

Crawley Borough Council

**Minutes of Audit Committee**

Tuesday, 8 November 2022 at 7.00 pm

**Councillors Present:**

J Millar-Smith (Chair)

M L Ayling, T G Belben and Y Khan

**Also in Attendance:**

Elizabeth Jackson                      Associate Director, Ernst & Young

**Officers Present:**

Chris Corker                              Operational Benefits and Corporate Fraud Manager

Karen Hayes                              Head of Corporate Finance

Mez Matthews                            Democratic Services Officer

Paul Windust                              Chief Accountant

**Apology for Absence:**

Councillor T Rana

**1. Disclosures of Interest**

No disclosures of interests were made.

**2. Minutes**

The minutes of the meeting of the Audit Committee held on 25 July 2022 were approved as a correct record and signed by the Chair.

**3. Public Question Time**

No questions were asked by members of the public.

**4. Draft Risk Management Strategy**

The Committee considered report [FIN/589](#) of the Head of Corporate Finance which sought the Committee's support and comments on the draft Risk Management Strategy. The Committee noted that approval of the Risk Management Strategy was the responsibility of the Cabinet Member for Resources and therefore any comments

made by the Committee would be submitted to the Cabinet Member for their consideration prior to its approval and adoption.

In presenting the Strategy, the Head of Corporate Finance informed that Committee that they had received feedback from Zurich that the Council had good risk management and governance in place. Zurich had offered to provide risk management training for Councillors which would outline the Councillors' duties in relation to managing risks. The Committee's attention was particularly drawn to the four levels of risk, the scoring mechanisms used by the Council and the Audit Committee's responsibilities relating to risk management which were set out in the draft Strategy.

The Committee then discussed the draft Strategy and considered whether it had any comments it wished to submit to the Cabinet Member for Resources. In doing so the Committee:

- Noted that although strategic risks were reviewed by the relevant Cabinet Member on a quarterly basis, operational risks were not reviewed in the same way. Consequentially, the Committee was of the view that it might be helpful and insightful for operational risks to be reviewed by the relevant Cabinet Member on a quarterly basis.
- Acknowledged that Appendix 1 to the Strategy, which set out roles and responsibilities relating to risk management, identified that the Corporate Project Assurance Group (CPAG) had responsibility for monitoring and managing strategic and significant risks and ensuring improvement plans were adequate and managed effectively. The Committee expressed the opinion that, in addition to CPAG, it would be beneficial for that role to be undertaken at a senior Cabinet Member level.
- Received clarification on the meaning of the "reputation" risk level set out in Appendix 3 to the Strategy. A preference was expressed that the section be amended so "reputation" not only referred to any publicity's impact on the Council's reputation, but also took into account the potential impact such action could have on the public's trust in the Council. Although the Committee felt public trust in the Council was imperative, it acknowledged that it would be challenging to measure such a risk. It was therefore agreed that the view of Zurich be sought on the matter and that, should Zurich deem it appropriate, reference to "reputation" be amended to include the risk to public trust in the Council. The Head of Corporate Finance assured the Committee that it would be informed of Zurich's response via email.

Having been moved, seconded, and voted upon, it was agreed that the following comments be submitted to the Cabinet Member for Resources' consideration when approving the Risk Management Strategy:

- That operational risks be reviewed by the relevant Cabinet Member on a quarterly basis.
- That, in addition to the Corporate Projects Assurance Group (CPAG), Cabinet Members' involvement in monitoring and managing strategic and significant risks and ensuring improvement plans were adequate and managed effectively be increased.
- That, should Zurich deem it appropriate, reference to "reputation" in the Strategy be widened to include the risk to public trust in the Council.

## **RESOLVED**

1. The Committee support the draft Risk Management Strategy.
2. That the comments provided above by the Committee be submitted to the Cabinet Member for Resources for their consideration.

