

## Crawley Borough Council

### Minutes of Audit Committee

Tuesday, 22 September 2020 at 7.00 pm

#### Councillors Present:

J Millar-Smith (Chair)

M Flack (Vice-Chair)

M G Jones, T G Belben and J Purdy

#### Also in Attendance:

Andrew Brittain Associate Partner, Ernst and Young

Jo Taylor Audit Manager, Ernst and Young

#### Officers Present:

Gillian Edwards Audit and Risk Manager

Heather Girling Democratic Services Officer

Karen Hayes Head of Corporate Finance

Mez Matthews Democratic Services Officer

Paul Windust Chief Accountant

#### 1. Disclosures of Interest

No disclosures of interests were made.

#### 2. Minutes

The minutes of the meeting of the Audit Committee held on 30 September 2019 were approved as a correct record and signed by the Chair.

#### 3. Public Question Time

No written questions had been submitted by members of the public.

#### 4. Progress Report and Risk Management

The Committee considered report [FIN/503](#) 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 and 2020/2021 Audit Plans, and to report on the progress made in implementing the previous recommendations. The report also included an update on the Council's Strategic Risks.

The Committee discussed and noted all 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 advised that the Coronavirus pandemic had impacted the Audit and Risk Section's ability to undertake and complete several areas of its work. In relation to the following areas, the Committee:

Internal Audit Plan 2020/2021:

- Noted that the Internal Audit Plan would be revised to cover areas of highest risk and ensure that the Audit and Risk Sections' resources were used most effectively. Further information on the matter would be brought before the Committee at its meeting in November 2020.

Follow Up Audits:

- Noted that the outcome of the Housing Benefits and Cash & Bank follow up audits would be reported to the Committee at its meeting in March 2021.

An update on the Strategic Risk Management was then provided by the Head of Corporate Finance. In relation to the following areas, the Committee:

New Town Hall (Risk Register attached as Appendix B to the report):

- Was assured that the Lettings Agent had advised that there would be an increased demand for office accommodation outside London as a consequence of the pandemic, and as such the Council was likely to achieve the expected rent.

Data Breaches:

- Noted that, following the recent retirement of the Head of Legal, Democracy and HR, the Audit and Risk Manager now held responsibility for providing an initial response to data breaches and deciding when a breach should be reported to the Information Commissioner's Office. No serious breaches had occurred in the last 5-6 years and refresher training was provided regularly.

The Chair expressed the Committee's appreciation to the officers for the work completed in such difficult times.

**RESOLVED**

That the Committee receive the report and note progress to date, as at 31 August 2020.

**5. Audit and Risk Manager's Annual Report 2019/2020**

The Committee considered report [FIN/504](#) of the Audit and Risk Manager.

The Committee acknowledged that the Annual Report had been produced in accordance with the requirements set out in the Public Sector Internal Audit Standards. The Audit and Risk Manager considered that in their overall opinion, for the period in question, "substantial" assurance could be given that there was generally a sound system of internal control designed to meet the Council's objectives, and that the controls were generally being applied consistently.

In response to a query raised by a Committee Member, the Audit and Risk Manager advised that the “substantial” assurance had been based on the effectiveness of the Council’s risk management and governance arrangements as well as internal control environment. The Audit and Risk Manager was satisfied that the Council had strong governance arrangements and that the main risks were well controlled.

## **RESOLVED**

That the Audit and Risk Manager’s Annual Report for the period 2019/2020 be received and that the progress to date be noted.

### **6. Fee Scale for the Audit 2020/21 and Update on 2019/20**

The Committee considered a [letter](#) from the Chief Executive of Public Sector Audit Appointments (PSAA) on the Fee Scale for the Audit 2020/21. The letter also provided an update on 2019/20.

The Head of Corporate Finance reminded the Committee that Ernst and Young had been appointed as external auditors in 2016 via procurement arrangements made by the PSAA. The Committee agreed that any discussion regarding the level of proposed fees would be dealt with under agenda item 8 (Audit Results Report: Year Ended 31 March 2020) (Minute 7 refers), as that report provided an updated fee analysis with an amended fee proposal by Ernst and Young.

