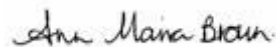


## Crawley Borough Council

### Audit Committee

Agenda for the **Audit Committee** which will be held in **Committee Room B - Town Hall**, on **Tuesday, 17 March 2020** at **6.30 pm**

Nightline Telephone No. 07881 500 227



**Head of Legal, Democracy and HR**

Membership:  
Councillors

M W Pickett (Chair), J Millar-Smith (Vice-Chair), R D Burrett,  
M G Jones and K Sudan

T G Belben

Please contact Democratic Services if you have any queries regarding this agenda.  
[democratic.services@crawley.gov.uk](mailto:democratic.services@crawley.gov.uk)  
Published 9 March 2020

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

## Part A Business (Open to the Public)

	Pages
<b>1. Apologies for Absence</b>	
<b>2. Disclosures of Interest</b>	
In accordance with the Council's Code of Conduct, Councillors of the Council are reminded that it is a requirement to declare interests where appropriate.	
<b>3. Minutes</b>	3 - 6
To approve as a correct record the minutes of the Audit Committee held on 30 September 2019.	
<b>4. Fraud and Investigation Team Report</b>	7 - 10
To consider report FIN/497 of the Operational Benefits and Corporate Fraud Manager.	
<b>5. Progress Report and Risk Management</b>	11 - 30
To consider report FIN/498 of the Audit and Risk Manager.	
<b>6. Internal Audit Annual Plan 2020/21</b>	31 - 34
To consider report FIN/495 of the Audit and Risk Manager.	
<b>7. CBC Audit Planning Report: Year Ended 31 March 2020</b>	35 - 80
To consider Ernst and Young's CBC Audit Planning Report for the Year Ending 31 March 2020.	
<b>8. Supplemental Agenda</b>	
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

Monday, 30 September 2019 at 6.30 pm

#### Councillors Present:

M W Pickett (Chair)

J Millar-Smith (Vice-Chair)

R D Burrett, M G Jones and K Sudan

#### Officers Present:

Gillian Edwards                      Audit and Risk Manager

Karen Hayes                              Head of Corporate Finance

Mez Matthews                            Democratic Services Officer

Stuart Small                               Investigations Officer

#### 1. Disclosures of Interest

The following disclosures of interests were made:

<b>Councillor</b>	<b>Item and Minute</b>	<b>Type and Nature of Disclosure</b>
Councillor Burrett	Progress Report and Risk Management (Minute 4)	Personal Interest – He was a West Sussex County Councillor
Councillor Jones	Progress Report and Risk Management (Minute 4)	Personal Interest – He was a West Sussex County Councillor
Councillor Sudan	Progress Report and Risk Management (Minute 4)	Personal Interest – She was a West Sussex County Councillor

#### 2. Minutes

The minutes of the meeting of the Audit Committee held on 23 July 2019 were approved as a correct record and signed by the Chair.

## 3. Fraud and Investigation Team Report

The Committee considered report FIN/480 of the Operational Benefits and Corporate Fraud Manager, which focused on activity for the period from 2 July 2019 to 11 September 2019. The Investigations Officer presented the report and advised that the Team had continued to perform successfully.

The Committee was provided with details of cases investigated and the Team's investigations, whilst a discussion took place on the Team's work generally and the role they played in deterring fraud. The Committee sought and received clarification on a number of points raised, including the restrictions in place regarding the Right to Buy Scheme.

The Committee discussed the Corporate Management Team's response to the Committee's request for another Housing Amnesty. The Committee received clarification regarding the ongoing work being undertaken around the five year tenancies and tenancy renewals as well as the Country-wide campaign which was due to take place in the next six months. Whilst the Committee was pleased to be informed that Crawley Borough Council would be involved in the County-wide initiative, it was suggested that the Council issue a press release regarding housing fraud to remind the public of the criteria regarding housing related discounts/policies, and encourage them to report suspected fraud. It was moved by Councillor Jones (seconded by Councillor Millar-Smith) that such a press release be issued.

The proposal upon being put to the Committee, was declared to be CARRIED.

### RESOLVED

1. That the Investigation Team Report be noted.
2. That a press release be issued regarding housing fraud to remind the public of the criteria regarding housing related discounts/policies and encourage them to report suspected fraud.

## 4. Progress Report and Risk Management

The Committee considered report FIN/481 of the Audit and Risk Manager. The purpose of the report was primarily to update the Committee on the progress made towards the completion of the 2019/2020 Audit Plan. The report also included an update on the Council's Strategic Risks.

The Committee discussed and noted the Audit Plan Reviews in progress, along with other work as detailed in the report. The Audit and Risk Manager took the opportunity to brief the Committee on the work as detailed in the report and, in relation to the following areas, the Committee:

### Work Completed in the Current Period:

- Received background information relation to the Publication Scheme Review Audit.

### Progress Report (Appendix A to the report):

- Noted that information relating to the Business Impact Assessments Audit, Business Continuity Audit and Procurement Audit would be brought to the Committee meeting in November.
- Received clarification regarding the remit of the Business Impact Assessment Audit.

# Agenda Item 3

Audit Committee (8)  
30 September 2019

The Committee raised some queries regarding the Community Grants Follow-Up Audit which had been considered by the Committee at its previous meeting (report FIN/475 and Minute 4 of the 23 July 2019 Audit Committee refer). The Audit and Risk Manager informed the Committee that due to unforeseen staff absence it had not been possible to provide this Committee with a further update on this follow-up audit. Information would however be brought back to the Committee meeting in November, and would include the results from an investigation of a select sample of grants, how systems had been changed to ensure their robustness and information regarding the segregation of duties. The Audit and Risk Manager confirmed that Cabinet Members would receive a copy of any final report following an audit review relating to their portfolio, not just those which identified high priority findings.

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

#### Disaster Recovery and Business Continuity:

- Noted that the Audit and Risk Manager had worked with the Head of Digital and Transformation regarding the level of controls needed. The Head of Digital and Transformation understood the problems which had occurred during the 1<sup>st</sup> Phase of the works and had put in place controls to ensure that those issues were not repeated during the 2<sup>nd</sup> Phase.
- Was informed that an audit would be undertaken in the future, if appropriate, to review the work.
- Noted that members of the Audit Team attended the Corporate Project Assurance Group and the Town Hall Board to ensure that any risks associated with works undertaken were managed.

#### Recruitment, Retention and Succession Planning:

- Was informed that, the Head of Corporate Finance did not have the exact percentage of staff turnover to hand, and therefore that information would be provided to the Committee via email.
- Noted that since there was no longer a prescribed retirement age, the age at which each staff member retired was determined on an individual basis.
- Succession planning was in place to combat the ageing population of the Council's workforce.

### **RESOLVED**

That the Committee receive the report and note progress to date, as at 6 September 2019.

### **Closure of Meeting**

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 7.05 pm

**Chair**

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# Agenda Item 4

## Crawley Borough Council

### Report to Audit Committee

17 March 2020

### Fraud and Investigation Team Report

Report of the Operational Benefits & Corporate Fraud Manager - Report no. FIN/497

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#### 1. Purpose

- 1.1 This report describes the activity of the Corporate Fraud & Investigation Team for the period 1 October 2019 to 29 February 2020. All outcome figures are taken from closed cases. Year to date figures are also included in the report for 2019/20.

#### 2. Recommendations

- 2.1 That the Committee note the report.

#### 3. Reasons for the Recommendations

- 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

##### Active Caseload

The fraud team are currently investigating the following case types

<u>Case Type</u>	<u>Number of Cases</u>
Non domestic rates	4
Council Tax Reduction Scheme	8
Housing Investigations	22
Housing Right to buy	12
Fly Tipping	1
Council Tax Single person Discount	3
Enforcement	1
Total	51

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

# Agenda Item 4

## 4.1 Housing Fraud

During the reporting period the team have achieved the following:

	<u>In period</u>	<u>2019/20 (YTD)</u>
Properties recovered	4	10
Prevented allocation (inc homeless applications)	2	9
Stopped Right to Buy (actual discount value)	1 (£82,800)	9 (£670,782)
Notional value of savings	£190,800	£1,012,782

The previous Audit Commission through their 'Protecting the public purse' studies conservatively estimated, that for each property being misused and not available to the Local Authority it cost the Authority £18,000 per year per property. Housing vulnerable families in Bed & Breakfast on a temporary basis is very expensive and can cost in excess of £100 per night. The Audit Commission figure is therefore used for recovering properties and preventing false applications.

The Right to Buy figures are the actual discounts which would have awarded had the sale of the property gone through.

## 4.2 Single Person Discount

The investigators and inspectors throughout the year will routinely look into referrals received from the public or other means suggesting there are 2 adults resident and therefore not eligible to the discount.

	<u>In period</u>	<u>2019/20 YTD</u>
Discounts removed	14 (£5,190)	134 (£77,994)

## 4.3 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	2019/20	In period	2019/20
New billable CT or Rates	£656,385	£1,287,655	£1,472,287	£4,620,261



# Agenda Item 4

## 5. Prosecution Case

We received intelligence that Mrs Sowe was not living at her council property. She was instead living abroad and renting out her Crawley Homes property.

Investigations revealed she had left the country in 2018 and was receiving rental payments.

She was interviewed under caution and admitted she had rented out the property. She admitted she had used the money to fund her trips abroad as she was charging more in rent than the council were charging her for the council property. We issued a notice for the recovery of the property.

This is an unlawful profit which we calculated at £4,570. Mrs Sowe was prosecuted under the Housing Fraud Act where she pleaded guilty. She was ordered to pay the Council £4,570 for the profit she made and £1,970 in costs.

## 6. Implications

There are no implications from the report.

## 7. Background Papers

7.1 None

Report author and contact officer: Chris Corker, Operational Benefits & Corporate Fraud Manager (telephone 01293 438598)

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# Agenda Item 5

## Crawley Borough Council

Report to the Audit Committee

17<sup>th</sup> March 2020

### Progress Report and Risk Management

Report of the Audit and Risk Manager – FIN/498

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#### 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 28<sup>th</sup> February 2020.

