

Crawley Borough Council

Audit Committee

Agenda for the **Audit Committee** which will be held in **Committee Rooms A B & C - Town Hall**, on **Tuesday, 21 November 2023** at **7.00 pm**

Nightline Telephone No. 07881 500 227



Chief Executive

Membership: Councillors J Millar-Smith (Chair), J Charatan (Vice-Chair), I Ashraf, T G Belben, H Hellier, J Russell and S Sivarajah

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

Part A Business (Open to the Public)

	Pages
1. Apologies for Absence	
2. Disclosures of Interest	
In accordance with the Council's Code of Conduct, councillors 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 5 September 2023.	
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. Fraud and Investigation Team Report	11 - 14
To consider report FIN/638 of the Head of Corporate Finance.	
6. Final Audit Results Report 2021/22	15 - 76
To consider report FIN/640 submitted by Ernst and Young.	
RECOMMENDATION	
That the Final Audit Results Report 2021/22 be received and noted.	
7. Internal Audit Progress Report	77 - 100
To consider report FIN/639 of the Head of Corporate Finance.	

	Pages
8. Risk Management Update	101 - 116
To consider report LDS/210 of the Head of Governance, People & Performance.	
9. Approval of the 2021/2022 Statement of Accounts	
To consider report FIN/641 of the Head of Corporate Finance (report is to follow as agreed with the Chair).	
10. Supplemental Agenda	
Any urgent item(s) complying with Section 100(B) of the Local Government Act 1972.	

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Crawley Borough Council

Minutes of Audit Committee

Tuesday, 5 September 2023 at 7.00 pm

Councillors Present:

J Charatan (Vice-Chair)

I Ashraf, T G Belben and J Russell

Also in Attendance:

Elizabeth Jackson Partner, Ernst & Young

Mr Ul Haque Independent Member to the Audit Committee

Officers Present:

Vicki Basley Chief Accountant

Siraj Choudhury Head of Governance, People & Performance

Chris Corker Operational Benefits and Corporate Fraud Manager

Carolin Martlew Head of Corporate Finance

Mez Matthews Democratic Services Officer

Anna Pedlow Corporate Performance Manager

Apologies for Absence:

Councillors J Millar-Smith and H Hellier

Absent:

Councillor S Sivarajah

1. Disclosures of Interest

No disclosures of interests were made.

2. Minutes

The minutes of the meeting of the Audit Committee held on 21 June 2023 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. Fraud and Investigation Team Report

The Committee considered report [FIN/631](#) of the Head of Corporate Finance, which focused on activity for the period from 8 June 2023 to 20 August 2023. The report indicated that the Team had continued to perform successfully.

The Committee noted that the notional “in period” value of £336,200 identified in Paragraph 4.2 (Housing Fraud) was incorrect and should be amended to read “£316,200”. The Committee was provided with details of cases investigated, 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 outcome of the recent Single Person Discount review exercise compared to previous years; the various reasons why right to buy applications could be prevented; the length of time outstanding fraud cases had been active and their nature; the use of the Council’s Whistleblowing Policy and other key policies; the proportion of fraud cases which did not have an outcome along with the general reasons for that; and the financial cost to the Council of the Council Tax Support fraud identified in the report.

The Operational Benefits and Corporate Fraud Manager provided further information on the tools used by the Council (such as the National Fraud Initiative) to data match and assist in detecting potential fraud. The Operational Benefits & Corporate Fraud Manager also confirmed that the Council Tax and Non-Domestic Rate figures identified in the report were billable amounts, of which the Council would keep a small proportion. The Committee noted that the Council had a high success rate (98%-99%) in recovering those funds.

Following a query from a Committee Member, the Operational Benefits & Corporate Fraud Manager agreed to ascertain whether the “5 or more persons, forming 2 or more households” threshold for the requirement of an HMO licence (identified in Paragraph 5 - Significant Cases of the report) was set locally or nationally, and provide a response to the Committee via email.

RESOLVED

That the Fraud and Investigation Team Report be noted.

5. Internal Audit Progress Report

The Committee considered report [FIN/630](#) of the Head of Corporate Finance which had been prepared by Southern Internal Audit Partnership (SIAP), the Council’s Internal Auditors. 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 Committee noted that, whilst there were some overdue management actions, SIAP did not have any overall concerns relating to those matters. The Committee sought and received clarification on a number of points, including the number of limited assurance opinions (2) and no assurance opinions (0) provided in the last year; and the type of participant who had been invited to complete the satisfaction survey carried out by SIAP,

Agenda Item 3

Audit Committee (7)
5 September 2023

The Independent Member queried whether the Council's financial reporting and close down processes had been audited. Whilst it was noted that the external Auditors looked at the Council's close processes, the Committee agreed that a risk assessment be requested to ascertain whether it would be advantageous to also complete an internal audit of the Council's financial reporting process.

RESOLVED

1. That the Committee receive the report and note progress to date, as at 31 July 2023.
2. That a risk assessment be requested to ascertain whether it would be advantageous to complete an internal audit of the Council's financial reporting process.

6. Risk Management Update

The Committee considered report [LDS/206](#) of the Head of Governance, People & Performance which provided an update on the Council's Strategic Risks.

A discussion took place on the Council's risk management processes and the Strategic Risk Register. The Committee sought and received clarification on several issues including the Council's process for identifying strategic risks and communicating those with relevant staff; the risks, mitigations and parties involved with regard to the new Town Hall (Risk 1) and how that had been reflected in the risk level; funding for homelessness (Risk 5); funding to assist with the cost of housing and resettlement for those migrating or seeking asylum (Risk 6); and the steps which had been taken to mitigate against recruitment and retention risks (Risk 11).

The Committee expressed its appreciation that the risk score had now been added to the Strategic Risk Register for each individual risk matrix. Following feedback for the Committee, it was agreed that the Corporate Management Team (who provided the information for the Risk Register) be requested to ensure that detail relating to the description and mitigation of a risk was included in the most appropriate column of the Register.

Where it was not possible to provide the Committee with answers to all the queries it raised at the meeting, officers agreed that information regarding those matters would be circulated directly to the Committee via email.

In response to a query raised, the Committee was informed that, whilst the Council did not currently benchmark strategic risks with other Local Authorities as the effects of a particular risk would vary according to the characteristics of each Authority, the Department for Levelling Up, Housing and Communities had expressed it was satisfied that the Council adopted good practice in the area of homelessness and several of those practices had been adopted by other Authorities. It was also acknowledged that the Council kept abreast of issues affecting other Authorities and was pro-active in taking appropriate action. Following a discussion on that matter, the Committee agreed that benchmarking strategic risks against other Local Authorities could be advantageous, it therefore requested that the Chief Executive and/or Cabinet be requested to consider undertaking such benchmarking.

RESOLVED

1. That the Committee confirm it is satisfied with risk management arrangements.
2. That the Chief Executive and/or Cabinet be requested to consider benchmarking strategic risk against other Local Authorities.

7. Approval of the Annual Governance Statement 2022/2023

The Committee considered report [LDS/205](#) of the Head of Governance, People & Performance which sought the Committee's endorsement of the Annual Governance Statement for 2022/23.

Following a query from the Committee, further information regarding the use and publication of Council policies, such as the Whistleblowing Policy, was provided. A query was raised relating to the way in which data on complaints was circulated to Councillors and it was suggested that such data could identify trends in complaints and inform Councillors of lessons learned. Following discussion, the Committee requested that the Corporate Management Team be asked to consider how best to communicate information relating to complaints wider than with Cabinet Members at their Portfolio Briefings.

RESOLVED

1. That the Committee endorse the Annual Governance Statement 2022/2023 as signed by the Leader and Chief Executive.
2. That the Corporate Management Team be requested to consider how to best communicate information relating to complaints wider than with Cabinet Members at their Portfolio Briefings.

8. Updated Audit Results Report: Year Ended 31 March 2022

The Committee considered [FIN/632](#) which had been submitted by Ernst and Young. The report summarised the status of the Audit. The Committee noted that the updates were identified in italics within the Results Report.

The representative for the Council's External Auditors, Ernst & Young (EY) informed the Committee that there were only two remaining issues which could result in amendments to the Statement of Accounts, however any changes required would not be material. EY was therefore proposing to issue an unqualified opinion on the financial statements and the Statement of Accounts could be signed.

Committee considered matters raised, and in doing so:

- Noted that EY did not rely on information provided by the Council's Internal Auditors. It was acknowledged that EY did review the Council's Annual Governance Statement (AGS) as part of its Audit as the AGS included information on the audits carried out by the internal Auditors as well as the internal audit opinion. As a result of that review, EY had requested that minor amendments be made to the 2021/22 AGS and EY was now satisfied that the AGS was a true reflection of those matters.

Agenda Item 3

Audit Committee (9)
5 September 2023

- Was provided with more information on how financial reporting could be deemed to turnaround error.
- Was informed how several areas of the audit were conducted, including the nature of valuation errors and how they were identified by EY.
- Continued to express concern regarding the fees for the external audit. The Committee was advised that a review of public sector audits was expected to take place. It was anticipated that the review would consider which elements of those audits took an excessive amount of time (e.g., areas like valuation disagreements) which, it could be argued, added little to no value to the external reader of the Statement of Accounts.

RESOLVED

That the Updated Audit Results Report for the year ended 31 March 2022 be received and noted.

Closure of Meeting

With the business of the Audit Committee concluded, the Vice Chair declared the meeting closed at 9.07 pm

J Charatan (Vice Chair)

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Agenda Item 5

Crawley Borough Council

Report to Audit Committee

21 November 2023

Fraud and Investigation Team Report

Report of the Head of Corporate Finance - Report no. **FIN/638**

1. Purpose

- 1.1. This report describes the activity of the Corporate Fraud & Investigation Team for the period 21 August to 7 November 2023. All outcome figures are taken from closed cases.

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 current open cases</u>	<u>Previous reporting period</u>
Council Tax Support	16	19
Housing Cases	13	13
Housing Applications	2	0
Single Person Discount	2	1
Council Tax Liability	1	1
Right to buy	10	12
Fly Tipping	2	3
Enforcement	1	0
Total	47	49

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

Agenda Item 5

4.2. Housing Fraud

During the reporting period the team have achieved the following:

	<u>In period</u>	<u>2023/24 (YTD)</u>
Properties recovered	4 (27,300x4)	11
Right to buy prevented	1 (£96,000)	5 (£480,000)
Prevented Allocations	1	3
Notional value of savings	£232,500	£862,200

The Crawley figure for recovering a property or preventing false applications is £27,300 per year from 1 April 2023.

4.3. New Home Bonus

The Inspectors annually carry out an exercise in relation to the New Home Bonus and Empty Properties. The New Homes Bonus is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas.

For every new property that is completed and added to the valuation office the council receives an amount equivalent to one year's council tax for a band D property. However, the council also loses the same amount of money for every property that has been coded as empty for over 6 months.

This year the council had 229 long term empty properties. The Council Tax Inspectors then visited every single property to establish if the empty property status is correct. They removed the exemptions on 141 properties, which has resulted in approximately £279,520 that will be received by the Council.

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	2023/24	In period	2023/24
New billable CT or Rates	£76,555.36	£214,786.68	£2,851,105	£4,174,852

Agenda Item 5

5. Significant Cases

- 5.1 A referral was received from Housing in relation to a query they had received from the daughter of one of our tenants. The lady was asking how she could succeed her mother's tenancy as she has paid all the rent and the mother has been in India for the majority of the past 5 years and would only come back to do some admin or health reasons.

Checks were made using both open source and authorised officer powers that the investigators hold. It was established that for a period of 1,338 days, our tenant was out of the country for 1,044 of them. This proved that their Crawley Borough Council property was not their main and principal home.

A notice to quit was issued based on the investigation and the process of recovering the property was started in 2021.

The property was finally returned to the council's stock in October this year after a prolonged recovery process, not helped by the tenant never returning to the UK.

The tenant was also in receipt of benefits, which were suspended in August 2021. These were recalculated and cancelled, causing overpayments of Housing Benefit £20,551.11 and Council Tax Reduction £6,601.88. This is on top of the saving made by recovering the property of £27,300.

6. Implications

- 6.1. There are no implications from the report.

7. Background Papers

- 7.1. None

Report author and contact officer:

Stuart Small, Deputy Fraud Manager (telephone 01293 438308).

