Crawley Borough Council Audit Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the council until 1 April 2022. However, officers should be acting now to assess the council's leasing positions and secure the required information to ensure the council will be fully compliance with the 2022/23 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures 
Data collection	Management should: <ul style="list-style-type: none"> ▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▶ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	The council needs to agree on certain policy choices. In particular: <ul style="list-style-type: none"> ▶ Whether to adopt a portfolio approach ▶ What low value threshold to set and agree with auditors ▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▶ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the council is lessee; and potentially for sub-leases, where the council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2022 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.
ey.com

This page is intentionally left blank

Crawley Borough Council

**Auditor's Annual Report
Year ended 31 March 2021**

October 2022

FIN/601



EY

Building a better
working world

Contents

Section	Page
01 - Executive Summary	2
02 - Purpose and responsibilities	6
03 - Financial statements audit	8
04 - Value for Money	14
05 – Other reporting issues	32
Appendix 1 – Fees	34

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.

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

Section 1

Executive Summary

Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Council's:	
Financial statements	<p>Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.</p> <p>We issued our auditor's report on 9 November 2022.</p>
Going concern	We concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the Statement of Accounts 2020/21 and other information published with the financial statements	Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited accounts.
Reports by exception:	
Value for money (VFM)	<p>We had no matters to report by exception on the Council's VFM arrangements.</p> <p>We have included our VFM commentary in Section 04.</p>
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued and presented our initial Audit Results Report to the Audit Committee on 3 March 2022. We updated the Audit Results Report provided a final version to the Committee on 8 November 2022.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	<p>We have performed the procedures required by the National Audit Office on the Whole of Government Accounts (WGA) submission. However, the rights and requirements of the NAO can extend beyond the revised thresholds of £2bn set by HM Treasury, which do not prejudice the rights of the NAO. As group auditor, the NAO WGA team will consider the revised HM Treasury thresholds alongside HM Treasury's developing analytical review controls and may require assurances from auditors of components who are below the HM Treasury thresholds.</p> <p>The change for 2020/21 is that in previous periods the existence of the HM Treasury thresholds has meant that in many instances the work that the NAO WGA team would have otherwise directed non-significant components to undertake in line with ISA 600 had already been carried out. The increase in HM Treasury's local government threshold means that there is a risk the NAO WGA team require some assurances from auditors of bodies below the new limit. Consequently, we cannot issue our certificate for 2020/21 until confirmation on the above-mentioned has been received from the NAO.</p>

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we previously assessed the recurrent cost of additional requirements to carry out our audit and communicated this rebasing fee to the Council in 2019-20. Furthermore, as outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to the rents overcharging issue, valuation of properties in property, plant & equipment and investment properties including addressing valuation differences identified, determining the appropriateness of the actuarial model design, reviewing the appropriateness of the Council's accounting of Covid-19 grants and infrastructure assets and appropriate disclosure of going concern.

Consequently, we intend to agree the associated rebasing fee and additional fee with the Head of Corporate Finance, which will be presented to the Audit Committee and to PSAA for determination. We include details of the proposed final audit fees in Appendix 1.

Executive Summary: Key conclusions from our 2020/21 audit

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.

Elizabeth Jackson

Partner

For and on behalf of Ernst & Young LLP

Section 2

**Purpose and
responsibilities**

Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, 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.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan and update that we issued on 19 July 2021 and 1 December 2021 respectively. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit

We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

Key issues

The Annual Report and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 9 November 2022, we issued an unqualified opinion on the financial statements. We issued and presented our initial Audit Results Report to the Audit Committee in March 2022. We updated the report with our final conclusions; and provided a final version to the Committee on 8 November 2022.

We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
<p>Misstatements due to fraud or error - management override of controls</p> <p>An ever present risk that management is in a unique position to commit 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.</p>	<p>We did not identify any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.</p>
<p>Inappropriate capitalisation of expenditure</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. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.</p>	<p>Our sample testing of additions to PPE:</p> <ul style="list-style-type: none"> • Found costs were correctly classified as capital and included at the correct value; and • Did not identify any revenue items that were incorrectly classified as capital. <p>Our data analytical procedures also did not identify any journal entries that incorrectly moved expenditure into capital codes.</p>