### **5. Fraud and Investigation Team Report**

The Committee considered report [FIN/603](#) of the Operational Benefits and Corporate Fraud Manager, which focused on activity for the period from 11 July 2022 to 28 October 2022. The report indicated that the Team had continued to perform very 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. The Committee sought and received clarification on several points raised, including the Council's ability to reclaim its financial loss in relation to incorrectly claimed single person discount, current and potential future data matching exercises, the circumstances in which a single person discount could be claimed and the Council's investigations into non-domestic rates. The Committee praised the team on both the work undertaken and the recent successful prosecutions.

## **RESOLVED**

That the Fraud and Investigation Team Report be noted.

### **6. Internal Audit Progress Report**

The Committee considered report [FIN/591](#) of the Head of Corporate Finance. The purpose of the report was to update the Committee on the status of 'live' internal audit reports, the progress against the Annual Audit Plan and provide a summary of internal audit as well as any significant issues which might impact the annual audit opinion.

The Head of Corporate Finance presented the report on behalf of Southern Internal Audit Partnership (SIAP), the Council's internal Auditors, and advised that no reports published had provided limited or no assurance.

The Committee noted all the Audit Plan Reviews in progress, along with other work as detailed in the report and was informed that the "satisfactory" assurance opinion level had recently been amended to the term "reasonable". Following a query from the Committee, the Head of Corporate Finance advised that updating the Health and Safety policies had been delayed due to the amount of other work which had been taken priority in relation to Covid but was assured that those policies were now up to date. In addition, the Committee was informed that the Fraud policies identified in the Fraud Framework Audit had now also been updated in consultation with the Leader and notification of those decisions would be published online shortly as Significant Operational Decisions.

## **RESOLVED**

That the Committee receive the report and note progress to date, as at 31 October 2022.

## 7. Risk Management Update

The Committee considered report [FIN/602](#) of the Head of Corporate Finance which provided an update on the Council's Strategic Risks. The Committee noted that the new Town Hall Risk Register had not been included in the report as the Council was currently in the process of moving towards mobilisation - an updated Risk Register would be brought to the next Committee meeting.

The Committee discussed the update provided on Strategic Risk Management and considered the Strategic Risk Register. A detailed discussion took place, with the Committee expressing particular concern regarding homelessness, in particular the Council's duty to support those with a link to Crawley and the number of people currently residing in hotels due to a lack of alternative accommodation. The Committee noted the financial pressures on the Council to provide accommodation and the lack of funds available to fulfil that need, especially for future years.

The Committee did not make any comments which it wished to be drawn to the attention of the Chief Executive or the Cabinet, although it did note that most of the risks identified were wide ranging and outside the control of the Council.

### **RESOLVED**

That the Committee confirm its satisfaction with the risk management arrangements.

## 8. Appointment of External Auditors

The Committee noted that on 17 October 2022 Public Sector Audit Appointments (PSAA) informed the Head of Corporate Finance of the outcome of its procurement to let audit contracts from 2023/24. Ernst & Young was successful in winning a contract in the procurement, and PSAA proposed appointing that firm as the Auditor of Crawley Borough Council for five years from 2023/24.

### **RESOLVED**

That the Committee note that Ernst & Young had been appointed as the Council's external Auditors for five years from 2023/24.

## 9. 2022/23 Scale Fee for Crawley Borough Council

The Committee considered report [FIN/592](#) which set out the Scale Fee for 2022/23. In addition, the Committee noted the subsequent correspondence received from Public Sector Audit Appointment (PSAA) (as detailed on the Agenda) which announced the outcome of the PSAA's procurement for audit services for opted-in bodies from 2023/24 onwards.

The Head of Corporate Finance drew the Committee's attention to Tables 1 and 2 of the report which cited £9,000 of recurring approved fee variations for consolidation into the 2022/23 Fee Scale. The Committee was advised that the additional fees being charged by the Council's external Auditors (Ernst & Young) were significantly higher than the £9,000 identified in the report, a matter which the Committee would have the opportunity to discuss later in the meeting when it considered the Auditor's Annual Report Year Ended 31 March 2021 (minute 11 refers).

## **RESOLVED**

That the Committee note the Scale Fee for the 2022/23 Audit and the subsequent information provided by the PSAA on 3 October 2022.