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Crawley Borough Council Final Audit Results Report

Year ended 31/03/2022

November 2023

FIN/640



Building a better
working world

13 November 2023



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

Dear Audit Committee Members,

2021/22 Audit results report

We are pleased to attach our final 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 21 November 2023 on the changes to our reporting since the last meeting in September 2023.

The audit is designed to express an opinion on the 2021/22 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, other members of the Council, and senior management. It is not intended to be and should not be used by any one other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 21 November 2023.

Yours faithfully,

Elizabeth Jackson
Partner
For and on behalf of Ernst & Young LLP

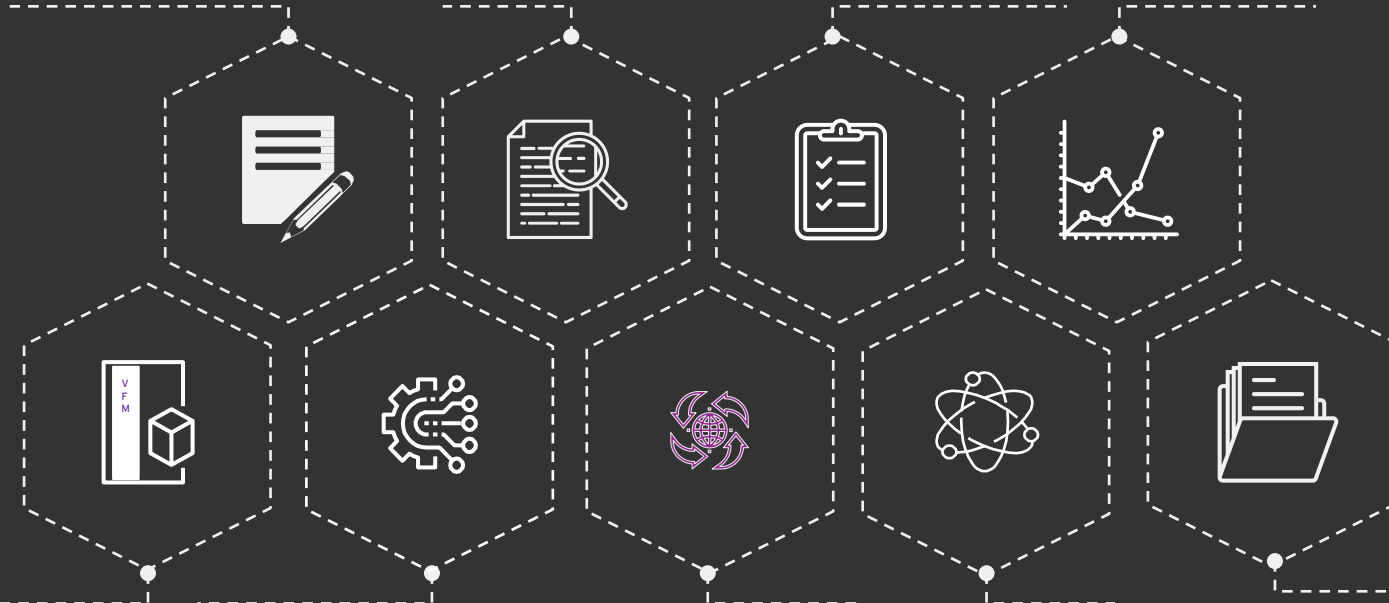
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07 Assessment of Control Environment

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

Scope update

In our audit planning report circulated to members of the Audit Committee in February 2023, 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.

Materiality:

In our Audit Plan, we communicated that our audit procedures would be performed using a materiality of £2.44 million. Performance materiality was set at 75 % of overall materiality and thresholds for reporting misstatements were set at 5% of performance materiality. We have made no changes to these materiality levels.

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:

- Going concern assessment
- Final checks of the amended financial statements
- ▶ Receipt of the signed financial statements and signed letter of management representation
- ▶ Whole of Government Accounts.

Control Environment Findings

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 identified a few matters we want to draw your attention. See section 07 for further details.



Executive Summary (Cont.)

Auditor responsibilities under the 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

We have concluded our risk assessment. We have not identified any risks of significant weaknesses in our work completed to date and have no matters to report by exception in the auditor's report at this stage (see Section 03).

We plan to issue the VFM commentary within three months of issuing the audit report, in line with the NAO Code of Audit Practice, within our Auditor's Annual Report.



Executive Summary (Cont.)

Audit differences

- ▶ Our audit has identified fifteen unadjusted known differences.
- ▶ We have also identified eleven adjusted misstatements.
- ▶ Management have corrected disclosure misstatements in disclosures relating to the annual governance statement, Note 18 disclosure (Financial Instruments), Note 3 Critical Judgements in applying accounting policies, Note 5 Events after the Balance Sheet Date, Note 43 Going Concern, Note 36 Leases, Note 25 Cash Flow Statement - Operating Activities and Narrative report.

Details of the corrected and uncorrected misstatements can be found in Section 4 Audit Differences.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

In relation to the AGS, we note that in prior years, the Audit and Risk Manager has acted as the Head of Internal Audit. However, the Audit and Risk Manager left Crawley in September 2021. Interim arrangements were put in place for the Southern internal Audit Partnership (SIAP) to provide audit management support from September 2021 and from the 1 January 2022 to also support the delivery of the revised annual audit plan for the year. We challenged as the Internal Audit Annual Report for 2021/22 appears to come from the Director of Finance rather than Internal Audit. The Head of Internal Audit from SIAP confirmed that the Southern Internal Audit Partnership were instrumental in compiling the Internal Audit Annual Report & Opinion 2021/22 and fully endorse the overall opinion on the framework of risk management, internal control and governance.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22.

We have no other matters to report.

Independence

Please refer to Section 07 for our update on Independence.

Executive Summary (Cont.)

Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of Crawley Borough 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 (management override)	We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements in our work completed to date.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	<p>We have identified one misclassification of a £0.4 million repayable grant classified as the Revenue Expenditure Funded from Capital Under Statute.</p> <p>We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.</p>

Significant Risk	Findings & Conclusions
Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV)	<p>Our sample testing identified three investment property assets and three other land and building assets 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.</p> <p>We have performed a detailed testing of leases to corroborate management's assessment. However, our work has identified that the garages were valued using an incorrect assumption regarding the number of weeks rent is applied. This resulted in the garages being understated by £1.8 million in the current year and £1.7 million in the prior year. We also identified a further difference between our calculation of the revalued garages and the valuation by the Council's valuers of £0.3 million. Management has agreed to amend the financial statements for these findings.</p>
Valuation of Investment Properties (IP) under Fair Value (FV)	Our sample testing identified three investment property assets 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.



Executive Summary (Cont.)

Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of Crawley Borough 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.

Area of Audit Focus / Inherent Risk	Findings & Conclusions
Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)	Our sample testing identified one asset that was 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.
Valuation of Housing Revenue Account (HRA) properties	We have not identified any evidence of material misstatement arising from the valuation of those properties held within the Housing Revenue Account.
Infrastructure assets	<p>The work we completed on the infrastructure assets has identified that management has reclassified the incorrect amount from community assets to infrastructure assets. This has resulted in infrastructure assets being understated and community assets being overstated by £1.7 million.</p> <p>Apart from this misstatement, our work concluded the Council's current accounting practice continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old part being replaced.</p>
Accounting for Pension Fund Asset	<p>We tested the Council's pension asset valuation and assessed the work of the Council's actuary. We are satisfied that the pension asset and associated balances within the financial statements are not materially misstated, subject to review. We have undertaken additional audit procedures in responses to the updated ISA540 regarding accounting estimates. These have included the production of a parallel IAS19 report by an EY pensions expert which was then compared to the report prepared by Hymans Robertson. No material differences were identified from this process.</p> <p>A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. The Council has appropriately updated the financial statements to reflect the revised IAS 19 reporting entries and we have performed sufficient testing to confirm we are satisfied with the revised balances included in the financial statements.</p>
Valuation of NNDR Appeals Provision	We tested the Council's NDR Appeals Provision valuation and assess the management estimate. We are satisfied that the NDR Appeals Provision and associated balances within the financial statements are not materially misstated. We have not identified any evidence suggest the valuation of NDR Appeals Provision could be misstated.



Executive Summary (Cont.)

Areas of audit focus

Area of Audit Focus / Inherent Risk	Findings & Conclusions
Transfer of HRA Garages to the General Fund	We have reviewed the written briefing paper provided by management following audit challenge, setting out their judgement, based on accounting standards and CIPFA guidance. We concluded that the Council is allowed under the Code to transfer the garages from the HRA to the General Fund.
Housing Rents Issue	<p>We have gained assurance over the issue by undertaking the following:</p> <ul style="list-style-type: none"> • obtained an understanding of the root cause of the NOCLAR in overpayments of rent; • obtained the Regulator’s response and how they were satisfied in the process of handling and resolving the issue; and • the procedures taken by the Council with regards to notifying the tenants, applying the repayments to their accounts and recording the financial impact to the 21/22 statements. <p>Our testing has not identified any issues that need to be reported in the repayments of the rent in the year. However, the error identified from the previous year where the amount relating to the 2020/21 repayments of £688k was incorrectly accounted for in 2021/22 remains an error in this years financial statements. See section 04 for further information.</p>
Going Concern Disclosure	We have completed our audit procedures around the going concern disclosure and are satisfied that the Council’s use of the going concern assumption is appropriate. We have identified some amendments required to the disclosure to ensure the note is focused on the future financing and cashflow position.

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 or Management.



02

Areas of Audit Focus





Areas of Audit Focus

Significant risk

Misstatements due to fraud or error (management override)

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.

We did not identify any specific fraud risks in our planning. We continued to update our risk assessment throughout our audit. We have no additional specific fraud risks to report.

What judgements are we focused on?

The risk manifests specifically in whether year-end adjustment journals are appropriate and supported, the application of estimates and judgements, and whether significant or unusual transactions are identified and accounted for appropriately. As part of our work we focus on judgements made which effect the recording of transactions within the general ledger, particularly around journal entries. We considered what the most significant estimates in the financial statements relate to and we reviewed these accounting estimates for evidence of management bias, with a specific focus on the following:

- ▶ IAS 19 disclosures;
- ▶ Valuation of the Local Government Pension Scheme assets and liabilities;
- ▶ Valuation of the Police Pension Fund liability; and
- ▶ Valuation of land and buildings in Property, Plant and Equipment.

As the above estimates have been identified as separate risks within section 2 of this report we have not repeated that information here.

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 audit work is complete.

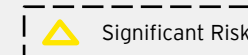
We have found no evidence of weaknesses in controls or that management had attempted to override internal controls. We have not identified any instances of inappropriate judgements being applied to date.

Our testing of journals found the items tested to be appropriately supported and correctly entered into the general ledger.

Our testing of judgements and estimates did not identify inappropriate judgements or bias in estimates.

We did not identify 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

Significant risk (Cont.)

What are our conclusions?

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 remained alert throughout the course of the audit for where this assessment may have changed. We did not identify any previously unidentified areas of risk (that are not linked to the presumed risk of fraud in revenue and expenditure recognition covered separately).

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.

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

- ▶ Reviewing the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of the financial statements.
- ▶ Substantively testing of journals that met specific risk criteria in order to understand their purpose and appropriateness, and we reviewed and tested accounting estimates for evidence of management bias, including those related to pensions and asset valuations.
- ▶ Reviewing and discussing with management and challenging any accounting estimates on revenue or expenditure recognition for evidence of bias, specifically:
 - ▶ IAS 19 disclosures;
 - ▶ Valuation of the Local Government Pension Fund asset and liability;
 - ▶ Valuation of land and buildings in Property, Plant and Equipment and Investment Properties; and
 - ▶ Reviewing the transactions in the financial statements for evidence of any significant unusual transactions.



Areas of Audit Focus

Significant risk (Cont.)

Risk of fraud in revenue and expenditure recognition, through 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 believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment or incorrect classification of expenditure as revenue funded from capital under statute (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.

PPE: Additions totalled £41.085m in the 2021/22 unaudited financial statements.

REFCUS: totalled £4.041m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on the Council's judgements to classify expenditure as either revenue or capital in nature. We tested a sample of items to confirm that the Council's judgement was supported by sufficient evidence and was genuinely capital in nature.

What did we do?