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
<p>Overcharging of Housing Rents</p> <p>Crawley Borough Council disclosed to us in April 2021 that they had been overcharging rent to council housing tenants since April 2014 for all new tenancies since this date in properties that pre-dated April 2014. This was identified due to the Council performing a forensic investigation after being contacted by the Regulator for Social Housing following the first mandatory data return on the setting of target rents to the Regulator. The Council's return identified them as an outlier as the target rents were around 8% higher than the Government's formula rent and valuations suggested they should be. The Council came under the Regulator from April 2020.</p> <p>There was a risk of inappropriate accounting for the transactions based on the interpretation of the regulations.</p>	<p>We concluded that the error that caused the overcharging in rent was not deliberate and that there is no obligation to repay the overcharged rents prior to 1 April 2020.</p> <p>We concluded that the treatment of the overpayment of rents prior to 1 April 2020 as a post balance sheet event in the year ended 31 March 2021 is correct and that the Council should adjust the financial statements for the year ended 31 March 2021 for the impact on that year only (£688,000). The Council decided not to adjust for this and therefore it is treated as an unadjusted misstatement in the 2020/21 financial statements.</p>
<p>Valuation of land and buildings under Existing Use Value (EUV) and Investment Properties (IP) under Fair Value (FV)</p> <p>Land and buildings is the most significant balance in the Council's balance sheet. The valuation of land and buildings under EUV and IP under FV is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.</p>	<p>The audit team reviewed the revaluation of 51 properties selected from PPE under EUV and IP under FV. We also employed the use of our own expert to support the work in relation to the valuation of 6 of these properties.</p> <p>From our work performed, we identified that investment properties were overstated by £1,120,000 and there was a minor understatement of PPE properties valued under EUV. These were all treated as unadjusted misstatements in the 2020/21 financial statements.</p> <p>We were satisfied that the valuation of land and buildings in PPE under EUV and IP under FV are fairly stated and appropriately disclosed.</p>

Continued over.

Financial Statement Audit (continued)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
<p>Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC) and Housing Revenue Account (HRA) properties</p> <p>Land and buildings is the most significant balance in the Council's balance sheet. The valuation of land and buildings under DRC and HRA requires a lesser degree of material judgemental inputs and apply estimation techniques to calculate these balances held in the balance sheet and HRA notes. Although there is still risk in the valuation of these assets, we believe it to be less than for the properties under EUV and FV as listed above.</p>	<p>The audit team reviewed the revaluation of 8 properties selected from PPE under DRC and 13 properties selected from HRA properties.</p> <p>From our work, we were satisfied that the valuation of land and buildings in PPE under DRC and HRA properties are fairly stated and appropriately disclosed.</p>
<p>Pension Asset and Liability valuation</p> <p>The Pension Fund asset and liability is a material balance in the Balance Sheet. 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>We modified our planned approach to address the requirements of the revised auditing standard on accounting estimates by testing the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model.</p> <p>From our work, we identified a judgemental difference in the pension fund assets of £1,025,000 which was not corrected by management. We were however satisfied that the pension liability and asset valuation is fairly stated and appropriately disclosed.</p>
<p>Going concern disclosures</p> <p>The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.</p>	<p>We reviewed management's going concern assessment and confirmed their conclusion that the Council remains a going concern was based on reasonable and supportable assumptions.</p> <p>We also reviewed management's going concern disclosure and confirmed it was sufficiently detailed, transparent and accurately reflects management's underlying going concern assessment.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Accounting for Covid-19 related grant funding</p> <p>The Council received 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 2020/21.</p>	<p>We were satisfied that the accounting treatment adopted for Covid-19 related government grants accorded with the Council's assessment of whether it was acting as agent or principal, the underlying conditions of the grant and whether those conditions had been met.</p>
<p>Valuation of NNDR Appeals Provision</p> <p>Crawley Borough Council's NNDR Appeal Provision was valued at £4.1m at 31 March 2021. This is a high value estimate driven by internal calculations and judgement.</p>	<p>We were satisfied that the accounting treatment adopted for provisions is appropriate and the calculations are accurate. However, from our work we identified a judgemental difference of £245,000 where we disagreed with the percentage used by the Council to estimate the provision required for successful appeals from the latest valuation listing.</p>
<p>Accounting treatment for infrastructure assets</p> <p>The value of infrastructure non-current assets is material in the financial statements. Once an item of PPE has been recognised and capitalized, the Council may incur further costs on that asset at a later date. The accounting treatment requires such subsequent expenditure to be capitalized to the value of the asset where these costs meet the recognition criteria. Where the subsequent expenditure represents the replacement of a component, the old component must be written out of the balance sheet. There is a need for the Council to ensure that it has recognised and accounted for such subsequent expenditure appropriately.</p>	<p>We were satisfied that the Council has sufficient information available and was compliant with the CIPFA Code. Our testing identified that the Council had not depreciated all of its infrastructure assets in line with its accounting policy and an adjustment of £759,000 was made to the accumulated depreciation to bring the historic depreciation in line with the policy.</p>

Financial Statement Audit (continued)

Audit differences

We identified a small number of misstatements in disclosures which management corrected.