## **RESOLVED**

That the Fee Scale for the Audit 2020/21 and the Update on 2019/20 be noted.

### **7. Audit Results Report: Year Ended 31 March 2020**

The Committee considered Ernst and Young’s [Audit Results Report for the year ended 31 March 2020](#). The Committee noted that the item had been included in a supplementary agenda with the agreement of the Chair. The report set out the current status of the audit, indicating that, subject to concluding the outstanding matters listed in the report, Ernst and Young expected to issue an unquantified audit opinion on the financial statements for the year ended 2019/2020 (in the form at Section 3 of the report) before the accounts publication date of 30 November 2020.

The Head of Corporate Finance expressed her gratitude to the Finance Team and highlighted that no errors had been made by the Team despite the extra workload they had undertaken as a result of the Coronavirus pandemic (eg. issuing over 900 business grants).

The Committee considered matters raised, and in doing so, expressed their deep concern at the significantly higher fees proposed by Ernst and Young to that cited in the letter issued to the Council by the Public Sector Audit Appointments (PSAA) (Minute 6 “Fee Scale for the Audit 2020/21 and Update on 2019/20” refers). The Director for Ernst and Young explained that the higher fee reflected the additional costs they expected to incur due to the increased risks identified in completing the audit, the procedures which were necessary as a result and the need to employ specialist input. The Director for Ernst and Young advised the Committee that the fees had been calculated at the request of PSAA and would be subject to PSAA’s approval, the fees would be benchmarked for sustainability and reflected the wider situation.

Despite the assurances Ernst and Young aimed to provide, the Committee remained concerned that the efficiencies and lower costs expected from procuring an external auditor via the PSSA arrangements had not materialised. The Committee was of the opinion that insufficient information had been supplied in the report by Ernst and Young to justify a 54% increase on the fees proposed by PSAA and was of the view that a more detailed breakdown should have been provided.

At the request of the Committee, the Director for Ernst and Young **AGREED** to provide the Head of Corporate Finance and the Chief Accountant with a detailed breakdown which identified how the fees had been calculated, that information would then be circulated to the members of the Committee. At the suggestion of the Chair, the Committee then **AGREED** that the Chair write to PSAA to express the Committee's concerns, a draft of that letter would be circulated for comment to the members of the Committee prior to its submission to PSAA.

### **RESOLVED**

That the Audit Results Report for the year ended 31 March 2020 be received and noted.

## **8. Approval of the 2019/2020 Statement of Accounts**

The Committee considered report [FIN/507](#) of the Head of Corporate Finance which sought the Committee's approval of the 2019/2020 Statement of Accounts, to comply with the statutory deadline of 30 November 2020.

The 2019/20 Statement of Accounts was attached as Appendix C to the report and the Committee was advised that the Letter of Representation provided in Appendix A to the report had been superseded by the Letter of Representation set out on pages 47-50 of the Audit Results Report: Year Ended 31 March 2020 (Minute 7 refers), and should be replaced as such.

The Chair advised the Committee that, rather than voting on each recommendation individually, a single recorded vote would be taken on the recommendations as set out in the report. No dissent from the Committee was expressed and therefore a single recorded vote was conducted.

A recorded vote was then taken on recommendations 2.1(a)-(c) in accordance with the Council's Virtual Committee Procedure Rules. The names of the Councillors voting for and against the recommendations, along with any abstentions, were recorded as follows:

For recommendations 2.1(a)-(c):  
Councillors T Belben, Flack, Jones, Millar-Smith and Purdy (5).

Against recommendations 2.1(a)-(c):  
None (0).

Abstentions:  
None (0).

**RESOLVED**

- (1) That the 2019/20 Statement of Accounts be approved.
- (2) That the Chair of the Committee be authorised to sign the 2019/20 Letter of Representation.
- (3) That the Chair of the Committee be authorised to sign the 2019/20 Statement of Accounts on behalf of the Council.

**Closure of Meeting**

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 8.26 pm

**J Millar-Smith (Chair)**