#### 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

##### Work Completed

- 4.1 Since the last report, as at 6<sup>th</sup> September 2019, the following reviews have been completed.

Audit Title	Audit Opinion
Housing Rents	Substantial
Procurement	Satisfactory
Housing Repairs Tender	Substantial
NNDR	Substantial
Creditors	Substantial
Council Tax	Substantial
Housing Benefits	Satisfactory
Cash and Bank	Satisfactory

##### 4.2 Work in Progress

- 4.2 The reviews in progress and other work that we have undertaken in the period are shown at Appendix A.

##### 4.3 High priority findings in this period

# Agenda Item 5

There were no high priority findings identified in this period.

## 4.4 Follow up Audits

### **Community Grants**

We reported in October 2018 that we had identified weaknesses in the assessment and award of Community Grants, raising two High Priority findings. Since that time, a number of changes have been made to the way these Grants are administered and a new Community Services Manager has been appointed. We selected a sample of grants between 1<sup>st</sup> April and 15<sup>th</sup> October 2019, to confirm that there are now satisfactory controls in place and we can confirm that this is the case.

## 4.5 Freedom of Information (FOI) Requests

Between 7<sup>th</sup> September 2019 – 28<sup>th</sup> February 2020 we have processed 385 requests, and of these, 6 responses were sent to the requester outside of the 20 working day deadline. This was largely due to the complexity of the requests.

## 5. **Corporate Risks**

The Corporate Management Team have refreshed the risks –

**Failure to deliver key infrastructure projects as planned, on time and within budget, such as:**

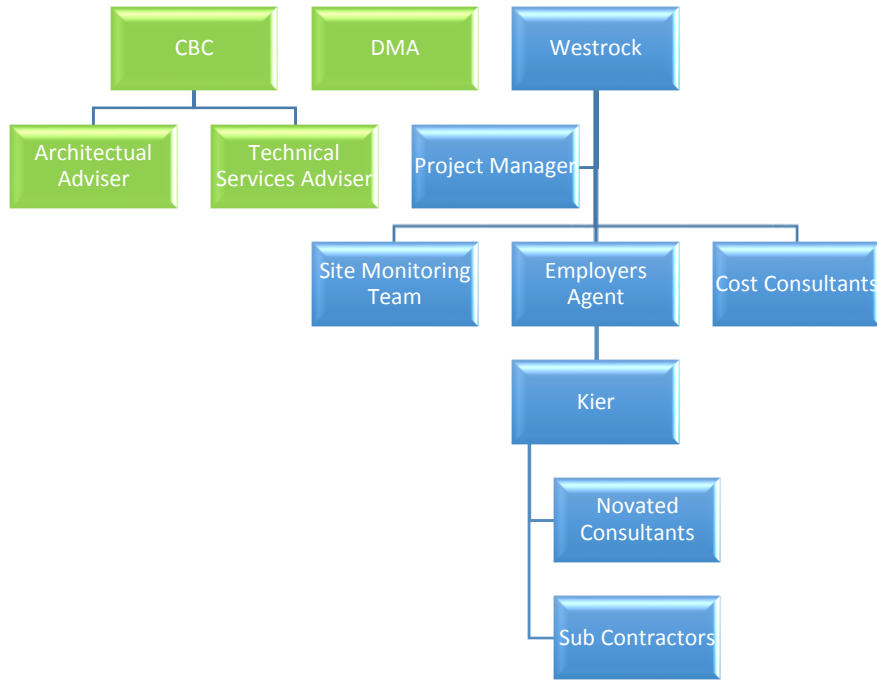
### a) **New Town Hall**

With the contract in place, including contingencies, cash flow and other protections, the main risk factors are around the process of construction, ensuring the Council is ready to move to the new building, ensuring that we secure commercial tenants, that we are able to properly manage the new building, and that we realise the full benefits of the development. The project board overseeing the development has structured itself around these risk areas, has developed a programme that identifies and manages interdependencies and is actively managing the identified risk. A detailed risk register has been created to reflect this stage of the development and continues to be updated as this stage of the projects embeds itself, this is attached as at Appendix B.

# Agenda Item 5

Governance Structure –

## Contractual Arrangements



## Internal Governance

### Member Oversight

- Updates to Cabinet Briefing & regular liaison with Portfolio Holders
- Reporting as requested to Overview & Scrutiny Committee
- Member Working Group advising with particular interest in Groups 2, 4 and 6

## Town Hall Board

Group 1: Design & Build	Group 2: Moving into NTH	Group 3: Commercial Space	Group 4: Facilities Management	Group 5: District Heat Network	Group 6: Benefits Realisation
<ul style="list-style-type: none"> <li>• Construction monitoring</li> <li>• Car Park works</li> <li>• Contractor liaison</li> <li>• Financial monitoring</li> <li>• Communications</li> <li>• Interface with other developments</li> </ul>	<ul style="list-style-type: none"> <li>• Cat C design and procurement</li> <li>• Link Transformation Programme</li> <li>• Layout and accommodation</li> <li>• Decant planning and moving</li> </ul>	<ul style="list-style-type: none"> <li>• Appointment of commercial agent</li> <li>• Marketing of building</li> <li>• Tenancy agreements</li> <li>• Occupancy arrangements</li> <li>• Interface with FM</li> </ul>	<ul style="list-style-type: none"> <li>• Commissioning &amp; training for M&amp;E and plant equipment</li> <li>• Plant maintenance contracts etc</li> <li>• Emergency planning</li> <li>• Risk assessments</li> <li>• Car Parking</li> <li>• Front of house</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement of O&amp;M contractor</li> <li>• Billing &amp; Client arrangements</li> <li>• Test &amp; Commission plant</li> <li>• Switch over A2D &amp; Kilnmead</li> <li>• Phase 2 planning and business case</li> </ul>	<ul style="list-style-type: none"> <li>• Public Square and 4th Plinth moment</li> <li>• Public spaces within town hall</li> <li>• Sustainability benefits</li> <li>• CSR benefits</li> </ul>

# Agenda Item 5

## b) District Heat Network

Whilst part of the Town Hall Site Redevelopment and overseen by the same project board overseeing the new Town Hall, the District Heat Network nonetheless is at a different stage of development where the contract has yet to be finalised, and so is treated separately here. Nonetheless the mechanisms for identifying and managing risk are as above.

## c) LEP Infrastructure – Crawley Growth Programme

CBC, together with WSCC (the lead body) was successful in securing £14.6 million of Local Growth Fund from the Coast to Capital LEP in autumn 2017, as part of the Crawley Growth Programme – a £60m package of public and private sector funding. The principal purpose of the Crawley Growth Programme investment is to help bring forward regeneration sites to achieve new homes, jobs, and commercial space.

The Queensway scheme was completed on time and within budget in October last year. The Town Centre signage scheme has been rolled out and completed. The Station Gateway scheme has been successfully project managed through its initial stage, with the Borough Council able to broker successfully a way forward between Network Rail, GTR, West Sussex County Council and the Arora group on the development of proposals for a brand new Crawley railway station complex and associated public realm / parking / access improvements on site.

The following projects will be led by CBC as part of the Crawley Growth Programme over the period to March 2025:

- Station Gateway public realm improvement
- Grade A commercial space development
- Three Bridges Station Improvement scheme
- Town Centre and Manor Royal Cycle Schemes
- Town Centre and Manor Royal SMART bus shelters

The remaining risks associated with the continuing delivery of the Crawley Growth Programme are the following:

- Risk of budget overspend for the future project delivery within the Programme

**Mitigation:** regular financial monitoring and audit work carried out. Quarterly LEP audit; Head of Corporate Finance will be attending six weekly Programme Delivery Team meetings with West Sussex County Council;

- Scheme delivery time overruns – Remaining Crawley Growth Programme schemes must be delivered by the end of March 2025.

**Mitigation:** 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.

- Discontinuation or withdrawal of support from key partners

**Mitigation:** Regular interaction to identify and resolve issues promptly at project Board level with the Manor Royal Business District, Network Rail, GTR, Metrobus etc.

- A sustained period of economic downturn which slows up private sector investment on key regeneration sites in the town centre:

# Agenda Item 5

**Mitigation:** The type of infrastructure investment being delivered by the Crawley Growth Programme in public realm, transport and infrastructure transcends the economic cycle and delivers structural improvements to strengthen Crawley's economic prospects. The target date for delivery of regeneration site outcomes is actually 2030 to take account of the economic cycle and potential for a sustained down turn.

- Ineffective co-ordination of delivery across projects, leading to multiple disruption in the town centre and Manor Royal when this was avoidable.

**Mitigation:** Careful planning and close cooperation between CBC, WSCC officers and third party partners / contractors.

- Absence of CIL funding receipts in contribution to the delivery of the Crawley Growth Programme

**Mitigation:** Officers will defer from seeking Member approval to progress any elements of a scheme requiring CIL funding until such time as the requisite CIL receipts have been received.

- Ineffective co-operation and communication with WSCC

**Mitigation:** Where WSCC is the lead partner in the delivery of a Crawley Growth Programme scheme, such as the Eastern Gateway, CBC expects to be kept up to date in a timely and effective fashion well in advance of scheme milestones. This will be channelled through the Crawley Growth Board, chaired by the CBC Chief Executive and the Programme Delivery Team.

## d) Three Bridges Railway Station

On 11<sup>th</sup> February 2015 [SHAP/43](#), Cabinet approved the allocation of £430,000 of S106 funding towards the delivery of improvement works to the Station Forecourt. Network Rail have formally agreed to extend the S106 funding spend deadline to end March 2021. This funding remains on track to be spent by the deadline.

Member approval was granted in June 2016 to reallocate £1.5 million of Borough Council capital programme funding, originally earmarked for the Queens Square regeneration scheme, to the Three Bridges station improvements programme. These funds are being combined with the above S106 resources, in addition to a further £89,000 of S106 funds along with over £1.1 million of Community Infrastructure Levy, (approved by Cabinet on 7<sup>th</sup> February 2018), subject to receipt of the CIL funds.