We furthermore identified one misstatement greater than £132,000 which was corrected by management. This pertained to depreciation in respect of infrastructure assets totalling £759,000.

We also identified differences of £1,025,000 in the valuation of pension fund assets; £342,000 in the valuation of properties valued using EUV and an overstatement of £1,120,000 in the valuation of investment properties; a turnaround impact of £1,905,000 in the valuation of investment properties in the prior year; an understatement of the shared equity debtor of £331,000; an overstatement in the NDR appeals provision of £245,000; omission of £688,000 in relation to the 2020/21 impact of the overcharging of housing rents and an extrapolated overstatement of the gross book value and accumulated depreciation of intangible assets of £326,000 with nil net book value impact. These differences were not corrected by management as they are immaterial and are mostly judgemental in nature.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £2.65m as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £132,000.

Section 4

Value for Money

Value for Money (VFM)

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the Audit Committee in December 2021, which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with the senior officers and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had identified one risk of significant weaknesses in the Council's VFM arrangements for 2020/21 in relation to the overcharging of housing rents.

We had no matters to report by exception in the audit report.

Reporting

We completed our planned VFM arrangements work, including our work in relation to the risk of significant weakness and reported this in our Audit Results Report taken to the 8 November 2022 Audit Committee. We concluded that we had not identified any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our VFM commentary highlights relevant issues for the Council and the wider public.

VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

- 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.

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

Financial sustainability

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

The Council has set out its strategic direction within the 'Corporate Priorities 2018-2022'. The corporate priorities consist of six key headline priority objectives which are underpinned by 24 objectives, projects and initiatives and these inform its service delivery objectives for the short-term and forms the basis of its strategic planning, including its short-term and medium-term financial plans.

Crawley's six priorities set out within this are:

- Delivering value for money and modernising the way we work
- Delivering affordable homes for Crawley and reducing homelessness
- Improving job opportunities and developing the local Economy
- Creating stronger communities
- Providing high quality leisure and culture facilities and supporting health and wellbeing services
- Protecting the environment

As part of this, the Council has a transformation plan (Transformation Plan 2020-2022) 'embracing new ways of working, providing easily accessible and more

VFM Commentary

Financial sustainability (continued)

efficient services for their customers, delivering value for money and creating a more commercial culture in order to be financially stable.’

Setting of the 2020-21 Revenue Budget:

The Council prepares an annual revenue budget as part of its short-term financial planning. The 2020-21 Revenue Budget was set as a balanced budget and compiled within the context of the Government’s Comprehensive Spending Review, the Chancellor’s Budget, and the local government settlement. This was approved at full Council on 26 February 2020. There has been a significant decline in overall government income in recent years with increasing amounts of income being generated locally through Council Tax, Business Rates, fees and charges, and income from commercial property, for example the Revenue Support Grant has declined significantly over the past four years.

During 2020/21, the Council has planned and set the budget for 2021/22, approving this at Full Council on 24 February 2021.

The 2021/22 Budget reflects the policy objectives set out in the Budget Strategy 2021/22 to 2025/26. The key elements of the 2021/22 Budget are:

- A Council Tax increase of £4.95 a year for a Band D property (2.37%)
- Savings, efficiencies and increased income of £1,819,450
- A transfer from reserves of £155,606.

In addition to the national context, the Council’s budget strategy also takes account of pressures and risks such as:

- inflation (the largest source of cost pressure)
- income generated by the Council which may be affected by lack of demand
- impact of increasing demand for such services as homelessness
- withdrawal of funding by partners, potentially losing funding for key priorities

The Council holds a general fund reserve and other earmarked reserves to help mitigate these risks. At 31 March 2021, these totalled £15.1 million, which is greater than the £3 million minimum level of reserves set by the Council.

The Council also continues to pursue savings through efficiency reviews, procurement, and base budget reviews. These initiatives have resulted in underspending of £1.3 million as part of the 2020/21 budget round and ensured that service delivery was protected from any significant cuts.

Setting of the Medium-Term Financial Plan - 2021/22 to 2025/26:

The Council prepares a five-year revenue budget as part of its medium-term financial planning. The budget strategy for 2021/22 to 2025/26 was prepared with the aim to deliver the Council’s service delivery objectives outlined in its

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Financial sustainability (continued)

‘Corporate Priorities’ and ‘Transformation Plan’.

These forecasts are updated throughout the year to give the Council a clear view of the forthcoming financial challenges. They then feed into the setting of the medium term financial plan and the 2021/22 budget taking into account the impact of Covid-19 on the finances of the Council and setting the strategic direction to address the significant challenges for 2021/22 onwards.