In response to this risk, we:

- ▶ Tested a sample of PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period to which it related.
- ▶ Tested a sample of REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and period to which it related.
- ▶ Performed a review of significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

Our audit work is complete in this area.


We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

We identified one misclassification of £0.4 million repayable grant, which was incorrectly classified as REFCUS.

We are satisfied that the transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was correctly classified, except REFCUS issue noted above.

We are satisfied that journals posted were appropriate.

We identified no evidence of fraud in revenue and expenditure recognition through the above testing.

 Significant Risk



Areas of Audit Focus

Significant risk (Cont.)

Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV)

What is the risk?

The valuation of land and buildings valued on an EUV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

What judgements are we focused on?

We focussed on whether the appropriate assumptions had been used in calculating the valuation of the assets.

What did we do?

We:

- ▶ Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations;
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources)
- ▶ Instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Council's Valuer
- ▶ Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statement

What are our conclusions?

Our work in relation to the valuation of property is complete.

We identified two assets outside our assessed reasonable range resulting uncorrected misstatements and we identified misstatements in the valuation of the garages which the Council has amended the financial statements for.

We also identified some issues with the methodology and data being used by the Council's valuers. These did not lead to significant variances between the valuers valuation and our assessment of a reasonable range for the valuation.

Further details are on the following page.

The uncorrected misstatements are below our performance materiality threshold (£2,440,000) and therefore we are satisfied that the asset valuation is materially fairly stated and appropriately disclosed for the audit report.



Areas of Audit Focus

Significant risk (Cont.)

What are our conclusions?

We engaged the use of our own internal expert to support the work in relation to the valuation of land and buildings on an EUV basis, assessing the valuation of 4 properties. Their review did not identify any issues in relation to these assets.

The local audit team tested a further 14 assets back to supporting information. We identified 2 uncorrected misstatements in this area:

- ▶ A judgmental overstatement difference relating to calculation of the Showrooms valuation property, totaling £0.2 million.
- ▶ A judgmental aggregate understatement difference relating to the fair value movement in valuation across two number of the Councils operational properties totaling £0.9 million.

Our work also identified that the garages were valued using an incorrect assumption regarding the number of weeks rent is applied. This resulted in the garages being understated by £1.8 million in the current year and £1.7 million in the prior year. We also identified a further difference between our calculation of the revalued garages and the valuation by the Council's valuers of £0.3 million. Management has agreed to amend the financial statements for these findings.

Wilks Head & Eve's valuation methodology continues use a gross yield rather than a net yield in determining property valuations on behalf of the Council. We do not consider this is in line with open market practice. A gross yield does not consider relevant purchase costs attributable to the property. If the Council were to sell the asset, any purchaser would reflect their purchase cost within the price offered. The Council should continue to challenge this approach when taken by their specialist.

When testing the valuation of the Council's other land and building assets valued on an EUV basis, we identified that the floor plan measurements used by Wilks Head & Eve (WHE) in calculating the valuation of these assets were not always in line with the floor plan evidence provided by the Council. We therefore recommend management to verify measurements used by WHE and challenge the valuation in case of incorrect measurements being used.



Areas of Audit Focus

Significant risk (Cont.)

Valuation of Investment Properties (IP) under Fair Value (FV)

What is the risk?

The valuation of land and buildings valued on an EUV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

Investment Property assets valued on an FV basis totalled £17.888m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focussed on whether the appropriate assumptions had been used in calculating the valuation of the assets.

What did we do?

We:

- ▶ Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations;
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources)
- ▶ Instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Council's Valuer
- ▶ Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- ▶ Confirmed that the valuation was undertaken to ensure all investment property had been revalued in year as required by the Code;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

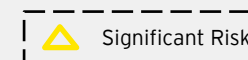
Our work in relation to the valuation of property is complete.

We identified three assets outside our assessed reasonable range resulting uncorrected misstatements.

We also identified some issues with the methodology. These did not lead to significant variances between the valuers valuation and our assessment of a reasonable range for the valuation.

Further details are on the following page.

The uncorrected misstatements are below our performance materiality threshold (£2,440,000) and therefore we are satisfied that the asset valuation is materially fairly stated and appropriately disclosed for the audit report.





Areas of Audit Focus

Significant risk (Cont.)

What are our conclusions?

We engaged the use of our own internal expert to review the valuation of three investment properties held under fair value. Their report challenged the valuation of those assets tested and resulted in the valuation for Ashdown House was considered to be outside the expected range by £1.0 million.

The local audit team tested a further four assets back to supporting information. We identified 2 uncorrected misstatements in this area:

- A judgmental overstatement difference relating to calculation of the 49 - 51 High Street valuation property, totaling £0.03 million.
- A judgmental understatement difference relating to calculation of the 1 - 7 Station Road valuation property totaling £0.2 million.

Wilks Head & Eve's valuation methodology continues use a gross yield rather than a net yield in determining property valuations on behalf of the Council. We do not consider this is in line with open market practice. A gross yield does not consider relevant purchase costs attributable to the property. If the Council were to sell the asset, any purchaser would reflect their purchase cost within the price offered. The Council should continue to challenge this approach when taken by their specialist.



Areas of Audit Focus

Other areas of audit focus

Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)

What is the risk?

The value of land and buildings in PPE under DRC 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 which are required to calculate these balances held in the balance sheet. Although there is a risk for land and buildings under DRC to be misstated due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets are inherently not subject to material uncertainty arising due to market conditions.

What did we do?

We:

- ▶ Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations;
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources)
- ▶ Instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Council's Valuer
- ▶ Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

What are our findings and conclusions?

We employed the use of our own expert to support the work in relation to the valuation of land and buildings on a DRC basis, assessing the valuation of one property. Their review did not identify any issues in relation to this asset. The local audit team tested a further four assets back to supporting information. We identified one uncorrected misstatement in this area - a judgmental overstatement difference relating to calculation of the Crawley Museum valuation property, totaling £0.1 million. When testing the valuation of the Council's other land and building assets valued on a DRC basis, we identified that the floor plan measurements used by Wilks Head & Eve (WHE) in calculating the valuation of these assets are not in line with the floor plan evidence provided by the Council. We therefore recommend management to verify measurements used by WHE and challenge the valuation in case of incorrect measurements being used.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Valuation of Housing Revenue Account (HRA) properties

What is the risk?

The value of HRA properties represents a significant balance 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 which are required to calculate these balances held in the balance sheet and HRA notes. HRA properties are inherently not subject to material uncertainty arising due to market conditions.

At 31 March 2022, the value of HRA properties was £785.350m based on the unaudited financial statements.

What did we do?

We:

- ▶ Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence. This included considering significant or unusual movements in valuation.
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. by completing our own research for prices to other third-party resources including Zoopla, Mouseprice and Rightmove).
- ▶ Sample tested and undertook analytical procedures to support the valuation of HRA properties valued using the beacon approach.
- ▶ Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.
- ▶ Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.

What are our findings and conclusions?

We have not identified any evidence of material misstatement arising from the valuation of those properties held within the Housing Revenue Account.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Infrastructure Assets

What is the risk?

In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.

Our work in 2020/21 concluded the Council's current accounting practice is in line with the CIPFA Code. However, as a consequence of the issue above CIPFA is considering a potential Code amendment. We will ensure the Council's accounting treatment of infrastructure assets complies with any updated guidance or Code amendments issued by CIPFA.

What did we do?

We confirmed the Council's accounting practice for infrastructure assets remains in line with the published CIPFA Code of Local Authority Accounting. The Council has therefore not needed to adopt the temporary solution for accounting for infrastructure assets issued by DLUHC and CIPFA. Our work focused on:

- ▶ Obtaining evidence to match the subsequent expenditure to the carrying amount of the replaced part or component that is being derecognised.
- ▶ Understanding the Councils approach to depreciating infrastructure assets, ensuring that the asset lives were reasonable and undertaking sensitivity analysis to understand the potential impact of over or understating the asset lives.
- ▶ Testing the accounting entries have been correctly processed in the financial statements.

What are our findings and conclusions?

The work we completed on the infrastructure assets has identified that management has reclassified the incorrect amount from community assets to infrastructure assets. This has resulted infrastructure assets to be understated and community assets to be overstated by £1.7 million which has been corrected by management in the final version of the financial statements. Apart from this misstatement, our work concluded the Council's current accounting practice continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old part being replaced.

We are therefore satisfied there is no material misstatement arising from the accounting treatment of the Councils infrastructure assets.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Pension Liability Valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council.

The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £28.38m and in the draft financial statements as at 31 March 2022 this totalled £37.08m.

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

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

What did we do?

We:

- ▶ Liaised with the auditors of West Sussex Pension Fund, to obtain 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;
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and
- ▶ Assessed the accuracy of estimated information included in the financial statements and concluded whether any adjustments were required.

What are our findings and conclusions?

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. The 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. Neither we, nor PwC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor's estimate, to gain assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by Hymans Robertson. This confirmed there was no material misstatement arising from those estimation procedures undertaken by Hymans Robertson.

We were satisfied there was no evidence of material misstatement arising from the work completed above.

A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. We have tested the underlying data which supports this triennial review in order to provide assurance over the revised IAS19 entries which will replace the existing liability figures within the financial statements. This resulted in amendment of IAS 19 related balances and disclosures throughout the financial statements. The IAS 19 net pension asset has increased by £3.9 million.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Valuation of NNDR Appeals Provision

What is the risk?

Crawley Borough Council's share of the NNDR Appeal Provision is valued at £5.716m in the draft financial statements to 31 March 2022. This is a high value estimate driven by internal calculations and judgement.

What did we do?

We:

- ▶ Agreed data used to calculate the provision to reports received from the Valuations Office Agency;
- ▶ Confirmed appeals percentage provided for is reasonable, considering the government's baseline data for predicting business rates appeals;
- ▶ Reperformed calculations to confirm arithmetical correctness; and
- ▶ Compared the level of appeals at 31 March 2022 and 31 March 2021 to assess the reasonableness of amounts provided for at year end.

What are our findings and conclusions?

We tested the Council's NDR Appeals Provision valuation and assess the management estimate.

Crawley Borough Council's share of the NNDR Appeal Provision is valued at £5.7 million in the draft financial statements. This is 40% of the council's share as per our calculations. We therefore identified a difference of £0.2 million between the assessment performed by the Council and our own recalculation. This is due to the Council incorrectly amending the prior NDR appeals provision calculations using the appeal multiplier for the current year, which has been correctly calculated using the historic success rate for the Council. The provisions made in the prior years should have been retained at their prior values.

We are satisfied that the NDR Appeals Provision and associated balances within the financial statements are not materially misstated.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Transfer of HRA Garages to the General Fund

What is the risk?

In December 2020, Full Council agreed to transfer the garages from the Housing Revenue Account to the General Fund from 1 April 2021. Although the transfer of garages has been agreed by the Council, there is a risk that moving garages from Housing Revenue Account to the General Fund may not be in line with the CIPFA code requirements.

What did we do?

We:

- ▶ Obtained a briefing paper from the Council outlining the arrangements under which such a transfer can be made with due reference to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22;
- ▶ Reperformed our own correlation of the movement to CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 to ensure that we concur with the Council's view;
- ▶ Reviewed the communication with those charged with governance to ensure appropriate governance arrangements were observed with regards to the transfer; and
- ▶ Tested the accounting for the transfer to ensure that the Council has accounted for this appropriately.

What are our findings and conclusions?

We have reviewed the written briefing paper provided by management following audit challenge, setting out their judgement, based on accounting standards and CIPFA guidance. We concluded that the Council is allowed under the Code to transfer the garages from the HRA to the General Fund.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Housing Rents Issue

What is the risk?

During 2020/21 audit period, 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 since this date in properties that pre-dated April 2014. As the issue came to light in 2021/22, the Council investigated the issue and made the repayments during the year. The risk is that the Council have not accounted for this correctly in 2021/22.

What did we do?

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

- ▶ Updated our understanding of the areas reviewed in 2020/21
 - ▶ Obtained and reviewed the Council's root cause analysis for this issue;
 - ▶ Obtained confirmation from the Regulator regarding the actions they intend to take;
 - ▶ Evaluated the procedures undertaken by the client, to determine whether the quantification of the issue is reliable and reasonable;
 - ▶ Reviewed the legal advice received by the Council regarding this issue;
 - ▶ Determined whether the proposed accounting treatment is correct;
 - ▶ Documented Council's approach to notifying impacted tenants; and
 - ▶ Considered the impact of repaying the rents on the going concern of the Council.
- ▶ Reviewed the accounting for this issue in the 2021/22 financial statements to ensure that this is in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

What are our findings and conclusions?

