

Crawley Borough Council

Minutes of Audit Committee

Tuesday, 3 December 2024 at 7.00 pm

Councillors Present:

K Khan (Chair)

T G Belben (Vice-Chair)

I Ashraf, H Hellier, T Lunnon, J Russell and B Yianni

Also in Attendance:

Vanessa Anthony	Audit Manager - Southern Internal Audit Partnership
Iona Bond	Deputy Head - Southern Internal Audit Partnership
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
Carolyn Martlew	Head of Corporate Finance
Mez Matthews	Democratic Services Officer
Anna Pedlow	Corporate Performance Manager
Stuart Small	Deputy Fraud Manager

1. Disclosures of Interest

No disclosures of interests were made.

2. Minutes

Following a request from the Independent Member of the Audit Committee, the Chair proposed an amendment to Minute 2 (Minutes) of the meeting held on 3 September 2024, which related to Minute 6 (Internal Audit Annual Report and Opinion 2023/24) of the meeting held on 9 July 2025. Minute 2 solely referred to clarification on a matter raised at the meeting held on 9 July 2024.

The Chair proposed that Minute 2 of the meeting on 3 September 2024 be deleted in its entirety and be replaced with the following:

“With reference to Minute 6 (Internal Audit Annual Report and Opinion 2023/24) of the meeting of the Audit Committee held on 9 July 2024, the Independent Member suggested an amendment to include reference to his question about whether Ernst & Young (EY), the Council’s External Auditors had access to internal audit reports. At the July meeting, the Head of Corporate Finance informed the committee that the External Auditors do not see the detailed internal audit reports.

The Head of Governance, People & Performance clarified the comment by explaining that EY either did not require access or had never specifically requested access to the reports. He confirmed that the factual position was that, if requested by EY, those internal audit reports would have to be (and would be) provided to EY.

The Independent Member withdrew his proposed amendment to Minute 6 of the July minutes and the Committee agreed that the clarification provided by the Head of Governance, People & Performance be noted in the September minutes.

The minutes of the meeting of the Audit Committee held on 9 July 2024 were then approved as a correct record and signed by the Chair.”

To Committee agreed the amendment. The minutes of the meeting of the Audit Committee held on 3 September 2024 were then approved as a correct record and signed by the Chair, subject to the above amendment.

3. Public Question Time

No questions were asked by members of the public.

4. Completion Report for those Charged with Governance: Year Ended 31 March 2023

The Committee considered report [FIN/679](#) which had been submitted by Ernst and Young (EY), the Council’s External Auditors. The report provided the Committee with a detailed complete report covering EY’s approach and outcome of the 2022/23 audit and identified that EY anticipated issuing a disclaimed audit opinion. The Committee noted that the rationale for the disclaimer, and the scope of the audit, were contained within the report. It was highlighted that the necessity for a disclaimed opinion was due to no fault of the Council but due to resourcing pressures in the market and within EY internally. It was noted that the Council had produced its Statement of Accounts (“the Accounts”) by the required deadline, along with the supporting papers for those Statements. EY’s report stated that it had found no areas of weakness in its audit.

The Committee considered the report and in response to queries raised, the Committee:

- Noted that EY would also be issuing a disclaimed audit opinion for 2023/24. The Financial Reporting Council had produced guidance on how audits would be impacted over the coming years, with a view to building assurance over the next 3 years. It was anticipated that 2026/27 could be the first year where EY would be in a position to produce an unqualified audit report.

- Was informed that EY had taken the decision to build assurance for key areas for most of the authorities/bodies it audits for 2022/23 and, although EY had undertaken a few unqualified audit opinions for 2022/23, that had been due to specific factors and EY would be issuing a disclaimed audit opinion for the vast majority of its audits for that period.
- Was provided with further information on the key audit areas EY would undertake whilst full audits could not be completed, this included all value for money work and an audit of the draft Financial Statements.
- Was informed that EY had followed the procedures and checks set by the International Standards for Auditing when conducting this type of audit.
- Was provided clarification on the limited procedures EY had undertaken on the issues identified in the audit regarding controls.
- Was assured that there were minimal high-level risks associated with EY not completing a full audit, as the 'reset' for Local Government audits was occurring nationally and was based on Local Government legislation. It was reminded that the internal quality control checks within the Council remained in place and those checks underpinned the financial robustness of the Council.
- Was reminded that the fees associated with the external audit funding would ultimately be determined by the Public Sector Audit Association (PSAA). The PSAA was currently working up a framework and officers would have the opportunity to challenge the fee once it was issued by the PSAA.
- Was assured that the opening balance for the 2022/23 Accounts (before the Committee at this meeting) had been amended to reflect the adjustments identified by EY in its audit of the 2021/22 Accounts.
- Received confirmation that EY reviewed internal audit reports as part of their general audit, the Audit Committee minutes, and the Annual Governance Statement, and it would take action if it deemed it necessary to do so.

