

## Crawley Borough Council

### **Minutes of Audit Committee**

Tuesday, 9 July 2024 at 7.00 pm

#### **Councillors Present:**

K Khan (Chair)

T G Belben (Vice-Chair)

H Hellier, T Lunnon and J Russell

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

Iona Bond Deputy Head – Southern Internal Audit Partnership

Ntombifuthi MhLongo Senior Manager – Ernst & Young

Mr Ul Haque Independent Member to the Audit Committee

#### **Officers Present:**

Siraj Choudhury Head of Governance, People & Performance

Carolyn Martlew Head of Corporate Finance

Mez Matthews Democratic Services Officer

Anna Pedlow Corporate Performance Manager

Stuart Small Deputy Fraud Manager

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

Councillor I Ashraf and B Yianni

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

No disclosures of interests were made.

#### **2. Minutes**

The minutes of the meeting of the Audit Committee held on 12 March 2024 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. Update on Counter-Fraud**

The Committee considered report [FIN/663](#) of the Head of Corporate Finance, which focused on activity for the period from 8 November 2023 to 30 June 2024.

The Committee was provided with details of both cases investigated and the Team's work generally. The Committee noted that the frequency at which the Counter-Fraud report was brought to the Committee would remain unchanged (i.e. quarterly).

The Committee sought and received clarification on several matters, and in doing so noted:

- The annual review of Single Person Discounts was a comprehensive exercise which produced a significant Council Tax liability being billed. It would not be advantageous to undertake the review on a more frequent basis.
- The steps and checks undertaken by the Council and, more specifically, the Fraud Team to identify whether an individual was incorrectly claiming a Single Person Discount at their property or whether those submitting a Right to Buy application were entitled to do so.
- That the estimated average cost of Temporary Accommodation (£75/night) was based on the annual figure cited by the National Tenancy Fraud Forum.
- That the Fraud team often assisted the Community Wardens to help identify individual's responsible for fly-tipping and other cases.
- The Fraud team's intended outcome of any investigation and how the duration for a back charge was calculated for incorrectly claimed benefits.
- That the fraud process has been reviewed by both Internal and External Audit.

The Committee thanked the Fraud Team for the work it undertook and stressed that the Team's work helped to save the Council money as well as deterring fraudulent activity. A Committee member suggested that the team's work should be publicised more widely to both report on the successful outcomes or investigations and highlight how the public could report suspected fraud.

### **RESOLVED**

That the Update on Counter-Fraud be noted.

### **5. Provisional Audit Planning Report: Year Ended 31 March 2024**

The Committee considered [FIN/662](#) which had been submitted by Ernst and Young (EY), the Council's External Auditors.

The provisional report provided the Committee with a basis to review EY's proposed audit approach and scope for the 2023/24 audit and an opportunity to ensure that EY's Audit was aligned with the Committee's service expectations. The report summarised EY's assessment of the key issues driving the development of an effective Audit for the

Council and considered the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing.

The Committee acknowledged the expected timeframes for completion of the outstanding Audits. The Committee noted that relevant legislation was yet to be passed (and subsequent guidance issued by the Department for Levelling Up, Housing and Communities) before the final Audit Opinion on the 2022/23 Accounts could be provided and those Accounts could be closed. The passing of that legislation had been further delayed due the July 2024 “snap” general Election. The Committee noted that the Value for Money Interim Report: Year Ended 31 March 2023 had been considered by the Audit Committee at its meeting in March 2024 ([minute 6](#) of that meeting refers).

The Committee expressed its concern at the significant increase in external audit fees for the coming year and questioned why there was such a sharp increase compared to the fees for the previous year. Whilst the Senior Manager for EY explained the process for calculating fees and the role of Public Sector Audit Appointments Limited (PSAA) (who were responsible for appointing an Auditor and setting the scales of fees), the Committee remained dissatisfied with the fee level, especially given that several Audits remained outstanding.

Following queries from the Committee, it was:

- Explained why a risk was referred to as “considered a risk” until it was fully resolved.
- Confirmed that External Audit only relied on Internal Audit to identify value for money risks.
- Confirmed that, for ISA 315, EY still followed the substantive procedures for its public sector audit clients as substantive testing was found to be much more efficient and cost effective than control testing.
- Assured that the Council had adopted IFRS16 early and that the policy was therefore already in place.
- Clarified the elements which made up the gross expenditure and how that related to the planning materiality figure.