These forecasts considered the fall in government funding combined with the impact of the pandemic of the Council’s budgets. The financial impact of Covid has required the development of new approaches to budget and efficiency savings. A combination of the use of reserve, efficiencies and temporary divisional savings is on track to address the in-year savings needed.

Permanent savings are also required to be made to meet the long term budget gap with any future waves of Covid increasing the level of savings required as this will impact on Council tax and business rates income.

The savings strategy developed by the Council has three strands:

1. Identify potential for permanent savings within the in-year savings identified.
2. Work to bring forward larger savings items identified by officers, the ones that are public facing formed part of public consultation in October 2020.
3. Undertake a number of thematic and service reviews to improve services and drive future efficiencies, these reviews are in early stages and will be reported to future Cabinet meetings.

In-year Budget Monitoring:

Revenue and capital budgets are monitored throughout the financial year by the Head of Corporate Finance and reported on a quarterly basis to the Overview and Scrutiny Commission. These reports culminate into the revenue and capital outturn report that is approved by the Overview and Scrutiny Commission.

Any areas of concern are subject to detailed scrutiny by the relevant Portfolio holder at separate management meetings. The Overview and Scrutiny Commission can also add areas of concern to their work programme.

The 2020/21 Outturn Report reflects the efficiency of these in-year monitoring measures as the Council has again contained expenditure within the original budget levels despite facing a range of additional costs that were not part of the original budget. In 2020/21 Crawley Borough Council reported an underspend of £1.3 million against a budget of £15.8 million, which was largely due to the substantial additional Government Grant received to offset the impact of COVID 19.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

VFM Commentary

Financial sustainability (continued)

How the body plans to bridge its funding gaps and identifies achievable savings

Due to the financial pressures the Council is facing, it needs to identify significant savings or deliver income growth over the next 5 - 10 years to balance the budget, particularly if it wants to deliver on its service delivery objectives detailed in its 'Corporate Priorities' and 'Transformation Plan'.

The savings process to be followed for the development of the budget has the following stages:

1. Savings achieved through the challenge process led by the Corporate Management Team and any agreed savings that have been identified by officers
2. Savings are identified by each Head of Service meeting with the Chief Executive and finance officers to identify savings in their service
3. Public consultation period
4. A meeting is then held with members, where officers present the options for savings which would involve a cut to services currently provided to ensure governance oversight of the decisions being taken.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Once the budget has been set and approved, it is monitored throughout the financial year by Corporate Management Team and reported on a quarterly basis to the Overview and Scrutiny Committee.

The medium term financial plan, which went to Cabinet in November 2020, identified significant budget gaps over the medium term with several options to be considered at the time for budgeting them.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has detailed its service delivery objectives detailed in its 'Corporate Priorities' and 'Transformation Plan', which cover the 2020-2022 period. This forms the basis for its strategic and statutory priorities on which its short-term and medium-term financial plans are developed.

Progress towards achieving these objectives are monitored by the Corporate Management Team throughout the year and through review of the quarterly finance reports, which are presented to the Overview and Scrutiny Commission, with remedial actions discussed and subsequently actioned, where necessary.

Short-term and medium-term financial plans detail the likely costs associated with the Council's strategic and statutory priorities; identifies any budget gaps that may arise from reduction in government funding; and planned savings

VFM Commentary

Financial sustainability (continued)

strategies to bridge any gaps between available funding from taxation and the cost of services.

Any new service investment made must meet either objectives within the corporate priorities or be a new statutory obligation.

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

As part of the Council's short-term and medium-term financial planning process (which include their capital budgets), it develops an annual Treasury Management Strategy, which includes their capital investment strategy which is approved by the Council alongside its Revenue Budget. This Strategy is also aligned to the Council's Corporate Priorities and Transformation plans and identifies the capital investments required to achieve set service delivery objectives.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

This capital plan determines the cost of financing the required capital along with any other financial impact. The Revenue Budget is also updated to reflect the latest information regarding the delivery of the capital programme.

Members are also involved in the budget setting process, through a Budget Advisory Group or all Member Seminar and special meetings, to ensure that knowledge is brought into the process from all aspects of the Council.

Capital expenditure for the 2020/21 financial year:

The 2020/21 Budget and Treasury Management Strategy identified the capital expenditure planned over the medium term and their sources of financing which is also aligned to the 2020/21 revenue budget.

Subsequent approvals and reprofiling of budgets to and from the 2021/22 budget resulted in a final capital budget of £50.1 million for 2020/21. The 2020/21 Capital Outturn Report reflected actual capital expenditure of £42.2 million which is reprofiling of 16% of the capital budget in the year.