We have gained an assurance in obtaining what the root cause of the NOCLAR in overpayments of rent, obtained the Regulator's response and how he was satisfied in the process of handling and resolving the issue, the procedures taken by the Council with regards to notifying the tenants, applying the repayments to their accounts, and recording the financial impact to the 21/22 statements.

Our testing has not identified any issues that need to be reported in the repayments of the rent in the year. However, the error identified from the previous year where the amount relating to the 2020/21 repayments of £688k was incorrectly accounted for in 2021/22 remains an error in this years financial statements. See section 04 for further information.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Going Concern Disclosure

What is the risk?

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 during 2021/22, there is a need for the Council to ensure its going concern assessment, including its cashflow forecast, is robust and appropriately comprehensive.

The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

What did we do?

We:

- ▶ Challenged management's identification of events or conditions impacting going concern.
- ▶ Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- ▶ Reviewed the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern including an assessment of any underlying need to borrow.
- ▶ Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when drawing our conclusions on going concern.
- ▶ Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What are our findings and conclusions?

We have completed our work relating to going concern and are satisfied the use of the going concern assumption remains appropriate for the Council, and it has access to sufficient working capital to support its operations for a period of at least 12 months from the date of our audit report. We have identified some amendments required to the disclosure to ensure the note is focused on the future financing and cashflow position.



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 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- ▶ Comprehensive Income and Expenditure Statement;
- ▶ Movement in Reserves Statement;
- ▶ Balance Sheet;
- ▶ Cash Flow Statement;
- ▶ the related notes 1 to 43 and the Expenditure Funding Analysis;
- ▶ Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 8; and
- ▶ 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Crawley Borough Council as at 31 March 2022 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 2021/22

as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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 AGNO1, 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 the period of more than twelve months from when the financial statements are authorised for issue.

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



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 2021-2022 and the Statement of Accounts 2021-2022, 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 2021-2022 and the Statement of Accounts 2021-2022.

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 (as amended)
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)

- ▶ 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 (as amended)
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ 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 2022.

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/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), 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.



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

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, 2020, and 2022,
 - ▶ 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 (as amended), 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



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

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 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 December 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 the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) 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 on our work on value for money arrangements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2022. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

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

Date



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 the following misstatements and adjustments greater than £0.1 million which have been corrected by management.

Adjusted misstatements

We have identified the following audit differences in the financial statements which management have agreed to amend:

- A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. This resulted in amendment of IAS 19 related balances and disclosures throughout the financial statements with a net impact of increasing the pension fund asset by £3.9 million.
- We identified that the garages were valued using an incorrect assumption regarding the number of weeks rent is applied. This resulted in the garages valuation being understated by £1.8 million.
- We also identified a further difference between our calculation of the revalued garages and the valuation by the Council's valuers of an understatement £0.3 million.
- We identified that management was not treating the indexation as a formal valuation and therefore was not eliminating the accumulated depreciation when as assets valuation was indexed for either other land and buildings (OLB) or housing stock (HRA) assets. The OLB and HRA have been understated by £1.1 million and £2.0 million, respectively.
- Management has reclassified the incorrect amount from community assets to infrastructure assets. This has resulted infrastructure assets to be understated and community assets to be overstated by £1.7 million.
- Management has incorrectly classified the Disabled Facilities Grant income of £1.0 million as netting against expenditure
- Management has incorrectly classified £0.4 million repayable grant as REFUS. This amount should have been classified within debtors
- We identified £0.4 million of assets on the asset register that the Council have either disposed of or scrapped. These should have been removed from cost and accumulated depreciation. This has no impact on the Balance Sheet
- We identified that £0.3 million of intangible assets had incorrectly been classified as Vehicle, Plant and Equipment within PPE. Both the gross book value and accumulated depreciation should have been classified within intangible assets. These assets have a nil net book value and therefore nil impact on the Balance Sheet
- Management has incorrectly included £0.1 million as the 'interest receivables and similar income' in Note 12 - Financing and Investment Income and Expenditure, This amount should have been classified as 'income and expenditure in relation to investment properties and changes in their fair market value' in Note 12.



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

Prior year Adjusted misstatements

We have identified the following audit differences that in aggregate are greater than performance materiality in the 2020/21 financial statements that management has agreed to amend:

- We identified that management was not treating the indexation as a formal valuation and therefore was not eliminating the accumulated depreciation when as assets valuation was indexed for either other land and buildings (OLB) or housing stock (HRA) assets. The OLB and HRA have been understated by £1.0 million and £1.7 million, respectively.



Audit Differences (Cont.)

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and 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 2022 (Currency'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)	Equity Components Debit/ (Credit)
Misstatements	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Judgemental differences:							
<ul style="list-style-type: none"> Investment Property valuation differences identified: <ul style="list-style-type: none"> Ashdown house valuation overstated by £1,007,500 1 - 7 Station Road valuation understated by £179,000 49 - 51 High Street valuation overstated by £30,000 		859		(859)			
<ul style="list-style-type: none"> Property, Plant and Equipment valuation differences identified: <ul style="list-style-type: none"> Greylands valuation understated by £415,457 Showrooms valuation overstated by £174,933 Crawley Museum valuation overstated by £147,566 Broadfield Stadium valuation understated by £435,458 	(528)			528			
<ul style="list-style-type: none"> Overstatement of the NDR appeals provision (£155,000 total impact, £62,000 impact on Crawley Borough Council financial statements) 		(62)			62		
Cumulative effect of uncorrected misstatements before turnaround carried forward	(528)	797	-	(331)	62	-	



Audit Differences (Cont.)

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and 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 2022 (Currency'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)
Misstatements	£'000	£'000	£'000	£'000	£'000	£'000	
Cumulative effect of uncorrected misstatements before turnaround brought forward	(528)	797	-	(331)	62	-	
Factual differences:							
<ul style="list-style-type: none"> The Council prorated the 52 weeks housing rent between 4 days of the period 21/22 and 3 days of 22/23. The full 3 days prorated amount for 22/23 (i.e 413 k) has been incorrectly included as payables in 2021/22 period. This should have been recorded as receivables. 			(413)		413		
<ul style="list-style-type: none"> The Council's specialist valuer has used incorrect GIA measurements in K2 Leisure Centre asset. This has resulted this asset to be overstated by £153k. 	153			(153)			
Projected differences:							
<ul style="list-style-type: none"> We identified that there were assets on the asset register that no longer existed. Projection of these errors on the remaining population identified a potential overstatement of £684,000 				684	(684)		
<ul style="list-style-type: none"> We identified that there were intangible assets on the asset register that no longer existed. Projection of these errors on the remaining population identified a potential overstatement of £221,000 				221	(221)		
Cumulative effect of uncorrected misstatements before turnaround effect	(375)	797	(413)	(484)	475	-	



Audit Differences (Cont.)

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and 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 2022 (Currency'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)
Misstatements	£'000	£'000	£'000	£'000	£'000	£'000	
Cumulative effect of uncorrected misstatements before turnaround brought forward	(375)	797	(413)	(484)	475	-	
Turnaround effect :							
• Overcharging of rent to Council tenants relating to the year ended 31 March 2021		(688)					
• Overstatement of grant income due to applying whole grants to income in the year of receipt rather than applying the income to match the year of expenditure in line with the Code		1,434					
• Understatement of the shared equity debtor		331					
Cumulative effect of uncorrected misstatements	(375)	1,874	(413)	484	475	-	



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.

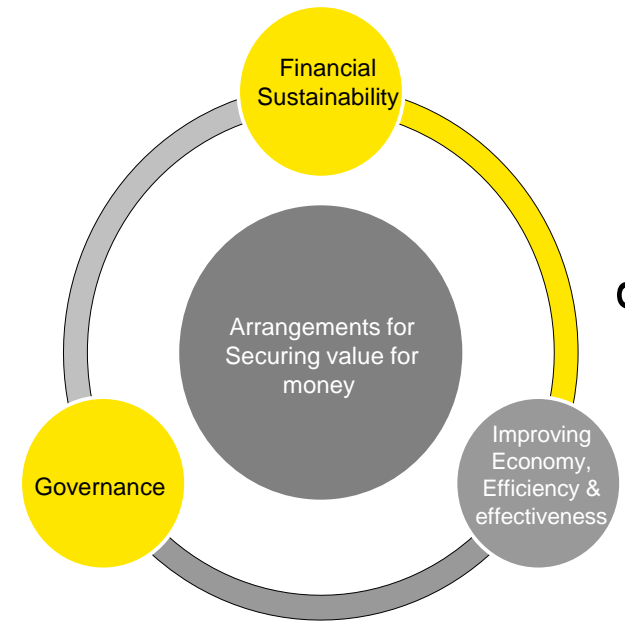
Risk assessment

In the Audit Plan, we reported that our value for money (VFM) risk assessment was in progress but had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We have concluded our VFM risk assessment and no risks of significant weaknesses were identified.

Following completion of the audit of the financial statements, we have revisited our assessment and remain satisfied that we have not identified a risk of significant weakness.

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 following our audit opinion on the financial statements.





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 2021/22 with the audited financial statements.

Financial information in the Statement of Accounts 2021/22 and published with the financial statements was consistent 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.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

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

We have not yet performed the procedures required on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

Other reporting issues

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 Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

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 no matters 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.

We 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.

However, we have the following issues to bring to your attention.

Quality of the Statement of Accounts:

We identified a significant number of misstatements during the course of the audit, both corrected and uncorrected. The Council needs to put in place more robust processes in relation to the quality verification of the preparation of the financial statements. This includes the preparation of the financial statements in line with the CIPFA guidance and accounting standards, quality of working papers to support the balances and transactions disclosed, documentation of judgements made by management in preparing the financial statements and the final review process by management before publishing them on the Council's website as ready for audit.

Recommendations in relation to asset valuations

Wilks Head & Eve's valuation methodology continues use a gross yield rather than a net yield in determining property valuations on behalf of the Council. We do not consider this is in line with open market practice. A gross yield does not consider relevant purchase costs attributable to the property. If the Council were to sell the asset, any purchaser would reflect their purchase cost within the price offered. The Council should continue to challenge this approach when taken by their specialist.

When testing the valuation of the Council's other land and building assets valued on an EUV basis, we identified that the floor plan measurements used by Wilks Head & Eve (WHE) in calculating the valuation of these assets were not always in line with the floor plan evidence provided by the Council. We therefore recommend management to verify measurements used by WHE and challenge the valuation in case of incorrect measurements being used.



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 Council, 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 2021 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 next page includes a summary of the fees due for the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

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. We confirm that we have not undertaken non-audit work other than the certification of the Council's Housing Benefit Claim.

EY Transparency Report 2023

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 2023:

[EY UK 2023 Transparency Report | EY UK](#)

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Planned Fee 2021/22 £	Scale Fee 2021/22 £	Final Fee 2020/21 £
PSAA Scale Fee	50,291	50,291	50,291
Scale fee rebasing (Note 1)	34,248	-	34,248
Revised proposed scale fee:	84,539	50,291	84,539
In-year scale fee variation:			
Scale fee variation - Additional audit work (Note 2)	TBC		16,423
Scale fee variation - PSAA pre-approved additional fee for VFM and ISA540 (Note 3):	8,500 - 12,500		8,500
Total audit related fees	TBC	TBC	109,462
Housing Benefit Claim Certification Fees	TBC	TBC	TBC
Total fees	TBC	TBC	109,462

All fees exclude VAT

** this is our proposed figure that has been submitted to the PSAA*

The agreed fee presented is also based on the following assumptions:

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

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

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

Relationships, services and related threats and safeguards (Cont.)

Services provided by Ernst & Young

Notes

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 was 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 submitting a request for this additional work undertaken on:

- ▶ Work of EY expert to calculate an auditors estimate of the pension liability, including the re-performance of roll forward for the triennial pensions update, and the valuation of assets;
- ▶ Work on the over charging of housing rents for financial statements, including consultation on the NOCLAR with Professional Practice; and
- ▶ Reperformance of work due to poor quality working papers and the significant level of error identified in the draft financial statements.