At the Full Council meeting on 26 February this year, Members debated the recommended design option for the Three Bridges Station Improvement scheme in the context of a petition received with over 1,000 signatories objecting to the removal of the right hand turn for vehicles out of the station and a Council motion requesting that an alternative design option is developed retaining the right hand turn and then being subject to public consultation.

Full Council voted to request that Cabinet note the petition and consider its contents and then voted to approve a Council Motion which requested that Cabinet refer the matter of retaining the right hand turn to West Sussex County Council, the Highway Authority, requesting that the Highway Authority determine whether an alternative design option retaining the right hand turn is viable. At the time of writing, this course of action is subject to Cabinet approval.

Comprehensive traffic modelling work was completed last year and has informed the development of the detailed designs for the scheme and the identification of the recommended design option. This was presented during a third a public consultation

# Agenda Item 5

exercise, which was carried out from 7<sup>th</sup> October through to 30<sup>th</sup> October. In advance of the above Full Council debate, the answers to the most fundamental questions arising from the consultation exercise were published on the “Invest Crawley” web site on a “Frequently Asked Questions” page.

Three consultation exercises have provided almost eleven weeks of public consultation on the scheme with a total of 779 responses received from residents and stakeholders

A further 3 weeks of public consultation would also take place, should a planning application for the scheme be submitted. This would bring the total amount of public consultation on the scheme to almost 14 weeks.

A comprehensive risk register is overseen by the Project Board of the Crawley Growth programme. The principal strategic risk looking ahead to the next steps is that a way forward is unable to be agreed.

## e) **Delivering the affordable housing programme**

The Administration has pledged to build as much affordable housing for local people as possible. Delivery is being programmed through the Strategic Housing Board and scrutinised at CMT and through the Corporate Projects Assurance Board. Current projections for the next 4 year delivery period (2018-2021) indicate that delivery can be maintained at a similar level to the previous 4 year monitoring period at just over 1,000 new affordable homes. Approximately 2/3rds of this delivery will be by the Council and the remainder by other Registered Providers of affordable housing.

Perhaps the greatest risk to the delivery of affordable housing lies beyond the medium term, once the current programme has been delivered. This reflects the fact that the majority of larger sites within the Council boundary that can easily be built will have been developed. This will leave smaller sites that are more challenging and contentious in nature, or finding other opportunities such as redevelopment. Work is underway that will seek to identify these future sites and opportunities, feeding into the Local Plan and developing programmes of work.

## f) **Transformation Programme**

The Council has set itself a change agenda to be completed ahead of the move to the new Town Hall and to help us meet future demand, needs and financial pressures. The pillars (in addition to the New Town Hall) within the plan are Digital Transformation, New Ways of Working, Values and Behaviours, Redesigning Services, Commercial Approach and Reducing Bureaucracy. At a programme level, the key risks are:

- The interdependencies between the areas of work not being recognised
- Capacity to deliver the Transformation Programme
- Ensure focus on the Transformation Programme does not impact on core delivery which could impact on performance, finance and reputation
- Services and staff are not prepared for the move to the new town hall impacting on motivation, performance, retention and costs
- Technology does not support the desired ways of working impact on performance, finance and morale

To manage these risks, a Transformation Board at CMT level has been created. It brings together and oversees a high level plan to ensure coherence, manage interdependencies and change, allocate resources and ensure delivery. Furthermore the Digital, Transformation and Corporate Support teams have been reinforced to ensure there is sufficient capacity both to support and deliver the transformation programme. Finally significant work is taking place with third and fourth tier managers to ensure that key aspects around values and behaviours and new ways of working fully embed themselves within the organisation.



# Agenda Item 5

A further senior management group – Corporate Project Assurance Group - has also been created (September 2018). Its role is to ensure appropriate governance of projects and assure that key projects beyond the transformation programme are not adversely impacted from the constraint of capacity and resources. In fulfilling this role the group has reviewed a wide range of current projects following an initial risk analysis. In doing so it has made changes to strengthen the governance structures for projects, for example the IT Boards Terms of Reference and membership has been changed, and a new Major Procurement Board has been created. As set out in the Capital Strategy (agreed at Council on 27 February 2019), this group will now shift to a more forward facing stance in overseeing delivery of the Capital Strategy whilst maintaining its focus on governance.

## **g) Disaster Recovery and Business Continuity.**

Currently, our core data centre is based at the Surrey Data centre in Redhill. 99% of all systems are hosted there and the remaining few hosted at the Town Hall will be migrated by end of March 2020. The ongoing migration of users to O365 in the cloud, means that core communication tools like Outlook will be available from anywhere. Combined with the rollout of Hybrid devices to the majority of staff and a new VPN allowing rapid external network access, in the event of the loss of the Town Hall, staff would be able to work from home, Bewbush or any location where an internet connection were available. Bewbush remains as a site for F2F services even though it wouldn't be required for access to systems.

There remains a risk that the Surrey Data Centre could go offline, leaving CBC unable to access its line of business systems. The options for fully duplicated disaster recovery are being drawn up ready for implementation over 2020/21.

## **h) Move to Cloud**

The Council is undertaking substantial work to modernise its IT Digital Infrastructure to support our Transformation Programme, and ensure its IT estate is fit for purpose ahead of the move to the new Town Hall. The optimal strategy, in terms of future proofing our IT infrastructure and reducing the risks associated with that infrastructure, has identified moving our estate to the cloud. Whilst this will de-risk the Council over time, it is recognised that there will be risks associated with the change itself. Financially it requires a shift from a capital to a revenue model of funding IT. Structurally it will require short term investment and medium term shifts in human resources as elements of the Digital Team shifts into new roles. From a data security point of view it will require careful consideration of the implications to ensure the Council is compliant.

## **i) Telephony & Unified Communications**

One of the key transformation projects in the coming year will be the provision of the Council's key communication infrastructure including telephony, mobile phones and applications within O365 that supports messaging, video messaging, and other ways of enabling communications within and across teams. Existing contracts come to an end in September and October and so this is a critical window of opportunity that is a critical enabler for new ways of working within the Transformation Programme. It also has the potential to significantly reduce expenditure on related contracts. This project is being overseen by the IT Board, and its interdependencies with transformation monitored through the Transformation Board. The business case will be signed off by CPAG.

## **j) Data Breaches**

# Agenda Item 5

Inadequate data sharing and data security arrangements including failure to maintain public services network accreditation (PSN). Improper disclosure of confidential information, failure to comply with GDPR requirement could lead to major reputational damage, loss of public confidence and the inability to operate key business processes.

- Agreements and processes are in place for interagency referrals and data sharing in safeguarding matters.
- Annual IT Health Checks including penetration testing.
- Data Protection guidance and training for staff.
- IT Security Policies in place. Plans in place to meet Government standards (PSN/GDPR)
- Information Asset Register and processes for its management is a current corporate project.

k) **A balanced budget is not achieved in the medium term resulting in an increased use of reserves, which is not sustainable.**

The Budget and Council Tax 2020/21 [FIN/491](#) report to Cabinet on 5<sup>th</sup> February 2020 it identified future budget gaps. The proposed Fair Funding Review has now been delayed for a year together with a review of business rates retention and the future of Local Government financial settlements are unknown. It is likely that there will be a significant budget gap from 2022/23 when resources are moved around the public sector with more resources being put into schools, social care and policing. Options for future savings will be reviewed over the coming months and shared with both Members and the public.

Additional pressures on the budget include the impact of welfare reforms including managing increasing arrears due to the impact Universal Credit. Housing have employed additional staff to manage arrears, we are seeing an increase in Council tax arrears, we liaise with the DWP to try to identify UC claimants where possible so that we can award Council tax reduction. Another potential impact is the Coronavirus, this impact of services, income collection will be reviewed through budget monitoring and any future impacts fed into the Medium Term Financial Strategy.

The Chief Executive together with the Head of Corporate Finance have undertaken a 'Budgets Challenge' exercise with all Heads of Service – this has resulted in savings and efficiencies which will assist in meeting future budget gaps. The transformation programme includes an increased focus on achieving new sources of income by applying a commercial lens by looking at Productivity, Income, Profit, Efficiencies and Savings.

l) **Organisational Capacity, Recruitment, Retention and Succession Planning.**

There are a number of current and forthcoming workforce challenges facing the Council. As we seek to transform, continuously improve and meet a budget gap, we will be asking more of our staff, potentially with less resource. Some of this will be met through greater productivity, but not all. Having reduced the workforce in recent years from c1000 to c600, the Council is already seeing potential points of failure, for instance single standalone specialists. It is also recognised that there are teams that are potentially already under-resourced.

The recruitment and retention of key specialist and professional roles can be challenging. The impact of higher salaries in the private sector is evident and as a result has led to problems with recruitment and retention in roles such as Procurement, IT, and some Planning and Surveying role. HR are working with managers to ensure that we promote hard to recruit roles effectively and actively encourage managers to have transparent conversations around salary throughout the recruitment process.

# Agenda Item 5

We have also seen a number of skills gaps in the market when recruiting, as a result HR has worked with managers to creatively approach their recruitment by either upskilling employees internally or re-evaluating and recruiting to trainee level posts, this has resolved some retention issues, but it has impacted on workload for these business areas as there are greater levels of support and training for staff in these circumstances.

We offer a generous employee benefits package, with a range of discounts, benefits and wellbeing incentives to suit everyone and by raising the profile of these to prospective and existing employees with our benefits hub and external webpage we can support with candidate attraction and retention.

We now also have a 'Working for Crawley Borough Council' webpage on the HR pages of the website which is an interactive webpage which includes a welcome video from our Chief Executive, along with a number of employee experience videos for recruitment attraction purposes, where employees share their experiences of working for the council.