Capital expenditure for the 2021-22 financial year:

Similar to the above, the 2021/22 Treasury Management Strategy identified the capital expenditure planned over the medium term and their sources of financing which is also aligned to its 2021/22 revenue budget. Any shortfall of resources will result in a funding borrowing need.

VFM Commentary

Financial sustainability (continued)

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

The Council manages its financial resilience risk through the following implemented measures:

- The Council publishes detailed short-term and medium-term financial plans that are aligned to its Corporate Priorities and Transformation plans and includes actions to ensure financial sustainability
- In-year monitoring of these financial plans to identify and incorporate any unplanned changes in underlying assumptions going forward
- Reporting of financial performance against above set financial plans on a quarterly basis to the Overview and Scrutiny Commission and Cabinet
- Risk management processes to identify, monitor and address risks.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

The high level risks to the 2021/22 Budget and how they will be managed are shown in the Appendix 5 to the Budget report. Risks on the Town Hall project are reported to the Audit Committee. Risks are highlighted throughout the budget report including the impacts of the pandemic on the current and unknown impacts of this on future years for both service costs and income but especially business rates, interest rates, the impact of the economic climate, ensuring planned savings are achieved, and the availability of capital resources in future years and the need to take out borrowing.

The Council also have in place mitigations, so when a meeting is cancelled, the reports are still shared with members through the Councillor information bulletin.

Governance

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

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. Areas of potential change are identified, and the Constitution is amended accordingly, which has been evidenced by the recent updating of its constitution in November 2021.

The Council operates an Overview and Scrutiny Committee which has its own terms of reference, as outlined in the Council's Constitution. This Committee supports the work of the Cabinet and the Council as a whole. It allows citizens to have a greater say in Council matters by holding public inquiries into matters of local concern. These lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery. The Overview and Scrutiny Commission also monitors the decisions of the Cabinet. This enables them to consider whether the decision is appropriate. They may recommend that the Cabinet reconsider or amend the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy.

All significant (strategic) risks are discussed regularly by the Corporate Management Team and are reported to the Audit Committee on a quarterly basis. These include the New Town Hall, District Heat Network, LEP Infrastructure – Crawley Growth Programme, Delivering Affordable Housing, the Transformation Programme, Public Health and Council No Overall Control. Operational risks are managed at departmental level.

This aids the achievement of the Council's strategic priorities, supports its decision-making processes, and protect its reputation and other assets and is compliant with statutory and regulatory obligations. These risks are identified as a routine process of all services and these are regularly reviewed and updated. Strategic risks are those risks defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage, and mitigating measures/assurances must be put in place.

The Council also has an internal audit service in place which provides the Council with information regarding the effectiveness of the internal control environment and its arrangements to prevent and detect fraud. Regular in-year reporting at each meeting by internal audit to the Audit Committee is also in place which ensures that efficient and effective assurance arrangements are in place to assist in the management of risk and performance.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

VFM Commentary

Governance (continued)

The Council has a Fraud and Investigations Team with responsibility for investigating fraud and carrying out verification work on issues such as Council Tax discount and investigations into NFI matches. This team acts to minimise the risk of fraud, bribery, corruption and dishonesty and recommends procedures for dealing with actual or expected fraud to the Council. The team also prosecutes where appropriate and is involved in fraud training and awareness.

We note that an issue was identified during the year regarding historic overcharging of housing rents. Our review concluded that there is no 'detect' control gap at the Council. The original error was made when the future target rent was not updated due to an oversight when the Council moved from a 48 week to 52 week rental year. The target rent is a figure that is only updated once a year when the Council apply any prescribed uplift or decrease is required by the regulations, government instruction or guidance. Internal Audit verified that all required uplifts and decreases required each year had been applied accurately and in line with the guidance for each given year. Without performing the review performed by the Regulator, checking the formula calculation, the error in not adjusting the target rent would not have been identified and the Council had no reason to perform such a check as they were confident that they had applied the correct adjustment to the target rent each year.

We have not identified any wider implications or indications of poor management through our review of this issue or our wider audit work.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

How the body approaches and carries out its annual budget setting process

The Annual Budget process including the responsibilities and procedures in the annual budget process is set out in Part 2: Financial and Budget Procedure Rules within the Constitution of the Council.