### **10. Audit Results Report Year Ended 31 March 2021**

The Committee considered report [FIN/600](#) which had been submitted by Ernst & Young (EY), the Council's external Auditors. The report summarised the current status of the Audit indicating that, subject to satisfactory completion of items identified in the report, EY had completed its Audit of the Council's financial statements for the year ended 2020/21.

The Committee sought and received clarification on several issues raised. Following a specific query from the Committee, it was advised that there was little benefit in valuing the Council's housing stock for audit purposes and that many organisations in the public sector had lobbied the Chartered Institute of Public Finance and Accountancy (CIPFA) to remove that type of account as it did not add value to the reader.

Several Committee members expressed their dissatisfaction at the increased level of fees being charged by EY for its Audit. Whilst it was noted that the Committee would have the opportunity to discuss the issue in more detail later in the meeting, when it considered the Auditor's Annual Report Year Ended 31 March 2021 (minute 11 refers), the Chair requested that EY provide a detailed breakdown of its costs to assist Council officers and Councillors in understanding the reasonableness of the increased costs. Although the Associate Director for EY was unable to guarantee that such information could be passed to the Council and advised that providing that information would not be preferred by EY, they agreed to contact Public Sector Audit Appointment (PSAA) to ascertain whether that level of detail could be disclosed. The Associate Director informed the Committee that some costs had been written-off by EY, however the Head of Corporate Finance asserted that the Council's Finance Team had undertaken a significant amount of additional work itself to complete the Audit which had diverted them away from other work which would have benefited the residents of Crawley.

Following a request from the Associate Director of EY, that Committee confirmed it was satisfied that the misstatements in the Accounts remain unadjusted as they were below the adjustment threshold and represented a difference of opinion rather than errors in the Accounts. The Associate Director then stated they were content in providing a clear Audit Results Report on that basis.

## **RESOLVED**

That the Audit Results Report for the year ended 31 March 2021 be received and noted.

### **11. Auditor's Annual Report Year Ended 31 March 2021**

The Committee considered report [FIN/601](#) which had been submitted by Ernst & Young (EY), the Council's external Auditors.

The Committee took the opportunity to address its dissatisfaction with both the final proposed fee being charged by EY for 2020/21 and EY's delay in completing the

Council's Audit. The Committee was extremely displeased that the proposed fee was significantly higher than that initially proposed, especially considering the final fee for the housing benefit subsidy claim had not yet been finalised, which meant that the total final fee was likely to be even higher than that identified in the report.

The Associate Director for EY asserted that the requirements for each Audit increased every year which led to higher costs and that, regardless of which audit firm undertook the work, costs were likely to be on par with that charged by EY. Following a query from the Committee, the Associate Director advised that there was little overlap on the statutory work undertaken by the internal Auditor and external Auditor and therefore costs could not be reduced by sharing information. In response to a request raised by the Head of Corporate Finance, the Associate Director said they did not currently have a timetable in place for the Audit going forward so could not guarantee that Crawley Borough Council might be brought forward in EY's Audit Plan.

The Associate Director acknowledged the Council's dissatisfaction and EY's delay in completing the Audit. The Chair advised the Committee that, along with the Head of Corporate Finance, they would be writing to the PSAA imminently to formally request arbitration regarding the fees proposed by EY.

### **RESOLVED**

That the Auditor's Annual Report for the year ended 31 March 2021 be received and noted.

## **12. Head of Corporate Finance**

The Head of Corporate Finance advised the Committee that this would be their last Audit Committee as they would be retiring from the Council on 19 January 2022. The Chair took the opportunity to thank the Head of Corporate Finance for their continued hard work and support, especially having remained in post for significantly longer than anticipated due to the challenges in recruiting a suitable replacement. The Chair wished the Head of Corporate Finance a happy and well-earned retirement, advising that they would present a gift on behalf of the Committee outside the meeting.

### **Closure of Meeting**

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 9.02 pm

**J Millar-Smith (Chair)**