We continue to promote and support the creation of apprenticeship opportunities and we are making progress with better promoting ourselves as an employer of choice. The Corporate Management team will be discussion succession planning and putting processes in place to plan for the future.

## m) **Climate Emergency**

In July 2019 the Council declares a climate emergency and pledged to aim to reduce carbon emissions generated by Crawley Borough Council activities by at least 45% by 2030 and to zero by 2050 as recommended by the Inter-governmental Panel on Climate Change (IPCC). The risks here are broadly two-fold, the costs of not acting and the difficult choices involved in acting. A Scrutiny Panel has been established with a view to making recommendations as to how best to meet this target and this will be the basis for the risk analysis that emerges.

## n) **National Waste Strategy (incl Food Waste)**

The National Waste and Resources Strategy is scheduled for publication in 2020. Although yet to be confirmed, it seems likely that the Strategy will mandate changes to collection recycling and potentially residual waste collection frequencies which could place additional resource burdens on waste collection authorities. The Draft Consultation Strategy indicated introduction of a mandatory weekly food waste collection which could then impact upon residual waste and dry mixed recycling collection frequencies. The Council's contract for Waste and Recycling has been extended to allow sufficient time to understand this impact and undertake the planning required to take account of the changes to come.

# Agenda Item 5

## o) **Public Health**

The current Covid-19 alert reminds us of the risks associated with public health emergencies. As host borough to Gatwick Airport, the Council has additional responsibilities when such issues emerge, in addition to those faced by other Councils.

## p) **Local Plan Failure to Adopt**

Crawley's refreshed Local Plan 2020-2035 has been drawn up and the final draft submission document has been out to "Regulation 19" consultation for a six week period. Officers are reviewing the written representations from residents, stakeholders, other local authorities, businesses and developers and the next stage will be to prepare the Local Plan for submission to the government to be examined publically by the Planning Inspectorate later in the year. Further supporting evidence work is being completed and further legal advice may be sought. This work will determine whether any further rounds of consultation are required prior to submission, in which case there is a potential risk of delay in the process should this be needed.

The principal risk associated with adoption at this stage is that the Inspector finds the Local Plan not to be legally compliant, in which case it would not be able to proceed through examination. In addition there is a risk that the Inspector considers at examination that the Local Plan is not yet "sound" and that it requires significant modification. This may mean a requirement for a revised draft to be produced to go out to a further period of modifications consultation. The Inspector will take into account written representations received when undertaking the examination. Only minor modifications can be undertaken before or during the examination process. Finally there is the risk that the Local Plan might subsequently be subject to judicial review from a third party which would delay its adoption.

## q) **Possible 'no deal' Brexit**

A separate draft working document has been prepared looking at the implications of a no-deal Brexit to the council. This is a substantive assessment that includes all the areas listed above, but one that by the very nature of Brexit is constantly changing and being updated. Whilst the UK left the EU at the end of January, this is a transition period that maintains the former mechanisms until December, the deadline for the new relationships. It is therefore possible that the UK could still emerge with a 'no-deal' scenario and therefore the planning previously undertaken will be revisited from the autumn.

## Internal Audit Plan 2019/2020

### Progress Report as at 28<sup>th</sup> February 2020

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
<b>A. Work Completed in the Current Period</b>				
Housing Rents	2019/20	Substantial		
Procurement	2019/20	Satisfactory		
Housing Repairs Tender	2019/20	Substantial		
NNDR	2019/20	Substantial		
Creditors	2019/20	Substantial		
Council Tax	2019/20	Substantial		
Housing Benefits	2019/20	Substantial		
Cash and Bank	2019/20	Substantial		
<b>B. Work In Progress</b>				
New Town Hall	2019/20			Ongoing advice to Project Team
Corporate Project Assurance Group	2019/20			Provide audit and risk support
FOI Requests – day to day work	2019/20			
Housing Repairs – Gas Servicing	2019/20			
Car Parking	2019/20			
Payroll	2019/20			
<b>C: Follow Ups</b>				
Community Grants	2018/19			All actions satisfactorily implemented
<b>Other Work</b>				
Mid Sussex District Council	2019/20			Work is ongoing.

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TOWN HALL PROJECT  
RISK REGISTER

Likelihood	Impact
5 = Almost Certain	5 = Catastrophic
4 = Likely	4 = Major
3 = Possible	3 = Moderate
2 = Unlikely	2 = Minor
1 = Rare	1 = Negligible

Risk Score = Likelihood x Impact

All risks with a score of 10 or more are considered significant

File Ref:	Town Hall Development		
Name of Doc:	Risk Register		
Version No:	V5	Monitored by:	Project Board
File path:	T:\Town Hall Project\townhallprojectriskregister .doc	Date Printed:	09/03/2020
		No of Pages	7

**Responsibility – Project Board**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments
PB1	Planning conditions requires amending which impacts on financial viability of the scheme.	2 4 8	1 1 1	2 3 6	<ul style="list-style-type: none"> <li>Pre app meetings held between Westrock and planning officers</li> <li>Conditions for the scheme have been identified and so that ownership and dates can be agreed.</li> <li>Planning conditions project tracker created for WR.</li> </ul>	Risk still active due to Planning conditions on the construction of the New Town Hall
PB2	Impact of construction Phase 1 and Phase 2 to residents and commercial tenants	3 3 9	2 3 6	3 3 9	<ul style="list-style-type: none"> <li>Project agreement includes timescale to build phase 2</li> <li>Initial rental income projection incorporates phase 2 development impact</li> </ul>	
PB3	Errors or omissions in legal or contractual documentation	2 3 6	1 2 2	1 3 3	<ul style="list-style-type: none"> <li>Internal/External procurement and legal advice taken on all aspects of the contractual arrangements.</li> <li>Legal agreements signed 18 Oct having sought external advice throughout negotiations.</li> </ul>	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments
					<ul style="list-style-type: none"> <li>We are now in a fixed price contract with Keir</li> </ul>	05/03/2020
PB4	Decision gateways and need for CBC authority result in delays making key decisions	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> <li>Clear decision making leads identified at member and officer level agreed by Cabinet</li> <li>Robust project management and Governance structure established</li> <li>Continued working with consultants to ensure work to timeline.</li> <li>Management structure regarding the relationship with the contractor, the Council and the Development manager is in place.</li> </ul>	
PB5	Westrock unable to obtain development funding for project Phase 2 (market housing)	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> <li>Project agreement will stipulate time period, with CBC having the option to buy back.</li> </ul>	
PB6	Impact of changes to values of offices/housing	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> <li>Valuations obtained, these will be refreshed during the project</li> </ul>	
PB7	Project exceeds budget	2 4 8	1 4 4	3 4 12	<ul style="list-style-type: none"> <li>Budget agreed and clearly communicated in Final design brief</li> <li>Regular Project Board and Steering Group meetings to review and keep cost projections up to date</li> <li>Contingencies sums identified covering 10% of project costs.</li> <li>Value engineering opportunities being explored at Stage 5</li> <li>Monthly reports and Client meetings to ensure works are agreed and information provided to design team.</li> <li>Regular budget review meetings between Westrock and CBC</li> <li>Cat A and Cat B are now fixed price, the largest risk is now Cat C (fit out)</li> </ul>	
PB8	Contractor is declared bankrupt and is unable to complete the construction contract	2 2 4	2 2 4	2 3 6	<ul style="list-style-type: none"> <li>Contract retention of 8% of the contract value has been agreed in lieu of a performance bond as part of Due Diligence process. The mechanism agreed is a 5% retention of construction costs until practical completion of the project. This is in addition to a further 3% retention previously negotiated for quality purposes.</li> </ul>	Ongoing



**Responsibility – Group 1 – New Town Hall Design and Build**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments
G1-1	Errors in detailed design specification	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> <li>• Consultant Architects appointed as our client to oversee design brief.</li> <li>• Board to monitor mitigation actions to reduce costs, use of value engineering and errors</li> <li>• Regular design team meetings held to ensure variations are discussed before change requested. Consultant procured to provide advice and support to ensure Employers Requirements (ER's) are met and where necessary any changes are in line with original ER's.</li> <li>• Expert advice was given when designing the commercial entrance.</li> </ul>	05/03/2020 Employers Agent monitoring information from Kier. Robust change procedure in place to ensure Employer Requirements are met
G1-2	New Town Hall not delivered on time	2 3 6	1 2 2	1 2 2	<ul style="list-style-type: none"> <li>• Robust monitoring governance agreed with all parties.</li> <li>• Monthly meetings with Contractor and Design Team to ensure programme is monitored and changes communicated</li> </ul>	Provision for financial penalties built into the contract however the impact of Brexit and the Corona virus could impact
G1-3	Members facilities do not meet their requirements	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> <li>• Regular consultation with Members and Member Working Group</li> <li>• Member sign-off to this element of the final design brief of these elements</li> </ul>	
G1-4	Staff facilities / infrastructure do not meet their requirements.	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> <li>• Regular consultation with staff via a number of formats</li> <li>• Desk ratio demonstrates meeting needs and will work with staff to co-ordinate remaining elements.</li> <li>• Will be delivering office etiquette guidelines and trails for new ways of working</li> <li>• Links with the transformation plan</li> </ul>	
G1-5	Customer facilities do not meet their requirements	2 3 6	1 2 2	2 2 4	<ul style="list-style-type: none"> <li>• Crawley Homes Tenants Panel have been consulted.</li> <li>• Will undertake a consultation with customers</li> <li>• Will offer significant improvements to current arrangements.</li> </ul>	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 05/03/2020
					<ul style="list-style-type: none"> <li>Sufficient time to trail new arrangements for customers.</li> <li>TAG (Town Access Group) are being consulted as part of the process, they have inputted into changes in detailed design.</li> </ul>	
G1-6	Provision of the internal wall during the demolition period does not meet planning conditions	3 3 9	1 1 1	1 1 1	<ul style="list-style-type: none"> <li>Discussions with demolition contractor to ensure requirements are outlined in tender documents</li> </ul>	Retain to be removed shortly
G1-7	Building as completed not to required quality/specification	2 4 8	1 2 2	2 2 4	<ul style="list-style-type: none"> <li>Establish robust project management structure</li> <li>Maintain regular contact between CBC/developers to monitor construction against design specification</li> <li>Regular design team meetings held to ensure Stage 4 designs meet requirements.</li> <li>Developers appoint Clerk of Works/Site Agent to oversee construction</li> <li>Within the contract there is a requirement for Kier to provide warranties.</li> </ul>	
G1-8	Condition of Trees in service road and possible impact to the design of the DHN	2 2 4	1 2 2	2 2 4	<ul style="list-style-type: none"> <li>All trees removed or topped in phase 1 development at start of construction of DHN</li> </ul>	
G1-9	Health & Safety – ensure compliance during and after the construction period and for the future.	2 3 6	1 2 2	2 2 4	<ul style="list-style-type: none"> <li>Robust project management from construction contractor(s)</li> <li>Consultation programme to include all relevant authorities with regard to health &amp; safety matters</li> </ul>	
G1-10	Unforeseen circumstances with the development delay the project; Examples: Problems with any of the utilities, adverse weather; industrial disputes  Links to group 2	2 2 4	2 1 2	2 1 2	<ul style="list-style-type: none"> <li>Covered by the contract</li> <li>Early warning of any problems so that the impact of the risk could be prepared for;</li> </ul>	Ongoing risk
G1-11	The commercial entrance for the building is delayed  Links to group 3	2 2 4	2 2 4	2 1 2	<ul style="list-style-type: none"> <li>Possible for commercial tenants to use the Council staff entrance until the commercial entrance is complete.</li> <li>Included in the Kier delivery programme</li> </ul>	Ongoing risk
G1-12	Delivery of improved car park facilities, allocated spaces and management plan. Consider risk of staff morale by using the Orchard St car park instead of Exchange Road.  Links to group 2 and 3	1 1 1	1 1 1	2 3 6	<ul style="list-style-type: none"> <li>Car Park improvements part of development plan and costs.</li> <li>Need to review spaces allocations and control systems</li> <li>Car Park management plan to be submitted to planning.</li> </ul>	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 05/03/2020
					<ul style="list-style-type: none"> <li>Shorter and longer term risks of spaces to meet all the demand there will be sufficient in phase 1 but will be a bigger risk in phase 2.</li> </ul>	