As mentioned above, the Annual Budgeting process of the Council seeks to reconcile corporate and business plans and strategies with the relevant resources which includes the finance department. This process starts with a series of strategic initiatives with inputs from the various stakeholders, for example, the establishment of the Council's Medium-Term Financial Plan and Medium-Term Capital Strategy. The Council has an implemented budgeting system that allows for the alignment of its annual budget to the priorities and commitments in its 'Corporate Priorities' and 'Transformation Plan'. The Council refreshes the medium term financial plan and agrees the budget strategy in advance of the forthcoming year in November. Budget holders meet with finance officers and update their budgets in the Collaborative Planning (CP) module in the finance system. CP is updated before this to incorporate any known changes that are in the Medium Term Financial Strategy, including inflation.

VFM Commentary

Governance (continued)

Subsequently, the overall savings plan is checked and consulted on prior to initial consideration by the Corporate Management Team and the Overview and Scrutiny Commission in February.

The savings are then put to 'All Members seminars' with the proposals that resulted in a public consultation and the results, which then go through to Cabinet for approval. The Council will then consider the overall budget and options for Council Tax setting which is then subject to approval by the respective Councils in February.

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.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

The processes and systems in place to ensure budgetary control are set out in Constitution of the Council.

Furthermore, each cost centre has an assigned budget manager. There are monthly meetings with budget managers, but unless there is a major variation, the reporting is only done quarterly.

The finance team prepare fortnightly budget monitoring reports for the Corporate Management Team on the financial performance of the Council which identifies emerging issues. This feeds into the quarterly reporting of the revenue and capital budgets to the Overview and Scrutiny Committee.

This budget management process is also subject to regular internal audit review to ensure that the system is fit for purpose.

The efficiency of these controls is evidenced by the overall outturn position of £1.3 million underspent for the 2020/21 financial year.

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 those charged with governance/audit committee.

Primary oversight is the responsibility of the Full Council. There are certain decisions which are reserved for the Full Council, either by legislation or through its own choice, and as such these will only be taken by the Full Council.

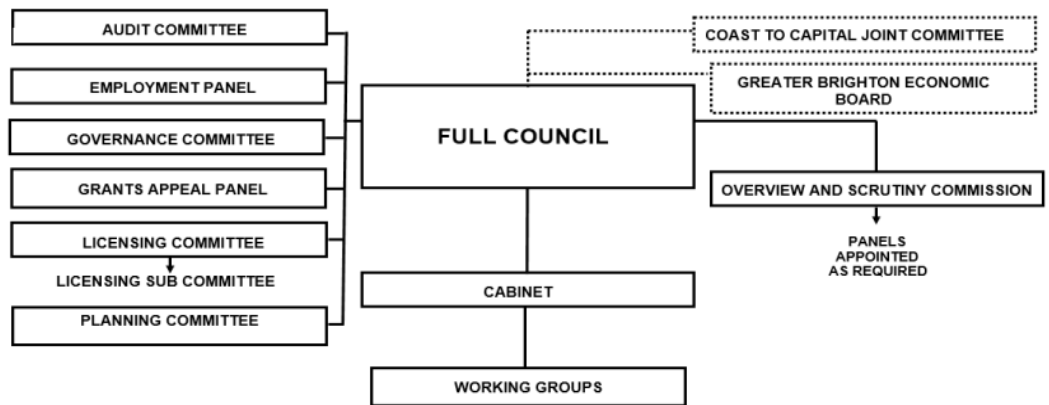
The Full Council has established Committees to discharge the majority of its remaining functions. These Committees delegate operational day-to-day decisions relating to the management of service areas to the Chief Executive

VFM Commentary

Governance (continued)

who may delegate them further throughout the Council. The Constitution sets out the different levels of decisions and what can and what cannot be delegated.

The Council operates under the following committee structure:



All decisions of the Council are accompanied by a detailed report which details the rationale for the decision, the options considered, legal advice and financial advice. Under the constitution, all decisions may be called in by members for review prior to implementation on specific grounds. These reviews are the purview of the Overview and Scrutiny Commission.

These committees meet on a regular basis during which key issues are raised and addressed with effective challenge from members. We have evidenced this through our review of the meetings of these committees.

To allow for transparency, the Council also ensures that it:

- Publishes relevant information relating to salaries, business interests and performance data on its website
- Has a Procurement team who provide advice and issue clear guidelines for procuring goods and services
- Publishes information to the Council and its Committees as part of established accountability mechanisms
- Prepares an Annual Governance Statement
- Prepares a Corporate Priorities Plan as discussed above.

The Authority is furthermore committed to the publication of transparent performance information on its website, which includes:

- Budget reports
- Operational performance reports

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

VFM Commentary

Governance (continued)

- Medium-Term Financial Plan
- Corporate Plan
- Statement of Accounts including the Annual Governance Statement
- Information as required under the Local Government Transparency Code.

There is also evidence of good arrangements in place to monitor the implementation of internal audit recommendations by the Audit Committee. Internal audit progress reports are presented on a regular basis throughout the year to monitor implementation of recommendations by internal audit and to implement corrective actions where necessary.

