

Crawley Borough Council Audit results report

Year ended 31/03/2022

March 2023

FIN/618

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letter.

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10 March 2023



Crawley Borough Council
Town Hall
The Boulevard
Crawley
United Kingdom
RH10 1UZ

Dear Audit Committee Members,

2021/22 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee and management of Crawley Borough Council. Due to the timing of writing this report, this is a status update and a final report will be circulated once our procedures are finalised. We will update the Audit Committee at its meeting scheduled for 20 March 2023 on further progress to that date and explain the remaining steps to be completed before we can issue our audit report.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Crawley Borough Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Audit Committee, other members of the Council, and senior management. It is not intended to be and should not be used by any one other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 20 March 2023.

Yours faithfully,

Elizabeth Jackson
Partner
For and on behalf of Ernst & Young LLP



01 Executive Summary

Executive Summary

Scope update

In our audit planning report circulated to members of the Audit Committee in February 2023, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

Materiality:

In our Audit Plan, we communicated that our audit procedures would be performed using a materiality of £2.44 million. Performance materiality was set at 75 % of overall materiality and thresholds for reporting misstatements were set at 5% of performance materiality. We have made no changes to these materiality levels.

Status of the audit

Our audit work in respect of the Council's opinion audit is ongoing. The main items relating to the completion of our audit procedures that were outstanding at the date of this report are detailed in Appendix B, including actions required to resolve and responsibility. Once the audit procedures have been performed, the following items will need to be completed:

- ▶ Review of the revised financial statements
- ▶ Completion of manager and partner review of work performed
- ▶ Subsequent events review
- ▶ Receipt of signed management representation letter
- ▶ Receipt of signed Narrative Report and financial statements

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion.

Executive Summary

Auditor responsibilities under the Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability:**
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance:**
How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:**
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Status of the audit - Value for Money

We are in the process of concluding our risk assessment. We have not identified any risks of significant weaknesses in our work completed to date and have no matters to report by exception in the auditor's report at this stage (see Section 03).

We plan to issue the VFM commentary within three months of issuing the audit report, in line with the extension provided by the NAO for 2021/22, within our Auditor's Annual Report.

Executive Summary

Audit differences

As in previous years we identified a difference between the audited value of the Council's share of pension scheme assets and the estimated value communicated to the Council's actuary earlier in the year to inform its assessment of the Council's pensions liability. This difference, which we consider to be an update to an estimate and not an error, decreases the reported pensions liability and credit balance on the positive pensions reserve by £0.4 million. This has not been adjusted in the financial statements.

We have identified three audit differences to date in the draft financial statements which management have agreed to adjusted for:

- Management have incorrectly classified £0.4 million as Revenue Expenditure Funded from Capital Under Statute. This amount should have been classified as a repayable grant
- Management have incorrectly classified the Disabled Facilities Grant income of £1.0 million as netting against expenditure
- Management have incorrectly included £0.1 million as the 'interest receivables and similar income' in Note 12 - Financing and Investment Income and Expenditure, This amount should have been classified as 'income and expenditure in relation to investment properties and changes in their fair market value' in Note 12.

We will provide the Audit Committee with a verbal update on any further audit differences on 20 March 2023.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have identified some inconsistencies within the Statement which we are currently discussing with management for amendment. We will report amendments to you as required once the work is complete.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

We have no other matters to report.

Executive Summary

Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of Crawley Borough Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error (management override)	Our work is ongoing in this area. We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements in our work completed to date.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	<p>We have identified one misclassification of a £0.4 million repayable grant classified as the Revenue Expenditure Funded from Capital Under Statute.</p> <p>We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year, subject to review and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.</p>

Significant Risk	Findings & Conclusions
Valuation of PPE using Existing Use Value (EUV)	<p>We employed the use of our own expert to support the work in relation to the valuation of land and buildings on an EUV basis.</p> <p>Our expert are still in a process of reviewing the valuation of 4 properties. The work is still in progress and we will update you with the findings once we have completed our work.</p>
Valuation of Investment Properties (IP) under Fair Value (FV)	<p>We employed the use of our own expert to support the work in relation to the valuation of investment properties on an FV basis.</p> <p>Our expert are still in a process of reviewing the valuation of 3 properties. The work is still in progress and we will update you with the findings once we have completed our work.</p>