Note 3 - 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.






09

Appendices





Appendix A

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 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 - February 2023
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 - February 2023
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 	Audit Results Report - March 2023 and updated Audit Results Report - November 2023

Appendix A (Cont.)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <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 	Audit Results Report - March 2023 and updated Audit Results Report - November 2023
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 	Audit Results Report - March 2023 and updated Audit Results Report - November 2023
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. 	Audit Results Report - March 2023 and updated Audit Results Report - November 2023
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. 	Audit Results Report - March 2023 and updated Audit Results Report - November 2023







Appendix A (Cont.)

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority'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 Authority 	Audit Results Report - March 2023 and updated Audit Results Report - November 2023
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 - February 2023</p> <p>Audit Results Report - March 2023 and updated Audit Results Report - November 2023</p>
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. 	Audit Results Report - March 2023 and updated Audit Results Report - November 2023
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. 	Audit Results Report - March 2023 and updated Audit Results Report - November 2023

Appendix A (Cont.)

Required communications with the Audit Committee (continued)

		 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. 	Audit Planning Report - February 2023 Audit Results Report - March 2023 and updated Audit Results Report - November 2023
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 	Audit Results Report - March 2023 and updated Audit Results Report - November 2023
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 	Audit Results Report - March 2023 and updated Audit Results Report - November 2023
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 	Audit Results Report - March 2023 and updated Audit Results Report - November 2023
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Planning Report - February 2023 Audit Results Report - March 2023 and updated Audit Results Report - November 2023 Auditor's Annual Report - TBC
Value for Money	<ul style="list-style-type: none"> ▶ Risks of significant weakness identified in planning work ▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Audit Planning Report - February 2023 Audit Results Report - March 2023 and updated Audit Results Report - November 2023 Auditor's Annual Report - TBC

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 2022. 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 2022 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 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
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 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), 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.



Appendix B (Cont.)

Management representation letter

Management Rep Letter

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 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), 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. and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus 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 not corrected these differences identified by and brought to the attention from the auditor because **[specify reasons for not correcting misstatement]**.
6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

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. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect 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 disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - ▶ involving financial improprieties;
 - ▶ 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.



Appendix B (Cont.)

Management representation letter

Management Rep Letter

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 and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
 3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: TBC.
 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 period 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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
 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 or the beginning of the current period for initial audits through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.
- 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.



Management representation letter

Management Rep Letter

F. Subsequent Events

1. As described in Note 5 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, 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 information included in the Statement of Accounts 2021/22, Narrative Report 2021/22 and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Council and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), aligned with the statements we have made in the other information or other public communications made by us.

I. Comparative information - comparative financial statements

In connection with your audit of the comparative financial statements for the year ended 31 March 2021, we represent, to the best of our knowledge and belief, the following:

1. We have identified the following audit differences that in aggregate are greater than performance materiality in the 2020/21 financial statements that management has agreed to amend:
 - ▶ Management was not treating the indexation as a formal valuation and therefore was not eliminating the accumulated depreciation when as assets valuation was indexed for either other land and buildings (OLB) or housing stock (HRA) assets. The OLB and HRA have been understated by £1.0 million and £1.7 million, respectively.

The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

J. 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.

K. Reserves

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



Management representation letter

Management Rep Letter

L. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:
 - ▶ Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

M. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the IAS 19 pensions liability, valuation of our land and buildings and investment properties 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.

N. Estimates

NDR Appeals Provision

1. We confirm that the significant judgments made in making the NDR appeals provision have taken into account all relevant information 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 NDR appeals provision.
3. We confirm that the significant assumptions used in making the NDR appeals provision appropriately reflect our intent and ability to carry out our services 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, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the NDR appeals provision.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

Valuation of assets

1. We confirm that the significant judgments made in making the valuation of assets 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 valuation of assets.
3. We confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out our services on behalf of the entity.



Appendix B (Cont.)

Management representation letter

Management Rep Letter

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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialised skills or expertise has been applied in making the valuation of assets.
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.

IAS 19 pensions liability

1. We confirm that the significant judgments made in making the IAS 19 pensions liability have taken into account all relevant information 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 IAS 19 pensions liability.
3. We confirm that the significant assumptions used in making the IAS 19 pensions liability appropriately reflect our intent and ability to carry out our services 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, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 pensions liability.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

O. 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,

(Head of Corporate Finances)

I confirm that this letter has been discussed and agreed at the Audit Committee on 21 November 2023.

(Chair of the Audit Committee)

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Crawley Borough Council

Report to the Audit Committee

21 November 2023

Internal Audit Progress Report

Report of the Head of Corporate Finance – FIN/639

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 2023.

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 Committee approved its Internal Audit Plan at its meeting of 20 March 2023.
- 4.2. 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.
- 4.3. 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;

Agenda Item 7

- a summary of significant issues that may impact on the Chief Internal Auditor's annual opinion.
- 4.4. 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 2023.

Report author and contact officer: Carolin Martlew, Head of Corporate Finance



Southern Internal Audit Partnership

Assurance through excellence
and innovation

CRAWLEY BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT OCTOBER 2023

Prepared by: Iona Bond, Assistant Head of Partnership

NOVEMBER 2023

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:

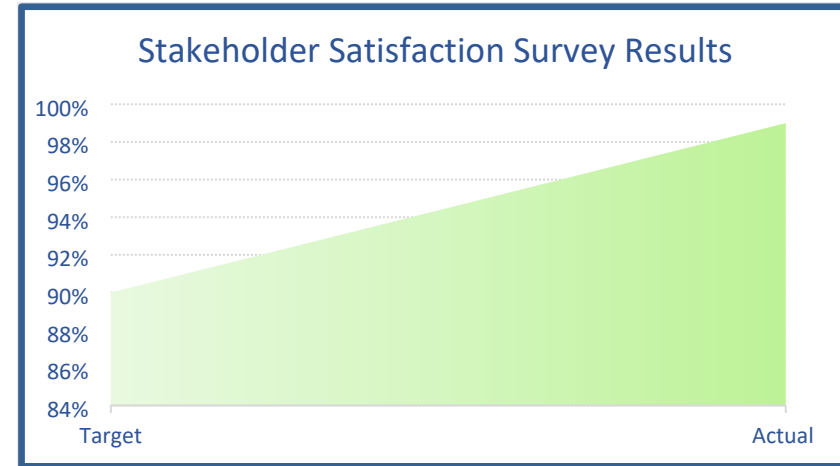
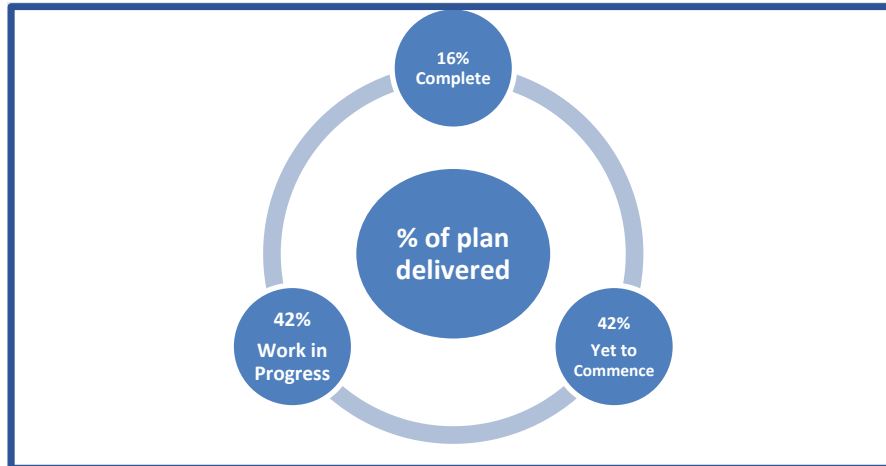
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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, reference is provided at Annex 3.

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



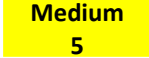

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Yet Due	Complete	Overdue		
							L	M	H
2021/22 Reviews									
Health and Safety	15.06.22	HofGP&P	Limited	7 (2)	0 (0)	5 (2)		2	
2022/23 Reviews									
Payroll	19.01.23	HofCF	Reasonable	3 (0)	1 (0)	2 (0)			
Air Quality Management	07.02.23	HofCoS	Reasonable	3 (0)	0 (0)	2 (0)		1	
Recruitment, Retention and Leavers	08.03.23	HofGP&P	Reasonable	6 (4)	0 (0)	0		2	4
Compliance – Gas Safety (Housing Stock)	08.03.23	HofCH	Reasonable	13 (7)	0	9 (6)		3	1
Crawley Growth Programme	11.05.23	HofE&P	Reasonable	3 (0)	2	1			
Health and Safety – Driver Safety Training	13.04.23	Hof GP&P	Limited	8 (3)	2 (0)	1 (0)		2	3
Taxi/ Private Hire Licensing – New Driver Apps	20.06.23	HofCoS	Limited	9 (4)	0 (0)	7(3)	1		1
Contract Management	18.09.23	HofCF	Limited	6 (1)	6 (1)	0(0)			
2023/24 Reviews									
Corporate Complaints	02.08.23	HofGP&P	Reasonable	3 (0)	3 (0)	0 (0)			
Electrical Safety Checks (Housing Stock)	13.10.23	HofCH	Limited	7 (5)	7 (5)	0 (0)			
Total							1	10	9

*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 two reports published concluding a “Limited” assurance opinion since our last progress report in September 2023.

Contract Management (2022/23)				
Audit Sponsor	Assurance opinion	Management Actions		
Head of Corporate Finance				

Summary of key observations:

Audit testing confirmed that contract management responsibilities for individual contracts are clearly assigned to appropriate officers. Should any conflicts of interest arise for officers with contract management responsibilities these would be required to be reported in line with the Employee Code of Conduct with appropriate action taken where required as confirmed in the Council’s Constitution.

Where required, significant contractual issues with service providers are managed through the Dispute Resolution process detailed in the relevant contract. Audit testing evidenced the use of this process for contractual issues arising from the Tree Maintenance Services contract in respect of the service provider’s meeting attendance, the providing of meeting minutes and performance issues.

A review of contracts included in the audit confirmed that payment mechanisms and processes are documented. Invoices are verified, with queries resolved, and approved prior to payment, in line with contractual arrangements and the Council’s payment Contract Management 2022/23 processes. Contract expenditure is appropriately recorded and monitored by the Contract Lead, as budget holder, and the Finance Team. Detailed transaction testing was not carried out as part of this review.

Although audit testing confirmed that responsibilities and processes are in place to ensure the Contract Register remains up to date and expiry dates are reviewed to maintain continuity of service provision, testing identified that the Contract Register did not accurately reflect the expiry date and expiry review date for two of the contacts included in the audit. In addition, expiry review dates for contracts were not always recorded.



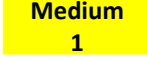

Contract management guidance, detailing best practice and requirements, is in place and managed through the Shared Procurement Service and is available to staff on the Council's intranet and the Shared Procurement Service portal. However, audit testing identified that whilst Contract Leads were aware of the contract management guidance available, it was not always read.

Contract management training is provided by the Procurement Team to officers with contract management responsibilities with a record of training undertaken maintained. However, the training records reviewed for the latest sessions, carried out in November and December 2022, indicated that Contract Leads for two of the contracts reviewed had not attended.

Contracts entered into by the Council are signed by relevant parties. Audit testing confirmed that individual contracts detail the contractual terms and conditions relating to the service provision, with a copy available to the relevant parties to ensure awareness of their contractual responsibilities is maintained and understood. However, testing confirmed that whilst a signed contract was in place for the contracts reviewed, a copy of the contract was not always held by the Contract Lead.

A review of contract management oversight arrangements identified that whilst Contract Leads liaise with service provider representatives to discuss contractual issues, meeting dates are not formally diarised in all cases and meeting discussions are not always formally documented. Issues with services provider's responsibilities for the provision of meeting agendas and minutes and meeting attendance were also identified. In addition, formal risk assessment and management processes are not in place for contracts to enable potential risks to service delivery to be effectively managed.

Electrical Safety Checks (Housing Stock)

Audit Sponsor	Assurance opinion	Management Actions		
Head of Crawley Homes				

Summary of key observations:

The delivery of Electrical Safety Checks should be in compliance with the relevant Health and Safety and other statutory regulations. We have confirmed that the contracts stipulate the requirement for the contractors to deliver these checks in compliance to the relevant current and future Health and Safety regulations.