**Responsibility – Group 2 – Cat C Design and procurement, mobilisation and decant**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 05/03/2020
G2-1	Unable to deliver new ways of working to support reduced council operating space	3 3 9	1 2 2	3 3 9	<ul style="list-style-type: none"> <li>Structured approach through Digital &amp; IT Strategy to deliver key projects</li> <li>The transformation plan is a working document which looks to work in new ways</li> </ul>	
G2-2	Delays in mobilisation to new building impacting on services to customers	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> <li>Current plans allow for six month mobilisation, there would be financial penalties if we exceed the six months</li> </ul>	
G2-3	<p>The Council and its staff are unprepared to move into the New Town Hall</p> <p>There is a lack of succession planning for key staff involved in the New Town Hall Project</p> <p>Managers are unprepared to manage their staff in the changed environment</p> <p>Links to group 4</p>	3 3 9	2 3 6	2 3 6	<ul style="list-style-type: none"> <li>Facilities will ensure that all of the infrastructure including IT is ready for the New Town Hall to be ready for occupation with all statutory permits and insurances in place;</li> <li>Staff and managers will plan and prepare for the new building by visiting the new office accommodation to confirm where they will be located and when they will move;</li> <li>Phased transfer of staff to the new Town Hall so not to disrupt operations;</li> <li>Managers will plan contingency measures if key staff were to leave before the New Town Hall is completed;</li> <li>The transformation programme looks at digital transformation and new ways of working and changing the culture around agreed values and behaviours</li> </ul>	Ongoing risk

**Responsibility – Group 3 – Commercial Space**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 05/03/2020
G3-1	Impact of demolition of phase 2 and the public square may discourage occupiers of commercial space over first few years	3 3 9	2 2 4	3 3 9	<ul style="list-style-type: none"> <li>Financial projections are cautious for letting, work will take place with Westrock to minimise the impact</li> </ul>	
G3-2	Commercial office space including car park specification/design not attractive to potential occupiers.	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> <li>Design set at required level to attract commercial occupiers</li> <li>Use of consultant architect to provide advice and support</li> <li>External advisors state that the quality of the car park is not material to commercial customers</li> <li>Tenders out for consultant letting agents who will provide advice. Appointment in June 2020.</li> </ul>	

**Responsibility – Group 4 – Facilities Management (FM)**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 05/03/2020
G4-1	Facilities management services provided do not meet expectation of commercial tenants / building not kept at a level satisfactory to the commercial tenant	2 5 10	1 3 3	2 5 10	<ul style="list-style-type: none"> <li>Work with commercial letting agent to clearly define requirements.</li> <li>Ensure FM provisions are flexible and adaptable to meet various tenants needs</li> <li>Visiting other providers to see how they operate both public and private sector FM</li> </ul>	

**Responsibility – Group 5 – Heat Network**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 05/03/2020
G5-1	District Heat Network not being progressed impacts detrimentally on overall scheme	2 2 4	1 2 2	4 3 12	<ul style="list-style-type: none"> <li>A report to Cabinet on 11 March 2020 raises the issues, this risk will be revised by the project board after the April full Council.</li> </ul>	

**Responsibility – Group 6 – Benefits Realisation**

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/ Comments 05/03/2020
G6-1	WSSC Eastern Gateway project impact on infrastructure	1 2 2	2 2 4	2 2 4	<ul style="list-style-type: none"> <li>Early coordination with WSSC on programme dates</li> </ul>	

Risk Scoring = impact x likelihood (I x L)

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

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## Crawley Borough Council

### Report to the Audit Committee

17<sup>th</sup> March 2018

### Internal Audit Annual Plan 2020 - 2021

Report of the Audit and Risk Manager – FIN 495

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#### **1. Purpose**

- 1.1 The Committee has a responsibility to assess the adequacy of the Council's internal audit and risk management arrangements. This includes considering and reviewing the adequacy of the Internal Audit Budget and Resource Plan and approving the Internal Audit Plans ensuring that appropriate risk assessments have been carried out when formulating these.

#### **2. Recommendations**

The Committee is requested to make any recommendations they wish on the proposed 2020 – 2021 Annual Internal Audit Plan.

#### **3. Reasons for Recommendations**

The Audit Committee has responsibility to review the proposed Internal Audit Plan.

#### **4. Background**

- 4.1 The Council has a statutory duty to “undertake an adequate and effective internal audit of its accounting systems and of its system of internal control” – Accounts and Audit Regulations 2015. This responsibility is delegated to the Head of Corporate Finance.
- 4.2 The plan was reviewed by CMT members in February 2020 and the following plan agreed.

#### **5 Supporting Information and Analysis**

- 5.1 The 2020/2021 annual audit plan allows for examination of the main financial areas from a systems and from an IT perspective, and is key to ensuring the Council's finances remain properly controlled, whilst also undertaking strategic and service based work each with a varying risk to the organisation.

# Agenda Item 6

- 5.2 The plan also includes some specific reviews from previous audit work; this is to ensure the Council is being consistent in their approach to these areas year on year.
- 5.3 A total of 240 days has been set aside in the plan for the work that we will be undertaking as part of the shared service arrangement with Mid Sussex District Council.
- 5.4 A detailed scope and objectives for each audit will be agreed with the Heads of Service prior to the commencement of each individual review.
- 5.5 Best practice dictates that an audit plan should be prepared to meet the audit needs of the organisation, regardless of the level of resources available to deliver the plan. If the days required exceed the days available, then it is for management to decide whether additional resources should be made available or whether they are happy to accept the risks involved in not doing some of the reviews, and which reviews should be omitted.
- 5.6 The service will be delivered using a mix of in-house staff and specialist external consultants as required.
- 5.7 In considering the plan, Members should consider whether:-
  - It accurately reflects the audit needs of the Council and the external auditors;
  - There are audits that should be included that have been omitted;
  - There are topics that the Committee does not require that Internal Audit cover.

## **6. Implications**

- 6.1 The plan needs to provide sufficient coverage to meet the Council's statutory duty to undertake an adequate and effective internal audit plan.
- 6.2 The plan can be met with the proposed budget.

## **7. Background Papers**

- 7.1 None.


Report author and contact officer: Gillian Edwards, Audit and Risk Manager  
(01293) 438384



## INTERNAL AUDIT PLAN 2020/2021

Audit	Risk	Days
<b>Fundamental Systems</b>		
Housing Benefits	High	12
Sundry Debtors	High	10
Payroll	High	10
Cash and Bank	High	8
FMS	High	8
Budgetary Control	High	5
Treasury Management	High	5
<b>Projects – Capital and Revenue</b>		
Crawley Growth Programme	High	6
Crawley Growth Programme – Queensway Post Implementation Review	High	5
Town Hall Redevelopment	High	12
Corporate Project Assurance Group	High	5
Information Management Project Board attend and implement	High	4
ICT Board attend	High	6
Transformation - Cash	High	6
<b>Other</b>		
Publication Scheme Review	High	2
DWP CIS Security Compliance	High	4
Housing Repairs – Planned Works – Mears	High	10
Housing Repairs – Responsive Repairs - Mears	High	10
Housing Allocations	High	8
Temporary Accommodation	High	8
Risk Management Awareness and Training	High	10
Fleet Management – maintenance, replacement, procurement and control of fleet. Also to include Pool Cars and Essential Car Users.	High	12
Business Impact Assessments	High	5
Business Continuity	High	5
Chipside Car Parking Reconciliation	High	6
Disabled Facility Grants	High	8
Corporate Payment Cards	High	5
Adventure Playgrounds – cash handling and reconciliation	High	6
<b>ICT</b>		
Use of ICT Consultants	High	8
To be agreed	High	10
<b>Follow Up Audits</b>		
	High	15
<b>Contingency</b>		
	High	6