RESOLVED

That the Completion Report for those Charged with Governance for year ended 31 March 2023 be noted receive the report and note progress to date, as at 31 July 2024.

5. Approval of the 2022/23 Statement of Accounts

The Committee considered report [FIN/677](#) of the Head of Corporate Finance which sought the Committee's approval of the 2022/23 Statement of Accounts ("the Accounts") on the basis of the disclaimed audit opinion issued by EY, the Council's External Auditors. The Head of Corporate Finance reminded the Committee that the 2022/23 Accounts were historically late ones which pre-dated a significant proportion of the Senior Finance Team. Additionally, the Committee was informed that the Council's most recent Accounts (for 2023/24) were available to view on the Council's website, and a Councillors' Briefing on those Accounts would take place on 29 January 2025, prior to their consideration by the Audit Committee on 12 February 2025.

Following queries from the Committee, clarification was received on the provision for rent arrears, and assurance was provided that full provision had been given with regards to the dispute and overspend on the new Town Hall construction.

It was acknowledged by officers that the figures relating to pension liability on page 163 of the [agenda report pack](#) were incomplete. The Chief Accountant advised that the Accounts would be amended to include the figures before they were signed, and that the Committee would be emailed with the relevant information following this meeting.

It was confirmed that pension liability was assessed by a specialist Actuary. The Head of Corporate Finance offered to share the Actuarial Report via email with the Committee. The Independent Member stated that they had a few minor non-material queries which they would share, via email, with the Finance Team.

RESOLVED

1. That the 2022/23 Statement of Accounts be approved.
2. That the Chair of the Audit Committee and the Head of Corporate Finance be authorised to sign the Letter of Representation and Statement of Accounts on the basis of a disclaimed opinion as detailed in the 'Completion Report for Those Charged with Governance'.
3. Request that the Chief Executive and Leader re-sign the Annual Governance Statement on the basis of a disclaimed opinion as detailed in the 'Completion Report for Those Charged with Governance'.

6. Internal Audit Progress Report

The Committee considered report [FIN/675](#) of the Deputy Head of 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 Audit Manager for SIAP took the opportunity to brief the Committee on the work as detailed in the report and, in doing so advised that there were no areas of concern and SIAP were currently in a good position to deliver the audits set out in the Annual Audit Plan.

The Committee considered the report and:

- Was concerned that management actions relating to critical issues (such as gas, electrical and fire safety) did not appear to be reaching a conclusion and queried when a follow-up would be provided to give the Committee assurance that those critical issues were being addressed. The Deputy Head of SIAP advised that management actions were tracked, and those actions would remain on the progress report until they were complete. Additionally, as part of SIAP's audit planning exercise it would determine whether the systems which received 'limited' assurance would benefit from a mini review and then, as a consequence of those findings, whether a full audit was required.
- In response to a query as to why some electrical safety checks were significantly overdue and the what action the Council was taking to ensure those checks were made, the Head of Corporate Finance agreed to obtain a response from

the Head of Crawley Homes on the matter and forward that information to the Committee via email.