Roles and responsibilities for the management of electrical safety are clearly defined for staff and contractors within the Electrical Safety Policy.

The database used for identifying and scheduling electrical inspections is ActiveH, which is a newly acquired housing and asset management system. We have confirmed with the Asset Surveyor and Compliance Manager, that all data was checked and reconciled once it was transferred over from CRT (the old database).

The two contractors provide monthly key performance reports covering electrical safety, which provide information on areas such as issued and work in progress (WIP) jobs for the month as well as rolling weekly WIP, days to complete the jobs, out of hours jobs, etc. We have seen records of the weekly meetings taking place with the contractors to discuss progress and any issues as well as core meetings taking place monthly where members of SMT are present to discuss operational information.

There is a price framework where costs are managed on an open book basis and submitted for valuation to the quantity surveyors to ensure that the cost is valid, based on market rates and other external factors that may influence the costs. Our review confirmed that records and invoices of the jobs completed are submitted to the surveyors on a monthly basis. This information is used to carry out valuation and a valuation certificate is issued based upon which the payment is issued by the finance team. We tested all payments made over a quarter and they were all made to the right contractors for the right amounts.

There is an Electrical Safety Policy in place which was issued in April 2022 and was due for a review in December 2022, which has not taken place. Evidence of the approval of this policy was not available.

The Council is responsible for ensuring that all properties within their remit have electrical safety inspections taking place every five years, in order to be compliant with the regulatory requirements. As at the 31st of March 2023, there were approximately 15% of properties where electrical safety checks were overdue with some being overdue for a significant time period, having missed several inspections.

All Electrical Condition Inspection Reports (ECIR)s are uploaded on to the contractors' systems once they are completed. Our sample check of ECIRs confirmed that there were two properties where certificates were not available. However, there were dates recorded on the system for completion of inspection which were evident from the ECIR report. There were three further properties where the dates on the ECIRs did not match with the dates on the ECIR report.

Section 11.4 of the Council's Procurement Code states that, 'The original signed/sealed contract documents must be forwarded to Legal / Democratic Services for indexing, inclusion on the Council's contracts register and secure storage.' Evidence of signed and sealed copy of the contract with Mears was presented, however, evidence of the signed and sealed contract with Wates was not available.

6. Planning & Resourcing

The internal audit plan for 2023-24 was presented to the Corporate Management Team (CMT) and the Audit Committee in March 2023.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. A number of changes have been made to the plan and these are shown in the table in section 8.

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
2022/23 Reviews								
Contract Management	HofCF	✓	✓	✓	✓	✓	Limited	
2023/24 Reviews								
Governance								
Procurement	HofCF	✓	✓					
Corporate Complaints	HofGP&P	✓	✓	✓	✓	✓	Reasonable	
Information Governance	HofGP&P							Q4
IT								
Cyber Security	HofD&T							Q4
IT Asset management	HofD&T	✓	✓	✓				
Core Financial								
Main Accounting	HofCF	✓						
Housing Rents	HofCH							Q4
Delivering value for money and modernising the way we work								
Commercial Properties	HofCF							Q4
Delivering affordable homes for Crawley and reducing homelessness								
Homelessness	HofSS							Q4
Statutory Checks - Asbestos	HofCH							Q4
Statutory Checks – Fire Safety	HofCH	✓						
Statutory Checks - Electrical	HofCH	✓	✓	✓	✓	✓	Limited	
Responsive Repairs	HofCH	✓	✓					
Protecting the Environment								
Water Neutrality Strategy	HofE&P	✓	✓	✓				
Providing high quality leisure and culture facilities and supporting health and wellbeing services								
Community Facilities – Regulatory Compliance	HofComS	✓	✓	✓				

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Creating stronger communities								
Community Safety and Enforcement	HofCH	✓						
Other								
Parking (and Enforcement)	HofCoS							Q4
Development Management - CIL	HofE&P							Q4

8. Adjustments to the Internal Audit Plan

The following adjustments to the plan have been made:

Plan Variations	
Removed from the Plan	Reason
Statutory Checks - Lifts	External sources of assurance obtained. No requirement for additional internal audit review.
Statutory Checks – Water Safety	Deferred until 2024/25 to allow for all data to be migrated into the Council’s system.
Health and Safety – New Town Hall	Not a priority area for 2023/24. Policies and procedures as reviewed in 21/22 are substantially the same for new Town Hall. All emergency equipment installed is new and under guarantee.
Towns Fund	Deferred until 2024/25. Full audit in 2022/23 and no new significant projects will be at a stage during 2023/24 that an audit would add value
Crawley Growth Programme	Deferred until 2024/25. Full audit in 2022/23 and no new significant projects will be at a stage during 2023/24 that an audit would add value
PCI	No progress towards compliance, revisit the requirement for review in 2024/25
Port Health	Audit being undertaken by DEFRA, from which we would seek to place assurance, therefore no further internal audit coverage required in 2023/24.
Parks and Open Spaces	Timing considered better from 2024/25 in recognition of new cash receipting system being implemented during the Q3/4 of 2023/24.
Climate Action Plan	Deferred until 2024/25 to allow for the new Sustainability Manager to take up post.

Added to the Plan	Reason
Compliance Checks – Fire Safety	Cancellation from 2022/23
Compliance Checks – Electrical Safety	Cancellation from 2022/23

Overdue 'High Priority' Management Actions

Recruitment, Retention and Leavers Processing and Monitoring – Partial Assurance			
<p>Observation: The shortlisting of candidates to be selected for interview is undertaken by the recruiting manager. The review of applications and shortlisting is completed manually and only the decision to invite applicants for interview or reject them is recorded on the recruitment system. Evidence of the shortlisting process is not retained on the HR system or in HR's records and audit testing was therefore not able to evidence shortlisting had been based on the advertised criteria.</p> <p>Following the interview, the interview panel are required to send the interview notes and assessments to HR for retention. This part of the process is manual. Audit testing identified HR had received interview documentation for two out of a sample of ten.</p>			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Take a proposed corporate approach around shortlisting and interviewing record requirements to CMT.	30.04.2023	31.10.2023	<p>01/08/2023 a paper was presented to CMT for discussion on Recruitment and Retention as it is identified as a corporate strategic risk.</p> <p>A further paper to CMT by the end of October 23 will cover off the actions identified in Observations 2,3,4,5.</p> <p>So the completion dates for these actions need to be put back. This is mainly down to capacity issues across the division, unexpected projects and delays with developing the HR systems project.</p>

Recruitment, Retention and Leavers Processing and Monitoring – Partial Assurance**Observation:**

There is an online job advert template with guidance notes for completion by recruiting managers. From our sample of nine job adverts reviewed we identified a number of inconsistencies and non compliance with the guidance notes.

Job adverts are submitted to HR via the online recruitment system for processing and advertising. HR undertake some checks before adverts are posted however it is not clear what responsibility HR has for ensuring the quality of adverts.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Take a proposed corporate approach around development of job adverts to CMT	30.04.2023	31.10.2023	01/08/2023 a paper was presented to CMT for discussion on Recruitment and Retention as it is identified as a corporate strategic risk. A further paper to CMT by the end of October 23 will cover off the actions identified in Observations 2,3,4,5. So the completion dates for these actions need to be put back. This is mainly down to capacity issues across the division, unexpected projects and delays with developing the HR systems project.

Recruitment, Retention and Leavers Processing and Monitoring – Partial Assurance**Observation:**

Although guidance for managers relating to recruitment and leavers processing is available on the intranet, they are not comprehensive and recruitment responsibilities are not always clear, resulting in the Recruitment & HR Information Officer having to guide recruiting managers on their responsibilities. A review of the current guidance would be beneficial to ensure that they are sufficient, clear and avoid any ambiguity around responsibilities.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Take a proposed corporate approach around recruiting manager responsibilities to CMT	30.04.2023	31.10.2023	01/08/2023 a paper was presented to CMT for discussion on Recruitment and Retention as it is identified as a corporate strategic risk. A further paper to CMT by the end of October 23 will cover off the actions identified in Observations 2,3,4,5. So the completion dates for these actions need to be put back. This is mainly down to capacity issues across the division, unexpected projects and delays with developing the HR systems project.

Recruitment, Retention and Leavers Processing and Monitoring – Partial Assurance

Observation:

Start dates for new recruits are agreed once all pre-employment checks have been satisfactorily completed. One applicant in the audit sample had started employment without receiving at least one reference. There are instances where an urgent start date may be required before all necessary checks have been completed.

In instances such as these there is no process in place to undertake a risk assessment that would identify the risks and any safeguards that may need to be put in place to protect the Council.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Take a proposed corporate approach around pre-employment check requirements to CMT	30.04.2023	31.10.2023	01/08/2023 a paper was presented to CMT for discussion on Recruitment and Retention as it is identified as a corporate strategic risk. A further paper to CMT by the end of October 23 will cover off the actions identified in Observations 2,3,4,5. So the completion dates for these actions need to be put back. This is mainly down to capacity issues across the division, unexpected projects and delays with developing the HR systems project.

Compliance – Gas Safety Audit (Housing Stock) Assurance**Observation:**

The Council has a contractual arrangement with a third party to undertake gas safety checks and included in the terms of the contract is an agreement to comply with Data Protection legislation between the parties. The Council shares gas safety data with the contractor which includes information relating to individuals residing in council owned properties. The contract states that "Notwithstanding this clause 30, in the event that the Service Provider is reasonably expected to be acting as a Data Processor it shall enter into a data sharing agreement with the Client". We requested a copy of the Data Sharing Agreement between the two parties however we were informed that the Council was not able to locate the Data Sharing Agreement that was in place. Without reference to the Data Sharing Agreement the Council cannot define what is the parties' roles and the purpose of the data sharing and what is going to happen to the data.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
If there is no DSA present in the strong room, we will draft and issue a DSA between the Client and the Service Provider.	28.04.2023	29.09.2023	Work in progress. New DSA being drafted.

Taxi and Private Hire Licensing – New Driver Applications– Partial Assurance**Observation:**

Discussions with the TLPHS&LS and the TSO highlighted the fact that there are currently no written internal procedure notes on the new process in place. The TLPHS&LS explained that the process is constantly changing, but that it would be possible to write procedure notes on the basic process.

The TSO added that the paper front sheet they use for each of the applications acts as a form of procedure note as it contains a checklist. Uniform also contains a checklist. The checklists do not contain information on how to perform the checks though, other than in the case of the English Language Standard check, as the front sheet contains guidance on what qualifications to check.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Now that the procedure has been fully tested, a documented process will be produced, including a flow chart.	01.08.2023	31.12.2023	Policy revisions ongoing as well as revisions to the application form to make it easier for individuals to apply and complete the process. Process flowchart to be finalised and updated on the website by 12.12.2023.

Health and Safety – Driver Safety Training – Partial Assurance**Observation:**

The Council's Vehicle Policy requires a Manager or Supervisor to complete a Grey Fleet Register Form for drivers using their own vehicle/s during any Council business to ensure the vehicles are 'fit for purpose', taxed and roadworthy. The purpose of the form is to capture that a drivers Driving Licence, Road Fund Licence Disc, Insurance Certificate and MOT Certificate has been checked annually at the same time as the CBC Drivers Assessment Form and placed on file.

A sample of 25 drivers were selected for testing across three service areas; these were Crawley Homes, Communities and Neighbourhood Services. Of the 25 drivers, 11 were drivers that used their own vehicles and should have been subject to completion of a Grey Fleet Register Form. This had not been completed for any of the drivers, nor were the Services Managers aware of the requirement.

We also noted that vehicle tax discs were abolished in 2014 and therefore, the requirement to check a drivers 'Road Fund Licence Disc' is obsolete. The Council can check this on the Gov website at <https://www.gov.uk/check-vehicle-tax> and may wish to amend the wording in the Vehicle Policy if this is still a requirement.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
All employees who use their personal vehicle for council business will have their Driving Licence, Road Tax paid status, Insurance Certificate and MOT Certificate checked annually as part of their annual PDR (appraisal). The Grey Fleet Form (GFF) will be completed as a record of these checks. Further, all council vehicle drivers will have their driver licences checked annually during PDRs. These driver checks (via PDRs) will next take place between mid-June and the end of August 2023. (Head of Governance, People and Performance to seek confirmation of completion of this initial task from line managers).	30.09.2023	31.01.2024	<p>More detailed work was required before a corporate request could be put to all team managers.</p> <p>In the meantime the Finance Team has also undertaken some work to check these details.</p> <p>Corporate comms will go out ASAP with a view to checks being undertaken.</p>

Health and Safety – Driver Safety Training – Partial Assurance

Observation:
 All employees driving on Council business, whether they are operating personal, or fleet vehicles are subject to driver risk assessments completed by line management.
 A sample of 25 drivers were selected for audit testing. One Driver Assessment Form could not be provided, leaving 24 available for testing.