Some Committee members expressed the view that way in which the opening balance on the 2023/24 financial Statements was referred to in the report was misleading as it could be incorrectly inferred that there was an issue “lurking” in the previous Accounts which could detrimentally impact the Council’s finances. The Senior Manager for EY agreed to review the wording.

## **RESOLVED**

That the provisional Audit Planning Report for the year ended 31 March 2024 be noted.

## **6. Internal Audit Annual Report and Opinion 2023/24**

The Committee considered report [FIN/664](#) of the Head of Corporate Finance which summarised the work undertaken by Internal Audit during 2023/24 and provided an overall opinion on the adequacy of the Council’s governance arrangements, risk management systems and internal control environment; summarised the effectiveness

of audit work; and provided a statement on conformance with the Public Sector Internal Audit Standards.

The Committee noted that Southern Internal Audit Partnership (SIAP), the Council's Internal Auditors, considered that the frameworks of governance, risk management and management control were, "reasonable" and audit testing had demonstrated controls to be working in practice. Where weaknesses had been identified through internal audit review, SIAP had worked with management to agree appropriate corrective actions and a timescale for improvement.

In presenting their report the Deputy Head of SIAP advised the Committee that:

- Since the publication of the report, the outstanding Audit (Housing Rent System) had been finalised. Information on that Audit would be brought before the next meeting of the Committee as part of the Internal Audit Progress Report.
- Where an Audit had given limited assurance opinion, they were not concerned that those indicated systemic weaknesses in the system. SIAP would track the management actions from those Audits and report back to future meetings of the Committee.
- The Council's Corporate Management Team (CMT) invested heavily in the Audit Plan.

The Committee then considered the report in detail. In response to questions from the Committee, the Deputy Head of SIAP:

- Explained how management actions identified during an Audit were tracked by SIAP and CMT. They then confirmed their satisfaction with the processes in place to ensure the completion of those actions.
- Confirmed that a "reasonable" assurance level was good. They highlighted that CMT was open to any area of the Council being audited. Several areas of the Council, which had been audited previously, were due to be re-audited in 2025/26. Those re-audits would identify whether the management actions taken following the previous Audit had been successful in tackling any previously identified area/s for improvement.

A discussion took place between the Independent Member to the Audit Committee and the Head of Governance, People & Performance as to whether completed Audit reports could be provided to the Committee. The Head of Governance, People & Performance advised that distribution of such reports was not common practice, did not reflect the Committee's role and could negatively impact the effectiveness of the audit process. The Head of Governance, People & Performance and Head of Corporate Finance agreed to meet with the Independent Person to the Audit Committee to discuss the matter.

## **RESOLVED**

That the Internal Audit Annual Report and Opinion for 2023/24 be noted.

## 7. Risk Management Update

The Committee considered report [LDS/222](#) of the Head of Governance, People & Performance which asked the Committee to review the action taken by the Corporate Management Team (CMT) and staff to mitigate Strategic Risks.

The Corporate Performance Manager took the opportunity to brief the Committee on the risks as detailed in the report, and in doing so highlighted that since the last meeting of the Audit Committee CMT had undertaken a thorough review of the Strategic Risks. Changes made to the Strategic Risk Register since that meeting were set out in section 7 to the report.

The Committee thanked the Corporate Performance Manager for the report. It then discussed the Strategic Risk Register and in doing so:

- The Corporate Performance Manager acknowledged that, since the report had been published, a significant number of people from the Chagossian community had arrived in Crawley seeking accommodation. The Committee was informed that those recent events would likely result in an increase to the risk scores for both Risk 3 (Migration/Asylum Pressures) and Risk 2 (Homelessness and Temporary Accommodation) when they were next reviewed by CMT as the risk was out of the Council's control.
- It was suggested that the risk level for Risk 8 (Local Plan) could be reduced as the likelihood of a successful judicial review at the current stage of the Local Plan adoption process was unlikely.
- The Committee's attention was drawn to paragraph 7.13 of the report which advised that work had progressed on the Disaster Recovery and Business Continuity – Health & Safety Breaches (previously identified as Risk 8) to the point where it was now regarded as business as usual and had been removed from the Strategic Risk Register. The risk would be monitored by CMT as well as forming part of compliance monitoring, which would be included in the Annual Governance Statement.

### RESOLVED

That the Committee confirm it is satisfied with risk management arrangements.

### Closure of Meeting

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 9.00 pm.

**K Khan (Chair)**