Executive Summary

Areas of audit focus

Area of Audit Focus / Inherent Risk	Findings & Conclusions
Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)	We employed the use of our own expert to support the work in relation to the valuation of land and buildings on an DRC basis. Our expert are still in a process of reviewing the valuation of 1 property. The work is still in progress and we will update you with the findings once we have completed our work.
Valuation of Housing Revenue Account (HRA) properties	The work is still in progress and we will update you with the findings once we have completed our work.
Accounting for Pension Fund Asset	We tested the Council's pension asset valuation and assessed the work of the Council's actuary. We are satisfied that the pension asset and associated balances within the financial statements are not materially misstated, subject to review. We have undertaken additional audit procedures in responses to the updated ISA540 regarding accounting estimates. These have included the production of a parallel IAS19 report by an EY pensions expert which was then compared to the report prepared by Hymans Robertson. No material differences were identified from this process.
Valuation of NNDR Appeals Provision	We tested the Council's NDR Appeals Provision valuation and assess the management estimate. We are satisfied that the NDR Appeals Provision and associated balances within the financial statements are not materially misstated, subject to review. We therefore not identified any evidence suggest the valuation of NDR Appeals Provision could be misstated.
Transfer of HRA Garages to the General Fund	The work is still in progress. We have asked management to provide a written briefing paper setting out their judgement, based on accounting standards and CIPFA guidance, that allows them to transfer these assets. We are currently waiting for this paper.
Housing Rents Issue	The work is still in progress. We have asked management to provide us with a working paper to support the repayments made in 2021/22.
Infrastructure assets	The work is still in progress.
Going Concern Disclosure	The work is still in progress. We have asked for a cash flow forecast until June 2024.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee or Management.

Independence

Please refer to Section 07 for our update on Independence.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error (management override)

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 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 otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

We did not identify any specific fraud risks in our planning. We continued to update our risk assessment throughout our audit. We have no additional specific fraud risks to report.

What judgements are we focused on?

The risk manifests specifically in whether year-end adjustment journals are appropriate and supported, the application of estimates and judgements, and whether significant or unusual transactions are identified and accounted for appropriately. As part of our work we focus on judgements made which effect the recording of transactions within the general ledger, particularly around journal entries. We considered what the most significant estimates in the financial statements relate to and we reviewed these accounting estimates for evidence of management bias, with a specific focus on the following:

- ▶ IAS 19 disclosures;
- ▶ Valuation of the Local Government Pension Scheme assets and liabilities;
- ▶ Valuation of the Police Pension Fund liability; and
- ▶ Valuation of land and buildings in Property, Plant and Equipment.

As the above estimates have been identified as separate risks within section 2 of this report we have not repeated that information here.

What did we do?

We have performed the procedures described in our original audit plan. Please see the following page for full details.

What are our conclusions?

Our audit work is still in progress and is subject to review.

We have found no evidence of weaknesses in controls or that management had attempted to override internal controls. We have not identified any instances of inappropriate judgements being applied to date.

Our testing of journals found the items tested to be appropriately supported and correctly entered into the general ledger.

Our testing of judgements and estimates did not identify inappropriate judgements or bias in estimates.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.





Areas of Audit Focus – Fraud risk



Further details on procedures/work performed

We identified the key fraud risks at the planning stage of the audit and considered the effectiveness of management's controls that are designed to address the risk of fraud. We updated our understanding of the risks of fraud and the controls put in place to address them and made enquiries of Internal Audit, management and those charged with governance to support our understanding. We remained alert throughout the course of the audit for where this assessment may have changed. We did not identify any previously unidentified areas of risk (that are not linked to the presumed risk of fraud in revenue and expenditure recognition covered separately).

We have:

- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.

Performed mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Reviewing the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of the financial statements.
- ▶ Substantively testing of journals that met specific risk criteria in order to understand their purpose and appropriateness, and we reviewed and tested accounting estimates for evidence of management bias, including those related to pensions and asset valuations.
- ▶ Reviewing and discussing with management and challenging any accounting estimates on revenue or expenditure recognition for evidence of bias, specifically:
 - ▶ IAS 19 disclosures;
 - ▶ Valuation of the Local Government Pension Fund asset and liability; and
 - ▶ Valuation of land and buildings in Property, Plant and Equipment and Investment Properties.

Our work over journals and the valuation of property is still ongoing.

- ▶ Reviewing the transactions in the financial statements for evidence of any significant unusual transactions.



Areas of Audit Focus

Significant risk (Cont.)

Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure *

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.

The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We believe the risk of manipulation is most likely to manifest in the incorrect capitalisation of revenue expenditure through either inappropriate additions to Property, Plant and Equipment or incorrect classification of expenditure as revenue funded from capital under statute (REFCUS), as there is an incentive to reduce expenditure which is funded from Council Tax.

PPE: Additions totalled £41.085m in the 2021/22 unaudited financial statements.