On 4 occasions the drivers risk rating had not been calculated correctly. This meant that:

- One driver was scored 15 points rather than 35, still making them low risk.
- One driver was scored 35 instead of 40 taking them from low to medium risk.
- One driver score had not been populated in the available fields nor had their total risk rating been calculated. When populated by Audit, the driver’s score put them at medium risk.
- One driver score had been incorrectly calculated as 45 instead of 55 taking them from medium to high risk.

Management Action	Original Due Date	Revised Due Date	Latest Service Update
All employees who use their personal vehicle for council business or drive council vehicles will undergo a Driver Risk Assessment (DRA) annually as part of their annual PDR (appraisal). These will next take place between mid-June and the end of August 2023. Line Managers (conducting the assessments) will be reminded to take care in completing this task accurately. (Head of Governance, People and Performance to seek confirmation of completion of this initial task from line managers).	31.08.2023	31.01.2024	More detailed work was required before a corporate request could be put to all team managers. Corporate comms will go out ASAP with a view to DRAs being undertaken.
The Health & Safety Team will review a small sample from across the organisation to scrutinise the accuracy of scoring.	30.09.203	29.02.2024	This will follow the above action.

Overdue 'Low & Medium Priority' Management Actions (July 2023)

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Health and Safety	15.06.2022	Reasonable	Medium	31.08.2022	31.12.2023
			Medium	30.09.2022	31.12.2023
Air Quality management	07.02.2023	Reasonable	Medium	01.07.2023	31.03.2024
Recruitment, Retention and Leavers Processing and Monitoring	08.03.2023	Reasonable	Medium	30.09.2023	31.10.2023
			Medium	30.05.2023	31.10.2023
Compliance – Gas Safety Audit (Housing Stock)	08.03.2023	Reasonable	Medium	31.03.2023	01.12.2023
			Medium	28.04.2023	01.12.2023
			Medium	31.03.2023	01.12.2023
Health and Safety – Driver Safety Training	13.04.2023	Limited	Medium	30.09.2023	30.11.2023
			Medium	30.09.2023	30.11.2023
Taxis and Private Hire Licensing – New Driver Applications	20.06.2023	Limited	Low	01.08.2023	31.12.2023

Crawley Borough Council Assurance Opinions (Pre 2022/23)

Substantial	<i>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.</i>
Satisfactory	<i>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.</i>
Limited	<i>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.</i>
No	<i>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.</i>

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Agenda Item 8

Crawley Borough Council

Report to the Audit Committee

21 November 2023

Risk Management Update

Report of the Head of Governance, People & Performance – LDS/210

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

- a) The Committee is requested to consider the contents of this report and confirm it is satisfied with risk management arrangements.
- b) 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.

4. Background

- 4.1. The Corporate Management team regularly review the Strategic Risks of the Council and look at the mitigations of those risks. This is a live document and updates on 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.

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- 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.

5. Risk Management Arrangements

- 5.1. The Council's approach to risk management is set out in its [Risk Management Strategy](#). 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 (Appendix A) is a live document which is regularly reviewed by the Corporate Management Team, and it includes a summary of the current analysis of residual risk as well as detail on each Strategic Risk.
- 6.3. 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). This is set out in the Risk Management Strategy.
- 6.4. Risks around the provision of affordable housing, cost of living, homelessness, water neutrality, climate change emergency and maintaining a balanced budget are exceeding this score. In these cases, there are external factors that are affecting the score, these scores are being constantly reviewed and updates will be provided at future Audit Committees.

7. Updates since the last Audit Committee meeting (5 September 2023)

- 7.1 Risk 1: New Town Hall has now been removed. The remaining strategic risks were in relation to the final account which has now been settled. Whilst work continues to close this project, the remaining risks are not sufficient to warrant future inclusion on the strategic risk register.
- 7.2 Risk 4: Homelessness. The post mitigation score has been increased from 15 to 20 due to the continued levels of demand coming into the service and the limited number of opportunities for pathways out of temporary accommodation. Efforts to mitigate the risk score are not keeping pace and temporary accommodation and nightly paid usage continues on an upward trajectory. Representation continues to be made to Government departments and opportunities for collaborative lobbying with other Local Authorities also facing significant challenges are being taken forward.

Agenda Item 8

- 7.3 Risk 9: Maintaining a balanced budget. The risk score without controls has been increased from 16 to 25 and the post mitigation score has been increased from 12 to 16. This reflects the continuing pressure being placed on the outturn against budget, due to the increased spend on the homelessness budget, the increased employers pay offer and the challenging conditions for town hall lettings. The challenge of budget exercise is continuing to identify savings, efficiencies, and increased income. Further options are being considered as part of the Budget Strategy report which will be presented to Cabinet on the 29 November 2023.
- 7.4 Risk 10: Organisational Capacity: Recruitment, Retention & Succession Planning. This risk has now been combined into one risk (previously Risk 10 & 11). The risk scores without controls and post mitigation remain unchanged. The commentary within the mitigation column has also been updated.
- 7.5 Risk 18: Presence of RAAC (Reinforced autoclaved aerated concrete) in Council properties. This risk has been added to the strategic risk register as we have a responsibility to identify any council properties constructed using RAAC and validate the potential risk appropriately. We are currently undertaking the initial risk assessment and once completed we will confirm the risk scores and mitigations.
- 7.6 Risk 20: Digital Accessibility. This risk has been removed from the strategic risk register and will be monitored at an operational level as the overall risk scores were relatively low. Should the situation change, it may be added to the strategic risk register in future.
- 7.7 A recommendation from the last Audit Committee was a request for the Chief Executive and / or Cabinet to consider benchmarking strategic risk against other local authorities. A desk top benchmarking exercise was undertaken by the Corporate Performance Manager which included a combination of West Sussex and CIPFA (Chartered Institute of Public Finance and Accountability) nearest neighbour authorities. A total of 10 authorities' strategic risks were reviewed. This was shared and discussed with the Corporate Management Team. It was reassuring that Crawley's strategic risk register was comparable with other local authorities and as such CMT agreed that no further changes were required at this time.

Report author and contact officer: Anna Pedlow, Corporate Performance Manager

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Strategic Risk Register

Appendix A

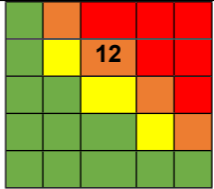
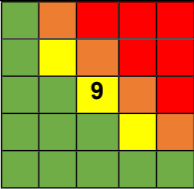
This register details the strategic risks faced by Crawley Borough Council in relation to achieving its priorities and includes the mitigation action being taken to control these risks. The register is owned by the Chief Executive and Corporate Management Team and is updated regularly.

Below is the matrix we use when scoring risk for any project or activity. The risk assessment criteria used to score risks is shown in more detail at Appendix B. We also consider the risk appetite for each risk based on the definitions below.



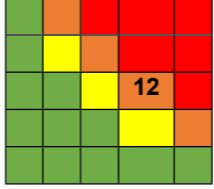
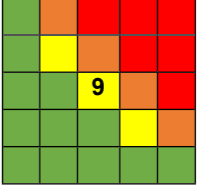
Impact	5 Catastrophic	5	10	15	20	25
	4 Major	4	8	12	16	20
	3 Moderate	3	6	9	12	15
	2 Minor	2	4	6	8	10
	1 Insignificant	1	2	3	4	5
		Remote 1	Possible 2	Likely 3	Probable 4	Highly probable 5
Probability						

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

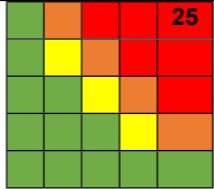
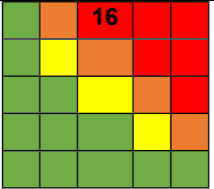
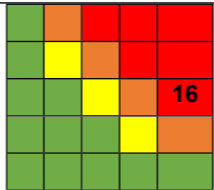
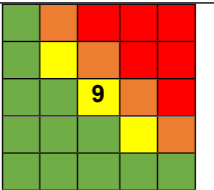
Risk ID	Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
1.	District Heat Network	<p>Failure to balance value with return in relation to the ongoing operation, maintenance, and billing of the District Heat Network.</p> <p>The inflationary context in particular creates a pricing risk, attempting to ensure value for residents whilst achieving the required return. There is significant reputational risk in ensuring this balance is correct.</p>	Head of Major Projects & Commercial Services		<p>The operation, maintenance and billing has already been contracted out. Heat tariff has been agreed for second round of price setting. However, the risk score remains consistent post mitigation given that volatility in energy prices.</p> <p>Internal Audit completed a review of the DHN in Q4 2022/23 and assessed it as 'substantial assurance'</p>		Mindful

Risk ID	Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
2.	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 regularly attends Programme Delivery Team or Crawley Growth Board meetings with West Sussex County Council.</p> <p>A mid-term programme review was undertaken in Q3 2022 to agree a way forward and delivery programme for the remaining projects. The agreed funding protocol between CBC and WSCC is being updated to reflect that outcome of the review and new opportunities arising to add more government funding to the Crawley Growth programme.</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

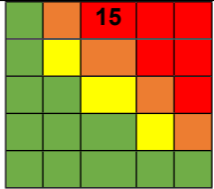
Risk ID	Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
3.	Delivering the Affordable Housing Programme	<p>Risk of failure to deliver the affordable Housing Programme due to:</p> <p>The recent water neutrality position statement issued by Natural England has both immediate and future impacts on the delivery programme. 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> <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>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 continue to work up proposals to evidence water neutrality for key developments caught by the new requirements.</p> <p>Roll out of a pilot project within the Council's own housing stock has enabled further water savings to be made and these have been allocated to support the development of key sites. This work will continue to generate further water savings to support more housing development.</p> <p>Work has been undertaken to identify these future sites and opportunities, feeding into the Local Plan, and developing programmes of work. This includes seeking to maximise opportunities afforded by development within neighbouring Districts and Boroughs adjoining the Council's boundaries. Should the proposal to remove the Duty to Co-operate come into effect this work may be compromised.</p>		Mindful
4.	Homelessness	<p>Increase of homelessness cases and the financial impact this has on meeting temporary accommodation duties.</p> <p>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.</p> <p>Demand for TA significantly outstrips supply necessitating heavy reliance on expensive nightly paid accommodation with significant budgetary implications. Half of the total 2023/24 TA budget allocation had been spent as at the end of July 2023.</p>	Head of Strategic Housing Services		<p>Due to the continued levels of demand coming into the service and the limited number of opportunities for pathways out of temporary accommodation efforts to mitigate the risk score are not keeping pace and temporary accommodation and nightly paid usage continues on an upward trajectory. Without Government intervention through either changes to national housing policy or additional funding support the Council's ability to respond to these pressures and reduce TA expenditure remains severely constrained.</p> <p>Representation continues to be made to Government departments and opportunities for collaborative lobbying with other LAs also facing significant challenges are being taken forward.</p>		Mindful

Risk ID	Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
5.	Migration/Asylum pressures	<p>Increase in migration / asylum cases and the impact this has on meeting temporary accommodation duties.</p> <p>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.</p> <p>In addition, new legislation has recently been passed to provide those with Chagossian decent UK Citizenship entitlement from British Overseas Territories.</p>	Chief Executive	 <p>20</p>	<p>The application process went live on 23 November 2022. Revised estimates by the Foreign, Commonwealth & Development Office are that 5000-6000 people 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. Decisions are now taking place with Citizenship ceremonies being arranged.</p> <p>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.</p> <p>Ongoing representations to Government officials and relevant Government Ministers from FCDO, Home Office and DLUHC are regularly made, along with a case for CBC to secure additional new burdens funding to assist with costs of housing and resettlement. Temporary housing officer support is also being secured to assist with demand.</p>	 <p>20</p>	Cautious
6.	Three Bridges Station	A way forward for the scheme is unable to be agreed.	Head of Economy & Planning	 <p>12</p>	A planning application for the scheme was submitted autumn 2022 and Planning Committee resolved to permit the application in Q4 2022/23. 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 tender process commencing to commission the works to start on site. The scheme featured as part of the overall Crawley Growth Programme review jointly with West Sussex County Council which took place in Q3 2022. A comprehensive risk register is overseen by the Project Board of the Crawley Growth programme.	 <p>9</p>	Cautious