We noted that once the issue regarding the overcharging of housing rents was identified, the Council acted swiftly to identify the root cause of the issue and discussed how to resolve this, taking decisions in consultation with the Leader of the Council, the Cabinet Member for Housing and the Leader of the Opposition, including a timeline for further communication and decisions that members needed to make to support the process being undertaken.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The roles of both members and officers of the Council are outlined in the Code of Conduct included within its Constitution.

If any member or officer breaches the Code of Conduct, there is a resolution and complaints process administered by the council's Monitoring Officer and potentially involving a hearing of the Council's Governance Committee.

The Council is transparent about how decisions are taken and recorded by:

- Ensuring that decisions are made in public and recorded. Those decisions and relevant information are publicly available (except where that information is exempt under the provisions of the Local Government Act or determined as being confidential by Government)
- Having rules and procedures which govern how decisions are made.

The Council has implemented systems to ensure conflicts of interest are identified, recorded and acted upon accordingly, excluding anyone from decision-making where a conflict arises, and making public declaration of interests through its Register of Councillors' financial and other interests which is published on the Council's website and covers employees, governing body members and members of committees.

VFM Commentary

Governance (continued)

Regular training is provided to members on standards issues, so all members are aware of the requirements. Each member and officer are expected to complete a return on any gifts of hospitality.

The Council has published the Whistleblowing Policy which sets out how the Council will provide protection to individuals raising concerns. This policy is periodically reviewed in line with guidance.

The Council also ensures that effective, transparent and accessible arrangements are in place for dealing with complaints. The website contains guidance for submitting complaints against the Council by the public and processes are in place to progress any complaints that are made.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance: Response to risk of significant weakness in arrangements

Risk: Governance arrangements over the historic overcharging of housing rents

The Council disclosed to us that it came to their attention in April 2021 that they had been overcharging rent to council housing tenants since April 2014 for all new tenancies post April 2014 in properties that pre-date April 2014. This was identified due to the Council performing a forensic investigation after being contacted by the Regulator for Social Housing, who had identified that the Council was identified as being an outlier in that its target rents were around 8% higher than the Governments formula rent and valuations suggested they should be, following a first mandatory data return about the setting of target rents. The Council came under the Regulator from April 2020.

This is a breach of laws and regulations, therefore there is a risk that the Council's arrangements led to this breach being enabled.

Risk of significant weakness conclusion: The Council had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

The risk did not lead to a weakness in the governance arrangements in 2020/21.

We carried out an extensive review of the Council's own investigation and the internal audit review to determine whether there had been any weakness in the arrangements in place that led to the overcharging occurring.

Conclusion

The Council acted swiftly on receipt of the information from the Regulator to identify the overpayment of rents issue and resolve it. It has taken time to ensure that the refunds to tenants had been calculated correctly and this delayed the Council in informing the tenants. However, this is due to the nature of the calculations rather than any weakness in the arrangements at the Council. The Council took appropriate advice, and kept members of the Council informed as appropriate and involved the Leader of the Council, the Cabinet Member for Housing and the Leader of the Opposition in key decisions during the process leading up to the public notification of the issue and resolution.

We reviewed the breach in laws and regulations as part of our Non-Compliance with Laws and Regulations (NOCLAR) procedures. Our work concluded that although there was a breach, this was not material to the Council's financial statements and the overcharging of rent was not a deliberate act by the Council.

We have not identified any significant weaknesses in the Council's arrangements.

Improving economy, efficiency and effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement.

The Transformation Plan was revised in 2020, following a report to the Overview and Scrutiny Committee, with six key themes and activities to deliver against the corporate priorities.

The Transformation Board at Corporate Management Team level has been established to provide oversight at a high level to ensure coherence, manage interdependencies and change, allocate resources and ensure delivery of the 'Transformation Plan'.

The Transformation Board meets monthly and monitors progress at regular intervals. The Board reports in a variety of ways across the Council - through Portfolio Briefings, Chief Executive Inform and Q&A sessions, team briefings, via the intranet and at the annual update to the Overview and Scrutiny Committee.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Furthermore, any issues identified by internal audit are monitored and reported to the Audit Committee regularly. Officers not taking sufficient action on these service improvements may be requested to report to the Committee.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council's service delivery objectives are detailed in the 'Corporate Priorities' and 'Transformation Plan'. Overview of the delivery of the 'Transformation Plan' is the responsibility of the Transformation Board.

Most services have performance information and standards used to compare and assess performance with other Councils or with national recognised performance frameworks.