<b>Mid Sussex District Council</b>		240
<b>Total Productive Days (Audit)</b>		480
<b>Productive Time not allocated to audits including:</b>		85
<ul style="list-style-type: none"> <li>• Audit Manager planning and preparation of audit plans</li> <li>• Co-ordination of Annual Governance Statement</li> <li>• Work undertaken in compliance with the Public Sector Audit Standards</li> <li>• Preparation of Audit Committee reports and attendance</li> <li>• Training</li> <li>• Advice and Consultancy to officers, managers and members</li> <li>• Corporate meetings</li> </ul>		
<b>Non-Productive Time including:</b>		30
<ul style="list-style-type: none"> <li>• Administration, including timesheets, team meetings, one to one meetings</li> <li>• Study, training and courses</li> </ul>		
<b>Freedom of Information Requests</b>		305
<b>TOTAL DAYS</b>		<b>900</b>



Crawley Borough  
Council  
Audit planning report  
Year ended 31 March 2020

3 March 2020



Building a better  
working world



Private and Confidential  
Crawley Borough Council  
Town Hall, The Boulevard  
Crawley, West Sussex  
RH10 1UZ

3 March 2020

Dear Audit Committee Members,

#### Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

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

We welcome the opportunity to discuss this report with you on 17 March 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain

For and on behalf of Ernst & Young LLP

# Contents

01	Overview of our 2019/20 audit strategy	02	Audit risks	03	Value for Money risks	04	Audit materiality	05	Scope of our audit
									
	06	Audit team	07	Audit timeline	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

# Overview of our 2019/20 audit strategy





# Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk	No change in risk or focus	Misstatements could affect the capitalisation of revenue expenditure to Property, Plant and Equipment Additions.
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively.
Valuing and Accounting for Property, Plant and Equipment (Other Land and Buildings and Assets Under Construction)	Significant risk	Increase in risk or focus	During 2019/20, work started to demolish the existing Town Hall and replace it with a new Town Hall, affordable housing and, in the longer term, infrastructure to support a district heat network. The building project will span several years and ultimately cost up to £50 million. At the time of writing this report, the expectation is that the Statement of Financial Position (SoFP) will include amounts representing the work in progress. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the SoFP.
Valuation of Pension Fund Assets and Liabilities	Inherent risk	No change in risk or focus	Asset and Liability values captured in Crawley Borough Council's 2019-20 accounts will derive from information issued to the Council by the actuary to West Sussex County Council and will involve significant estimation and judgement and potentially be impacted by any future employment tribunal rulings in connection with the McCloud case.
Valuation of NNDR Appeals Provision	Inherent risk	No change in risk or focus	Crawley Borough Council's NNDR Appeal Provision was valued at £4,083,000 at 31 March 2019. This is a high value estimate driven by internal calculations and judgement.

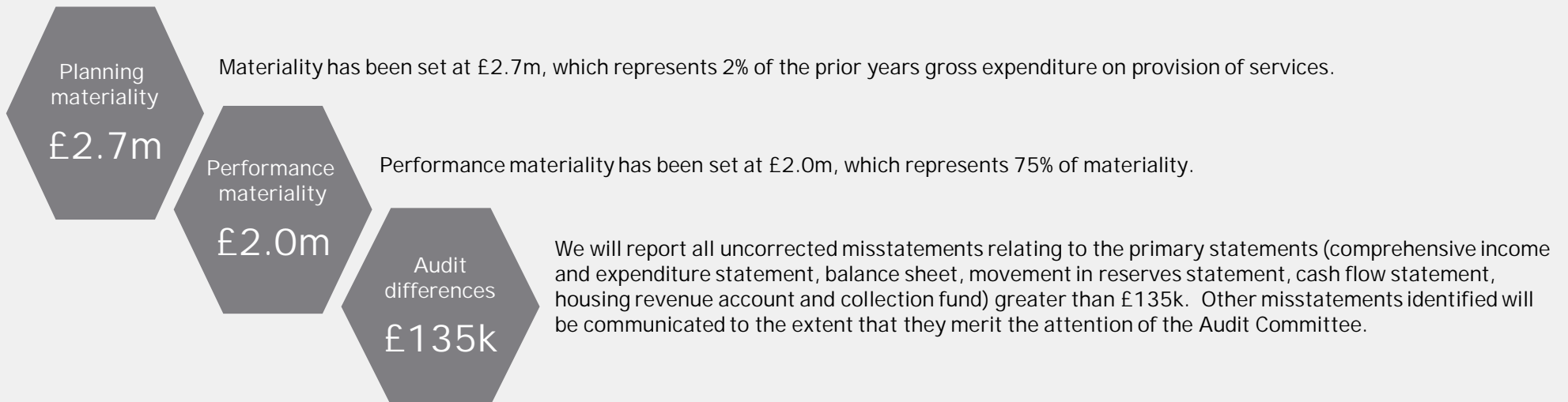
# Overview of our 20xx/xx audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Financial statements presentation	Inherent risk	New risk or focus	Crawley Borough Council's internal reporting structure changed during 2019/20. The classifications on the Expenditure and Funding Analysis and of the Comprehensive Income and Expenditure Statement will need to reflect the new reporting structure, both for 2019/20 and for 2018/19 amounts.
Going Concern Compliance with ISA 570	Inherent risk	New risk or focus	This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21.
IFRS16 - Leases	Inherent risk	New risk or focus	Although the new standard will not be included in the CIPFA Code of Practice until 2020/21, work will be necessary to secure information required to enable authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020.

## Materiality





# Overview of our 2019/20 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Crawley Borough Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Crawley Borough Council's audit, we will discuss these with management as to the impact on the scale fee.



02

# Audit risks

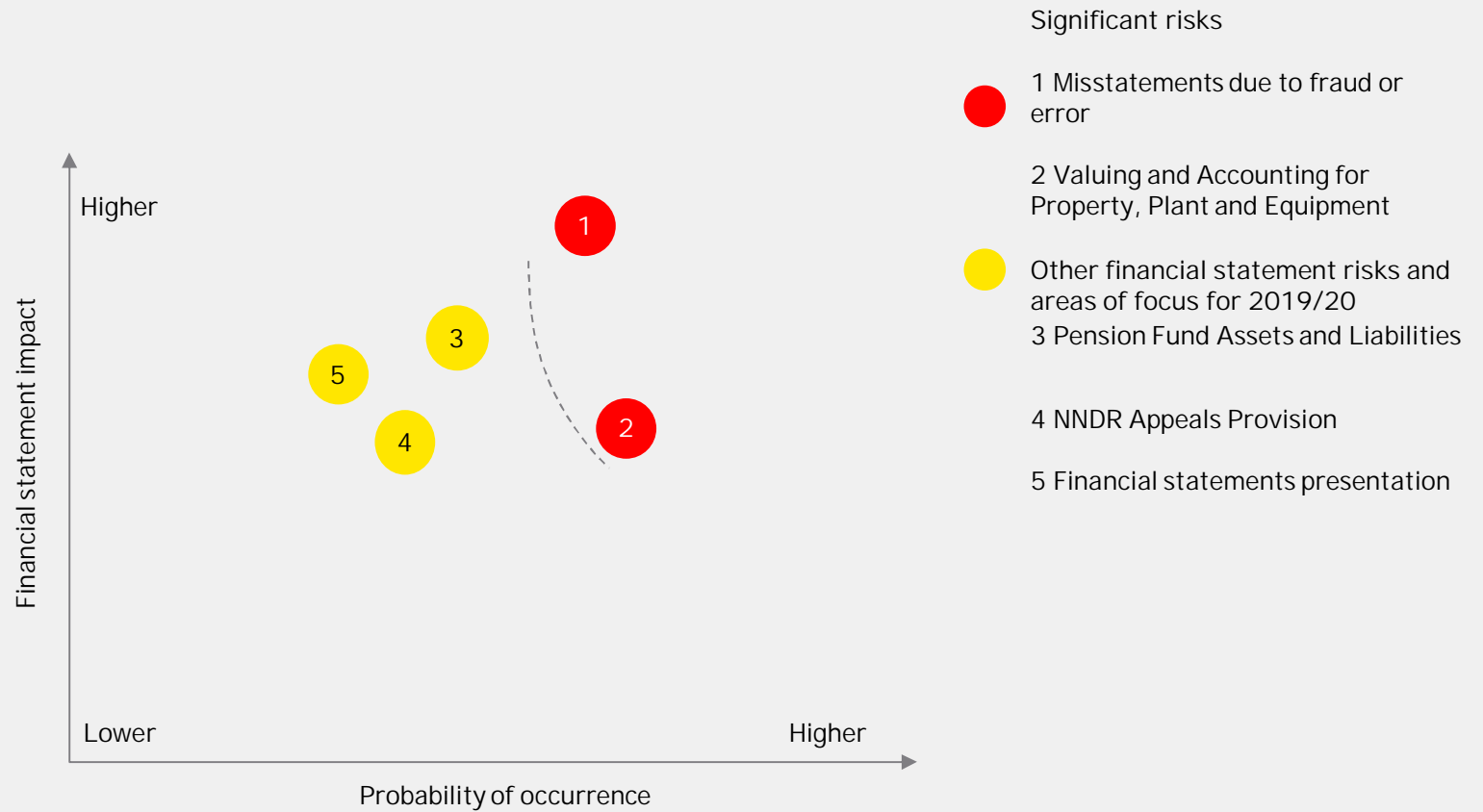


# Risk assessment

## Risk assessment

We have obtained an understanding of your strategy, reviewed your principal risks as identified in your 2018/19 Statement of Accounts and combined it with our understanding of the sector to identify key risks that impact our audit.