- It was advised that it would not be straightforward to provide a metric which showed whether the number of management actions were growing, diminishing or remaining static as there was a rolling programme of those actions. The Deputy Head of SIAP agreed to consider how, if possible, a useful statistical view could be provided in future reports. It was also noted that the introduction of the Global Internal Audit Standards might change the format of reports once it was introduced.
- Noted that the way in which management actions were now being prioritised and the deadlines being set were more realistic.
- Following a query raised at the Committee meeting held on 3 September 2024 regarding the value of the differences relating to housing rent arrears, a response had been provided to the Committee via email following that meeting. The Democratic Services Officer agreed to recirculate that email to the Committee.
- In response to a query regarding the legal requirements relating to the regularity of electrical safety checks and how the Council fared in meeting those requirements, the Head of Corporate Finance agreed to obtain a response from the Head of Crawley Homes on the matter and forward that information to the Committee via email.
- The Head of Corporate Finance highlighted that the Main Accounting Audit Review had been requested by them to assess the situation when they took up their post, to enable them to take any necessary actions to address any weaknesses found. The Committee was assured that there were no financial implications of the review findings, they related to control environment weaknesses which needed to be addressed. The Head of Corporate Finance agreed to provide the Committee with a list of the findings and management actions via email.
- Was assured that the Council had a robust system for chasing debt. It was provided with further information regarding the Council's process for chasing and writing off debts, as well as the Council's provision for debt.
- It was queried whether the rent arrears figure provided on page 85 of the [unaudited Statement of Accounts for 2023/24](#) was gross or net, the Head of Corporate Finance agreed to provide a written response to the Committee via email.

RESOLVED

That the Committee receive the report and note progress to date, as at 30 September 2024.

7. Global Internal Audit Standards: Implementation

The Committee considered report [FIN/678](#) of the Deputy Head of Southern Internal Audit Partnership (SIAP), the Council's Internal Auditors. The report provided an overview of the new Global Internal Audit Standards (GIAS), to which public sector internal audit functions would have to comply from 1 April 2025.

The Committee noted that a new key document, the Internal Audit Strategy, would be required by the GIAS. SIAP anticipated that Strategy would be brought to the Audit Committee in March 2025. The Committee noted that SIAP would be issuing a survey to the Audit Committee via email in January/February 2025 to seek its views on the final changes proposed, and its preference for reflecting those changes within SIAP's reports.

RESOLVED

That the Committee note the pending implementation of the Global Internal Audit Standards.

8. Update on Counter-Fraud

The Committee considered report [FIN/676](#) of the Head of Corporate Finance, which focused on activity for the period from 19 August 2024 to 14 November 2024. The Committee noted that the number of Right to Buy (RTB) applications received by the Council had significantly increased following the recent Government announcement relating to the level of discount. This had impacted the number of RTB cases being investigated by the Fraud Team (paragraph 4.1 of the report referred).

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

- Were provided with further information relating to both the internal and external checks undertaken by the Fraud Team when assessing a RTB application. The Committee acknowledged that the Fraud Team worked jointly with other relevant teams within the Council and that the process for the internal and external checks was robust. It also noted that the length of time those checks took could vary widely, depending on the nature of a case.
- Was advised that the work of the Council's Fraud Team was quite well known and that the number of staff within the Team was larger than that of more other neighbouring authorities. Most people who submitted a RTB application now expected a visit from a member of the Fraud Team.
- Noted there were contractual terms associated with a RTB sale which related to any future sale of that property.
- Noted that many of the RTB cases cited in paragraph 3.1 of the report were in the initial stages so they were not yet reflected in the figures contained in paragraph 4.2 of the report. It was also acknowledged that tenants sometimes chose not to progress their RTB application during the process.
- Further information was provided in relation to the significant case cited in the report and the potential for the Council to impose a financial penalty on individuals who sub-let their Council property.
- Noted that the Fraud Team proactively used tools (such as the National Fraud Initiative) to data match and assist in detecting potential fraud.

The Committee thanked the Team for their continued work.

RESOLVED

That the Update on Counter-Fraud be noted.

9. Risk Management Update

The Committee considered report [LDS/226](#) 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.

Although it was acknowledged there was still the potential for a request for a Judicial Review of the Local Plan to be submitted, the Committee was surprised that the risk level for the Local Plan remained unchanged despite adopting the Plan. The Corporate Performance Manager was thanked for amending the layout of the Register to include both the current and previous risk levels, and the direction of travel of the risk score.

Risk 4 (Climate Emergency) referred to the Council achieving carbon zero by 2040. A Committee Member queried whether that date had subsequently been revised to 2050. The Corporate Performance Manager agreed to check the target date and update the Register if required.

RESOLVED

The Committee confirmed it is satisfied with the risk management arrangements.

Closure of Meeting

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 8.40 pm.

K Khan (Chair)