Internal audit and customer feedback are also used to inform which services require improvement. This service would be considered for inclusion within the 'Transformation Plan' if significant support was needed to improve the service.

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

A 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.

VFM Commentary

Improving economy, efficiency and effectiveness (continued)

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

The 'Transformation Plan' is the key driver for action to be taken when a project has been identified that generally lies outside of a single service or required additional resource and focus in order to deliver and embed that change.

Consultation and engagement

The Council has a consultation section on its website, which enables the public to get involved with helping the Council to make good, informed decisions and provide the best service to the town. The public can sign up to notifications to keep them informed of new consultations.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

The Council consult on their budget each year, especially in areas impacting service delivery and use the feedback to inform decision making for the final approved budget.

Complaints

There is also a clear and transparent complaints procedure for dealing with complaints. Complaints are included in performance monitoring report to the Corporate Management Team.

Partnership working

Performance monitoring of major partnerships is carried out at Corporate Management Team quarterly. This includes the major contracts such as waste and leisure.

The Council has a successful capital programme with the Local Enterprise Partnership and West Sussex County Council on the Crawley Growth Programme. The Council also has a shared procurement service with two local district councils and are part of the Greater Brighton Economic Board, Gatwick Diamond, and development management partnership with Westrock .

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

As set out in the Constitution, the Council's Procurement Code governs the way officers acquire goods, works and services, and ensure that their processes are consistent, transparent, legally compliant, and that they treat suppliers fairly. The Code can be found via the Council's website so is accessible to the public and its partners.

VFM Commentary

Improving economy, efficiency and effectiveness (continued)

The Council has published its procurement thresholds and contract register on its website. The Council is party to a shared procurement service with Horsham District Council and Mid Sussex District Council as part of its procurement processes, with Crawley Borough Council being the lead authority.

In line with the above-mentioned standing procedures, any procurement over £20,000 must be referred to the shared procurement team to ensure that the proposed procurement will deliver the expected outcome, and to ensure that the Council is complying with relevant legislation. All contracts are referred to legal, who will ensure that the procurement process has been complied with prior to approving the form of contract. Furthermore, the council will commission external expert advice where a proposed procurement is particularly complex or difficult.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Section 5

Other Reporting Issues

Other Reporting Issues

Governance Statement

We are required to consider the completeness of disclosures in the Council's governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

Whole of Government Accounts

We have performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. However, the NAO WGA team will consider the revised HM Treasury thresholds alongside HM Treasury's developing analytical review controls and may determine assurances from auditors of components who are below these revised HM Treasury thresholds.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Other powers and duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

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

Appendix A

Audit Fees

Audit Fees

Our final proposed fees for 2020/21 are set out in the table below:

Description	Final Proposed Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
PSAA scale fee	50,291	50,291	50,291
Scale fee rebasing (Note 1)	34,248	27,398	14,200
Revised proposed scale fee	84,539	77,689	64,491
In-year scale fee variation:			
▶ Scale fee variation – Additional audit work (Note 2)	16,423	Nil	8.434
▶ Scale fee variation - PSAA pre-approved additional fee for VFM and ISA540 (Note 4):	8,500	TBC	Nil
Total audit related fees	109,462*	77,689	72,925
Housing benefit subsidy claim	TBC	22,530	44,559
Total fees	109,462	100,219	117,484

* this is our proposed figure that is to be submitted to the PSAA

Note 1 – This relates to our scale fee rebasing for the audit, to take into account changes in professional and regulatory requirements to that date. This was previously raised in the 2019/20 audit year and as these are related to ongoing requirements, we have included the impact again in our 2020/21 requested fees. This is the same request that has been submitted in the prior year and has been adjusted for the increase in PSAA rates.

Note 2 – This figure includes a variation to the scale fee for items specific to the 2020/21 audit year where additional audit work was undertaken by the audit team. We will be submitting a request for this additional work undertaken on:

- Work of EY expert to calculate an auditors estimate of the pension liability and the valuation of assets;
- Work on the over charging of housing rents for financial statements and value for money

Note 3 – For 2019/20, PSAA determined the total of the categories in notes 1 and 2 above at £23,634 and has accordingly been shown as a single comparative figure.

Note 4 – The fee impacts of the NAO's 2020 Code of Audit Practice, and the revised ISA540 on estimates were new during 2020/21. The PSAA communicated fee ranges for each type of auditee, and our assessed impact for the Council is that both ISA540 and VFM Commentary is at the bottom of the ranges.

We will discuss the additional fee proposal with management and submit to the PSAA, providing an update to the Audit Committee when the final fee is determined.

Agenda Item 12

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2022 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.
ey.com

This page is intentionally left blank