The following 'dashboard' summarises the significant matters that are relevant for planning our year-end audit:



## Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p>Misstatements due to fraud or error*</p>	<p>As identified in ISA 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 would otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>• Inquiry of management about risks of fraud and the controls put in place to address those risks.</li> <li>• Understanding the oversight given by those charged with governance of management's processes over fraud.</li> <li>• Consideration of the effectiveness of management's controls designed to address the risk of fraud.</li> </ul> <p>Performing mandatory procedures regardless of specifically identified fraud risks, including:</p> <ul style="list-style-type: none"> <li>• Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>• Assessing accounting estimates for evidence of management bias, and</li> <li>• Evaluating the business rationale for significant unusual transactions.</li> </ul> <p>In addition to our overall response, we consider where these risk may manifest themselves and identify separate fraud risks as necessary below.</p>



# Audit risks

## Our response to significant risks (continued)

Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure\*

### Financial statement impact

Inappropriate capitalisation of revenue expenditure would decrease the net expenditure from the general fund, and increase the value of non-current assets.

### 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.

From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.

### What will we do?

Our approach will focus on:

- ▶ For significant additions we will examine invoices, capital expenditure authorisations, leases and other data that support these additions. We review the sample selected against the definition of capital expenditure in IAS 16. In particular, New Town Hall spend and spend associated with the proposed heat distribution network
- ▶ We will extend our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold.
- ▶ Journal testing - we will use our testing of Journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.



## Our response to significant risks (continued)

Valuing and Accounting for Property, Plant and Equipment (Other Land and Buildings and Assets Under Construction)

### What is the risk?

At 31 March 2019, Other Land and Buildings included within Property, Plant and Equipment were valued at £181,768,000. Assets Under Construction included within Property, Plant and Equipment were valued at £31,168,000.

Assets Under Construction are accounted for at cost until they come into use and most Land and Buildings are valued on a rolling basis over a five year cycle. However, the highest value Land and Buildings are valued annually at the year end and include the Town Hall; the K2 leisure centre; a theatre; a medical centre; and a 3G pitch and pavilion.

During 2019/20, work started to demolish the existing Town Hall and replace it with a new Town Hall, affordable housing and, in the longer term, infrastructure to support a district heat network. The building project will span several years and ultimately cost up to £50 million. At the time of writing this report, the expectation is that the Statement of Financial Position (SoFP) will include amounts representing the work in progress. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the SoFP.

### What will we do?

- An accounting paper outlining the expected position has been requested. Accounting treatment and the impact on year end valuations work will be a focus of our attention.
- We will review the proposed New Town Hall accounting treatment. For 2019-20, we will consider proposed accounting for demolition works, impairments, accelerated depreciation, disposals, new construction spend incurred, project overheads and valuation of that part of the building still in use at year end.
- As part of our procedures on the year end valuation of the existing building, we will also consider resources directed to and assumptions underpinning the other high value properties included in the year end professional Property, Plant and Equipment valuation exercise.
- At the time of writing this report, we anticipate engaging with management and auditor valuation experts and once expert work has been scoped, any impact on fees will be advised.
- As noted on page 19 of this report, our value for money work will also include consideration of this project.

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

### What is the risk/area of focus?

#### Valuation of Pension Fund Assets and Liabilities

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.

Crawley Borough Council's pension fund assets and liabilities are material estimated balances and the Code requires that the liability be disclosed on the Council's balance sheet. At 31 March 2019 the net liability was valued at £16,164,000. However, as noted in our Audit Results Report for 2018-19, that balance was stated net of an unadjusted increase to net pension scheme assets of £543,000. The unadjusted increase related to an unadjusted difference of £1,655,000 between West Sussex County Council's estimated value of pension scheme assets and their audited valuation, combined with an unadjusted increase to pension scheme liabilities of £1,112,000 to allow for the impact of the McCloud ruling.

Asset and Liability values captured in Crawley Borough Council's 2019-20 accounts will again derive from information issued to the Council by the actuary to West Sussex County Council and will again involve significant estimation and judgement and potentially be impacted by any future employment tribunal rulings in connection with the McCloud case.

### What will we do?

#### We will:

- Liaise with the auditors of West Sussex County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Crawley Borough Council.
- Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used.
- Review and test the accounting entries and disclosures made within Crawley Borough Council's financial statements in relation to IAS19.
- Monitor rulings in connection with the McCloud case and statements from the Government Actuaries Department, remaining alert to the risk that pronouncements around the year end could impact on valuations.

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p><b>Valuation of NNDR Appeals Provision</b>            Crawley Borough Council's NNDR Appeal Provision was valued at £4,083,000 at 31 March 2019. This is a high value estimate driven by internal calculations and judgement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Agree data used to calculate the provision to reports received from the Valuations Office Agency.</li> <li>• Confirm appeals percentage provided for is reasonable, considering the government's baseline data for predicting business rates appeals.</li> <li>• Repeat perform calculations to confirm arithmetical correctness.</li> <li>• Compare the level of appeals at 31 March 2020 and 31 March 2019 to assess the reasonableness of amounts provided for at year end.</li> </ul>
<p><b>Financial Statements presentation – Expenditure and Funding Analysis and Comprehensive Income and Expenditure Statement</b>            Crawley Borough Council's internal reporting structure changed during 2019/20. The classifications on the Expenditure and Funding Analysis and of the Comprehensive Income and Expenditure Statement will need to reflect the new reporting structure, both for 2019/20 and for 2018/19 amounts.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Review proposed changes to the format of accounts during the interim audit visit;</li> <li>• Confirm that the prior year reclassification is correctly disclosed; and</li> <li>• Test correctness extraction from the ledger and consistency of that extraction with the internal reporting structure for all other items on the Income Statement and Expenditure and Funding Analysis.</li> </ul>



## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

### What is the risk/area of focus?

#### Going Concern Compliance with ISA 570

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.

The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'

NAO guidance notes to auditors accepts that whilst the technical position regarding the going concern basis of accounting is clear, there may be a tension between the going concern assumption and the significant resource issues some authorities are facing.

It is therefore important that authorities and auditors are aware of the requirements for assessing going concern in the local government context and consider the requirements of IAS 1 and the accounting code. Where relevant, this may require the inclusion of appropriate disclosure, for example within the narrative report.

### What will we do?

The revised standard requires:

- auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. Whilst the Council are not one of the three entity types listed above, at the time of writing this report, it is not yet established what additional reporting requirements maybe required for those entities falling outside these definitions. We will ensure compliance with any updated reporting requirements once they are defined;
- a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

The revised standard extends requirements to report to regulators where we have concerns about going concern.

We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21.

## Other areas of audit focus (continued)

### What is the risk/area of focus?

#### IFRS16 – leases

IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as “pay as you go” arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to be published, but in July 2019 CIPFA/LASAAC issued ‘IFRS 16 leases and early guide for practitioners’.

This early guidance provides comprehensive coverage of the requirements of the forthcoming provisions, including:

- the identification of leases
- the recognition of right-of-use assets and liabilities and their subsequent measurement
- treatment of gains and losses
- derecognition and presentation and disclosure in the financial statements,
- the management of leases within the Prudential Framework.

The guidance also covers the transitional arrangements for moving to these new requirements, such as:

- the recognition of right-of-use assets and liabilities for leases previously accounted for as operating leases by lessees
- the mechanics of making the transition in the 2020/21 financial statements (including the application of transitional provisions and the preparation of relevant disclosure notes).

### What will we do?

IFRS 16 – leases introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases.

The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet.

Although the new standard will not be included in the CIPFA Code of Practice until 2020/21, work will be necessary to secure information required to enable authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020.

In particular, full compliance with the revised standard for 2020/21 is likely to require a detailed review of existing lease and other contract documentation prior to 1 April 2020 in order to identify:

- all leases which need to be accounted for
- the costs and lease term which apply to the lease
- the value of the asset and liability to be recognised as at 1 April 2020 where a lease has previously been accounted for as an operating lease.

We will discuss progress made in preparing for the implementation of IFRS 16 – leases with the finance team over the course of our 2019/20 audit.



03

# Value for Money Risks





## Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

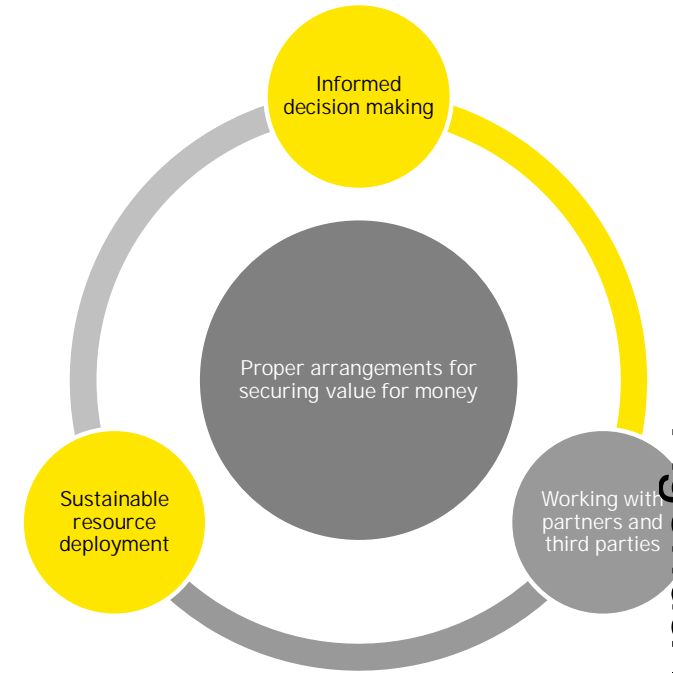
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this included consideration of the proposed New Town Hall project, specifically considering the decision that was made to embark on the build project, considering processes for informing the decision making and safeguarding the sustainability of resource deployment.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of an ongoing significant risk around the New Town Hall project (as noted on the following page) which we view as relevant to our value for money conclusion.





## Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>Crawley Borough Council signed a contract with Kier for the next stage of building of a new Town Hall on 20<sup>th</sup> December 2019. Demolition of the existing building began in January 2020.</p> <p>Building work is likely to span a number of years and total spend across the project as a whole is likely to be in the region of £50 million, incurred and financed across those years.</p> <p>From our VfM procedures in 2018-19 we were satisfied that effective processes were in place to support the financial forecasting that underpinned decision making for the project as a whole. Looking at 2019/20, it is the effectiveness of arrangements in place around the ongoing project management. The significant risk in a value for money context then encompasses the selection and contracting of partners, plus the oversight and monitoring of those within the overall governance structure for the project.</p> <p>Effective delivery by the project partners and safeguards for contingency in the event of non delivery will be critical as will be ongoing effective budgeting; resourcing; and appointment of other partners.</p>	<p>The effectiveness of the ongoing project management is critical with respect to arrangements for;</p> <ul style="list-style-type: none"> <li>• Taking informed decisions</li> <li>• Deploying resources in a sustainable manner</li> <li>• Working with partners and other third parties</li> </ul>	<p>For 2019/20, our approach will focus on:</p> <ul style="list-style-type: none"> <li>• Governance around ongoing delivery partner decision making and the adequacy of measures to protect the Authority's position should selected partners be unable to deliver on contracts once they are up and running;</li> <li>• The robustness of initial and ongoing analysis and due diligence to assess the likelihood of partners delivering against requirements;</li> <li>• Appropriateness of governance, reporting and oversight over the contract to mitigate the risk of Kier not delivering. Also, the robustness of contingency planning;</li> <li>• Sufficiency of budget and resources to manage the relationship and risks; and</li> <li>• Timescales over which heat network contracts and mini tenders are finalised and the effectiveness of procedures for quality assuring technical advice received.</li> </ul> <p>For some aspects of our work we may engage with our own specialists. We will discuss engagement with you as the work progresses and advise as to the impact on fees when the scope of engagement is clear.</p>



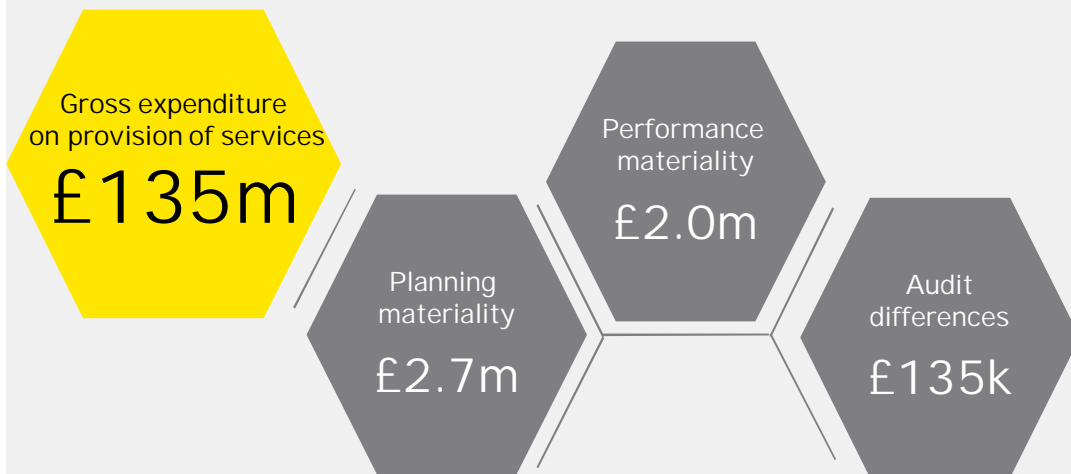


# 04 Audit materiality

## Materiality

### Materiality

For planning purposes, materiality for 2019/20 has been set at £2.7m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

### Key definitions

**Planning materiality** – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £2.0m which represents 75% of planning materiality.

**Audit difference threshold** – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

**Specific materiality** – We have set a materiality of £1 for remuneration disclosures, related party transactions, members' allowances and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to these.





05

Scope of our audit





# Our Audit Process and Strategy

## Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

#### Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

#### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO [delete if not applicable]

### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

## Our Audit Process and Strategy (continued)

### Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will meet with the Audit and Risk Manager, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



**06** Audit team



# Audit team

Audit team structure:

Andrew Brittain  
Associate Partner

Jo Taylor  
Manager

Xi Jiang  
Senior

EY's Valuation Specialists

EY Actuaries

EY Internal Contracts Specialists

## Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	Gerald Eve and Wilks Head and Eve and EY's own valuation specialists.
Pensions disclosure	Hymans Robertson, PWC and EY Actuaries.
Working with partners (new town hall, housing and district heat network project).	EY Internal Contracts Specialists and potentially the Authority's own legal advisors.

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





07 Audit timeline







# Audit timeline

## Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	February 2020		
Walkthrough of key systems and processes	February / March 2020		
Audit Committee	March 2020	17 March 2020	Audit Planning Report
Testing of routine processes and controls Interim audit testing	February / March 2020		
Year end audit Account testing	June 2020		
Year end audit Audit Completion procedures	June 2020		
Audit Committee	July 2020	22 July 2020	Audit Results Report
Annual Audit Letter	August 2020	TBC	Audit opinions and completion certificates Annual Audit Letter



08

Independence





## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

### Required communications

#### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.
- ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]

#### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Andrew Brittain, your audit engagement partner and the audit engagement team have not been compromised.

### Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, no non-audit services were planned. No additional safeguards were required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no self interest threats at the date of this report.

## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Andrew Brittain, your audit engagement partner and the audit engagement team have not been compromised.

### Self interest threats

A self interest threat arises when EY has financial or other interests in the Corporation. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, we have not agreed to undertake any non-audit services. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

## Relationships, services and related threats and safeguards

### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Corporation. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

### EY Transparency Report 2019

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 2019:

[https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/\\$FILE/ey-uk-2019-transparency-report.pdf](https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/$FILE/ey-uk-2019-transparency-report.pdf)

## New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it applies after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed. Note that currently the Council does not fall under the definition of a PIE.

### Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
  - Tax advocacy services
  - Remuneration advisory services
  - Internal audit services
  - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

### Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until the recently released FRC Revised Ethical Standard 2019 which will be effective from 15 March 2020.

We do not currently provide any non-audit services which would be prohibited under the new standard.





09

# Appendices





# Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police bodies.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table below.

	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£
Total Fee – Code work	50,291***	50,291	56,499
<b>Total audit</b>	<b>50,291</b>	<b>50,291</b>	<b>56,499*</b>
Other non-audit services not covered above (Housing Benefits)	TBC **		TBC **
<b>Total other non-audit services</b>	<b>TBC</b>		<b>TBC</b>
<b>Total fees</b>	<b>TBC</b>		<b>TBC</b>

All fees exclude VAT

\*The Final Fee for 2018/19 comprised a £50,291 Scale Fee and a £6,208 Scale Fee Variation in connection with additional value for money and pensions testing. It has been discussed and agreed with the Authority and is with the PSAA for approval.

\*\*£12,559 and a range of £1,000 - £4,000 per 40+. Final amounts still under calculation at the time of writing this report, for 4 sets of 2018/19 40+.

\*\*\*The Council adopted a revised cabinet member portfolio structure for 19/20 as highlighted in section two of this report. The 2019/20 financial statements are therefore prepared using this new portfolio structure and have required a change in audit scope. Our estimate of the additional fee for the restatement work based on expected team input hours is around £1,000. This fee will be subject to agreement with officers and approval by the PSAA.

In addition we highlight the following areas where we anticipate a variation to the scale fee:

- The additional risks presented by several areas of the Council's financial statements which require additional audit procedures and the need to engage specialists. This includes, but is not limited to work in relation to the valuation of PPE, as noted on page 12, and the net pension liability.
- Additional work that will be required to address the value for money risks identified, as noted on page 19.
- In addition, we are in an unprecedented period of change. A combination of pressures are impacting Local Audit and has meant that the sustainability of delivery is now a real challenge. As an illustration, 85 organisations within the PSAA regime had not yet received their 2018/19 audit opinion as at the end of January 2020.
- This in combination, is requiring us to revisit with PSAA the basis on which the scale fee was set. The factors behind this are explained in more detail on the following pages.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being 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.

## Fees

A combination of factors mean that we do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity. In order to assist you to understand the reasons behind this, we have summarised the key factors below.

### Summary of key factors

1. Status of sector. Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.
  - To address this risk our procedures now entail higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater level of depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.
2. Audit of estimates. There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.
  - To address these findings, our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions and use of our internal specialists.
3. Regulatory environment. Other pressures come from the changing regulatory landscape and audit market dynamics:
  - Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
  - This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting the requirements plus changes in auditing and accounting standards. As a firm our compliance costs have now doubled as a proportion of revenue in the last five years. The regulatory lens on Local Audit specifically, is greater. We are three times more likely to be reviewed by a quality regulator than other audits, again increasing our compliance costs of being within this market.

# Fees

## Summary of key factors (cont'd)

4. As a result Public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.
  - We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality.
  - We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.

## Next steps



- In light of recent communication from PSAA, we will need to quantify the impact of the above to be able to accurately re-assess what the baseline fee is for the Council should be in the current environment. Once this is done we will be able to discuss at a more detailed level with you.

## Appendix B




# Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.



### 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	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – March 2020
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report – July 2020

## Required communications with the Audit Committee (continued)

			 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"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report	
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Corrected misstatements that are significant</li> <li>• Material misstatements corrected by management</li> </ul>	Audit results report	
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• A discussion of any other matters related to fraud</li> </ul>	Audit results report	
Related parties	<ul style="list-style-type: none"> <li>• Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report	


## Required communications with the Audit Committee (continued)



Required communications	 What is reported?	 When and where
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"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Planning Report and Audit Results Report – July 2020
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit results report – July 2020
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>• 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</li> </ul>	Audit results report – July 2020
Internal controls	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit results report – July 2020



 Appendix B

# Required communications with the Audit Committee (continued)

 Our Reporting to you

Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – July 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – July 2020
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit results report – July 2020
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit plan is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit planning report Audit results report – July 2020

## Additional audit information

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

## Additional audit information (continued)

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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