Risk ID	Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
7.	Disaster Recovery and Business Continuity – Data Breaches or Network Compromise (Hack)	<p>Inadequate technical safeguards and poor staff awareness and practice leads to a compromise of our systems and data.</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> <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>The Council has made some considerable strides in this area.</p> <ul style="list-style-type: none"> PSN certification achieved again in May 2023. Migration to the Azure (Microsoft) Cloud Implementation of MFA and other technical safeguards mean CBC is well protected. <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 foundation training has been delivered to all staff. Staff response to suspicious emails (with further training for those that fail) has been commissioned and began rollout in October 22 which includes regular random testing of all users.</p> <p>A comprehensive Information Management programme is being delivered, which includes new systems (Sharepoint), revised policies and procedures and is delivering training on both systems and GDPR & information management for all staff. The Information Governance Board has been refreshed both in terms of membership and its terms of reference.</p>		Minimalist
8.	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 Health & Safety Action Plan for compliance.</p>		Minimalist

Risk ID	Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
9.	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>25</p>	<p>Quarterly budget monitoring reports are submitted to Cabinet and Overview & Scrutiny Commission. The pressure on the current year's homelessness budget has escalated with an estimated full year overspend of £2.7m at Q2 (£1.9m Q1). Total net expenditure for 2023/4 is estimated at £6.5m (£5.6m at Q1). This is in addition to the budget increase of £1.4m. The situation is not sustainable in the medium term. Continuing pressure is also being placed on the outturn against budget by the increased employers pay offer and the challenging conditions for town hall lettings.</p> <p>Work on the budget strategy is continuing as the financial situation is not sustainable over the medium term. The challenge of budget exercise is continuing with the aim of identifying savings, efficiencies, and increased income. Further options are being considered and will be reported as part of the Budget Strategy report to be considered by Cabinet on 29 November 2023. An all-member finance seminar is scheduled for 8 November 2023.</p>	 <p>16</p>	Mindful
10.	Organisational Capacity: Recruitment, Retention & Succession Planning	<p>Failure to recruit and retain employees across a variety of professional, technical and front-line roles.</p> <p>Failure to take steps to counter the impact of an ageing workforce and an increase of key staff retiring.</p>	Head of Governance, People & Performance	 <p>16</p>	<p>HR Team and People Board working on developing the Council's "Employer Value Proposition". This will shape future recruitment campaigns and communications with existing staff. HR are also working closely with managers to refresh the Recruitment Policy and make this activity smoother whilst ensuring lawfulness, fairness and transparency.</p> <p>HR Team is exploring non-financial ways of enhancing the employee experience, e.g. improving the learning and professional development offer, creating career pathways, modernising systems to give managers and staff better tools to work with, maintaining a strong commitment to the physical and mental health and wellbeing of the workforce with solid support services and referral routes.</p> <p>In addition to the Plan, Do, Review (PDR) system. the HR Team and People Board have looked to improve communication lines with staff surveys, listening forums as well as corporate communications.</p> <p>HR Team and People Board to review Reward & Recognition e.g., staff Making a Difference awards to ensure awareness and consistency of use across the organisation.</p> <p>Address the skills gap (and therefore lack of candidates) in the market by potentially "growing our own" experienced staff.</p>	 <p>9</p>	Mindful

Risk ID	Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
11.	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 drawing on funds from within the agreed Council budget for 2023-2024 to progress the delivery of Climate Change Action Plan tasks and the Council's carbon emissions reductions targets.</p> <p>A new Sustainability Manager started in post on 30th October to co-ordinate progress with Action Plan delivery.</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
12.	National Waste Strategy (including Food Waste)	Impact of the National Waste & Resources strategy on the delivery of the waste and recycling contract.	Head of Major Projects & Commercial Services		<p>Letter from DEFRA October 2023 has confirmed the requirement to introduce separate food waste collection by March 2026. This will be the major change required locally and provides the basis to progress the service specification for the contract period from the beginning of March 2026.</p> <p>A separate food waste collection is likely to create revenue pressure. There are indications from Government that they will provide some financial support however the form and extent of this is not currently known. Given the uncertainty regarding the revenue impacts, the risk score has remained the same.</p>		Mindful

Risk ID	Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
13.	Local Plan	Failure to adopt the Local Plan within the timeframe set by the government.	Head of Economy & Planning		<p>The Crawley Local Plan review was further delayed due to the need to demonstrate Water Neutrality for all planned development within the Sussex North Water Resource Zone, cumulatively across all the Plans in the area. A Water Neutrality Strategy to support the emerging Local Plans has been finalised and agreed by all authorities within the Sussex North area, and this has been endorsed by Natural England. An Offsetting Implementation Scheme across Sussex North is in the process of being established to deliver the agreed policy approach. A Project Manager has been appointed working across all the councils to progress this work. Following approval by Full Council in February 2023 and a six-week period of Regulation 19 consultation, which ended on 20th June, the Crawley Local Plan 2024-2040 was submitted at the end of July to the government's Planning Inspectorate for Examination. Representations made to the Plan as part of the consultation process will be considered through the independent Examination in Public (EIP) with interested parties (including those supporting and objecting). The first phase of the Local Plan EIP will take place during the week of 20th November this year with the second phase happening during the weeks of 8th and 15th January next year. The council will be questioned by two Inspectors who have been appointed by the Planning Inspectorate to oversee the Examination of the Plan, who can also query any part of the Plan they wish. The Inspectors may find the Local Plan unsound or propose modifications to make it sound. At that point, modifications would then have to be subject to further public consultation later in 2024 and the Plan with any modifications would then have to be approved by Full Council.</p>		Cautious

Risk ID	Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
14.	Water Neutrality	Failure to agree a Water Neutrality Strategy	Head of Economy & Planning		<p>A Water Neutrality Strategy to support the emerging Local Plans has been finalised and agreed by the authorities within the Sussex North water supply area, and this has been endorsed by Natural England following work between the affected council officers and Chief Executives, Natural England, Southern Water, the Environment Agency and government representatives. These parties continue to meet regularly to secure the Offsetting Implementation Scheme. This is in the process of being established to deliver the agreed policy approach and enable all the planned development to come forward, following the success of pilot schemes progressed in Crawley with off-site offsetting secured through retro-fitting that has reduced water use in Crawley Homes housing stock. A Project Manager has been appointed working across all the councils to help progress this work. The Council's screening proforma with Natural England enables most householder and minor planning applications to proceed to decision without hindrance. Some developers are securing their own private offsite offsetting measures which is also enabling some limited development to take place where these satisfy the Natural England's water neutrality requirements.</p> <p>A Statement of Common Ground on water neutrality to support the Crawley Local Plan 2024-2040 submission to the Planning Inspectorate has been signed by the Local Planning Authorities affected – Crawley BC, Chichester DC, Horsham DC, Mid Sussex DC, West Sussex CC, South Downs National Park Authority and endorsed by Natural England, Southern Water and the Environment Agency.</p>		Cautious

Risk ID	Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
15.	Cost of Living	Impact of more residents presenting themselves as homeless and being unable to pay their debts.	CMT	<p>A 5x5 grid with the following values: Row 1: 1, 2, 3, 4, 5; Row 2: 2, 3, 4, 5, 6; Row 3: 3, 4, 5, 6, 7; Row 4: 4, 5, 6, 7, 8; Row 5: 5, 6, 7, 8, 9. The number 16 is in the center cell (row 3, column 3).</p>	<p>A webpage has been created https://crawley.gov.uk/council-information/help-money-worries designed to direct people to help.</p> <p>Winter warmers programme developed over the summer and morphing into local drop-in advice sessions. Engagement undertaken looking into specific neighbourhood support within our most disadvantaged neighbourhoods with funding available through UKSPF.</p> <p>Lateral implemented to provide a One Council overview of debt, including implementation of 'Breathing Space' within the Corporate Debt Group, Access Crawley working with vulnerable residents with long term debt creating bespoke pathways, and now seeking to extend that model. Work commencing to proactively target households likely not to be claiming all benefits they are entitled.</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.</p> <p>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> <p>Whilst lots of mitigations are being implemented, the post-mitigation risk score remains the same given there is no direct control.</p>	<p>A 5x5 grid with the same values as the 'no controls' grid. The number 16 is in the center cell (row 3, column 3).</p>	Mindful
16.	Towns Fund and related programmes	Risk of failure to deliver the Towns Fund and related programmes within budget and timescales.	Head of Economy & Planning	<p>A 5x5 grid with the following values: Row 1: 1, 2, 3, 4, 5; Row 2: 2, 3, 4, 5, 6; Row 3: 3, 4, 5, 6, 7; Row 4: 4, 5, 6, 7, 8; Row 5: 5, 6, 7, 8, 9. The number 16 is in the center cell (row 3, column 3).</p>	<p>A detailed risk register has been produced for each project within the programme.</p> <p>Regular financial monitoring and project monitoring undertaken by the Towns Deal Board and relevant project boards. The Head of Corporate Finance attends the s151 officer meetings involving other local authorities with Towns Fund programmes. Internal assurance is via the Corporate Projects Assurance Group (CPAG), through quarterly reporting on programme / risk updates.</p>	<p>A 5x5 grid with the following values: Row 1: 1, 2, 3, 4, 5; Row 2: 2, 3, 4, 5, 6; Row 3: 3, 4, 5, 6, 7; Row 4: 4, 5, 6, 7, 8; Row 5: 5, 6, 7, 8, 9. The number 9 is in the center cell (row 3, column 3).</p>	Mindful

Risk ID	Risk Title	Risk Description	CMT Owner	Risk score (no controls)	Mitigations	Risk score (post mitigation)	Risk Appetite
17.	Damp and Mould	<p>Impact of increased demand relating to damp and mould issues.</p> <p>Unprecedented demand for residents in Crawley Homes and in the private sector for advice, support, inspections and repairs relating to damp and mould following the death of Awaab Ishak in Rochdale.</p> <p>Demand for services is impacting on business-as-usual service delivery and is impacting responsive repairs budgets for Crawley Homes.</p> <p>Resourcing issues to inspect structural concerns and capacity to build potential demand into the planned maintenance programme.</p> <p>Some structural issues are being assessed and managed in the day-to-day service which is impacting service delivery.</p> <p>Loss of staff due to resignations, impact on resource availability</p> <p>Risk of regulatory involvement.</p>	Head of Crawley Homes		<p>Workflows have been amended for call triage and inspections. Additional sub-contractors have been taken on to reduce the wait time for damp and mould treatment.</p> <p>Inspections are prioritised with building surveyors where structural issues are diagnosed.</p> <p>Pro-active work underway to contact all tenants who have reported damp and mould in the last five years to make sure it has not re-emerged.</p> <p>Damp and mould working group, including officers and contractors.</p> <p>Recruitment underway</p> <p>Community event(s) being planned ahead of autumn 2023 to raise awareness and educate residents on self-help</p>		Mindful
18.	Presence of RAAC (Reinforced autoclaved aerated concrete) in Council properties	Identify any council properties constructed using RAAC and validate the potential risk appropriately.	CMT		<p>The Council is assessing the likely exposure to and risk of RAAC (Reinforced autoclaved aerated concrete) to its estate including Crawley Homes.</p> <p>Risk scores and mitigations will be confirmed once the initial risk assessment has been completed.</p>		Mindful

Risk Assessment Criteria

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 (after controls).

Impact Criteria

	Risk Level	Financial	Service	Reputation
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. Damage to the reputation and standing of the council in the public eye.
3	Moderate	£50k – 500k	Moderate disruption to service	Local public / press interest. Partial loss of credibility of the council
2	Minor	£5k - £50k	Some minor impact on service	Contained within service. Reduced confidence in delivery of individual services
1	Insignificant	<£5k	Annoyance, but does not disrupt service	Contained within business unit

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% to 5%)