REFCUS: totalled £4.041m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focused on the Council's judgements to classify expenditure as either revenue or capital in nature. We tested a sample of items to confirm that the Council's judgement was supported by sufficient evidence and was genuinely capital in nature.

What did we do?

In response to this risk, we:

- ▶ Tested a sample of PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature. We also ensured the transaction was supported by sufficient evidence to verify its value and the period to which it related.
- ▶ Tested a sample of REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. As with PPE additions, we also ensured these items were supported by sufficient evidence to verify the value and period to which it related.
- ▶ Performed a review of significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

Our audit work is complete in this area, although subject to review.

We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

We identified one misclassification of £0.4 million repayable grant, which was incorrectly classified as REFCUS.

We are satisfied that the transactions tested were supported by evidence which confirmed the valuation, nature of the expenditure, period to which it related to and confirmed that it was correctly classified, except REFCUS issue noted above.

We were satisfied that journals posted were appropriate.

We identified no evidence of fraud in revenue and expenditure recognition through the above testing.



Areas of Audit Focus

Significant risk (Cont.)

Valuation of Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV)

What is the risk?

The valuation of land and buildings valued on an EUV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

What judgements are we focused on?

We focussed on whether the appropriate assumptions had been used in calculating the valuation of the assets.

What did we do?

We:

- ▶ Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations;
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources)
- ▶ Instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Council's Valuer
- ▶ Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Our work in relation to the valuation of property is still ongoing.

We instructed our property valuation team to review a sample of the valuation performed by the Council. Their review is not yet complete.



Areas of Audit Focus

Significant risk (Cont.)

Valuation of Investment Properties (IP) under Fair Value (FV)

What is the risk?

The valuation of land and buildings valued on an EUV basis represent material figures within the Council's financial statements. The valuation of these assets is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

Investment Property assets valued on an FV basis totalled £17.888m in the 2021/22 unaudited financial statements.

What judgements are we focused on?

We focussed on whether the appropriate assumptions had been used in calculating the valuation of the assets.

What did we do?

We:

- ▶ Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations;
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources)
- ▶ Instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Council's Valuer
- ▶ Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- ▶ Confirmed that the valuation was undertaken to ensure all investment property had been revalued in year as required by the Code;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Our work in relation to the valuation of property is still ongoing.

We instructed our property valuation team to review a sample of the valuation performed by the Council. Their review is not yet complete.



Areas of Audit Focus

Other areas of audit focus

Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)

What is the risk?

The value of land and buildings in PPE under DRC represent significant balances in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques which are required to calculate these balances held in the balance sheet. Although there is a risk for land and buildings under DRC to be misstated due to the specialised nature of these assets and insufficient availability of market-based evidence to assist the valuation, these assets are inherently not subject to material uncertainty arising due to market conditions.

What did we do?

We:

- ▶ Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations;
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists. This included considering significant or unusual movements in valuation. Additional work has been completed in this area, including detailed review of a sample of assets by our own valuer;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. yield adopted and forecast future income has been agreed to external sources)
- ▶ Instructed our own Property valuation team (EY Real Estates) to review a sample of property valuations performed by the Council's Valuer
- ▶ Confirmed that the valuation was completed on up-to-date information regarding each asset such that any specific changes to assets that have occurred in year had been communicated to the valuer.
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

What is the status of our work?

Our work in relation to the valuation of property is still ongoing.

We employed the use of our own expert to support the work in relation to the valuation of land and buildings in PPE valued on an DRC basis. Our expert are in the process of reviewing the valuation of 1 property. The local audit team are currently testing a further 5 assets back to supporting information.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Valuation of Housing Revenue Account (HRA) properties

What is the risk?

The value of HRA properties represents a significant balance in the Council's accounts and are subject to valuation changes and impairment reviews. Management is required to make a lesser degree of material judgemental inputs and apply estimation techniques which are required to calculate these balances held in the balance sheet and HRA notes. HRA properties are inherently not subject to material uncertainty arising due to market conditions.

At 31 March 2022, the value of HRA properties was £785.350m based on the unaudited financial statements.

What did we do?

We:

- ▶ Considered the work performed by the Council's valuer (Wilks, Head & Eve), and confirmed that the scope of their work is adequate, they had appropriate professional capabilities to complete the work and the results of their work is in line with our expectations.
- ▶ Challenged the assumptions used by the Council's valuer by reference to external evidence. This included considering significant or unusual movements in valuation.
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. by completing our own research for prices to other third-party resources including Zoopla, Mouseprice and Rightmove).
- ▶ Sample tested and undertook analytical procedures to support the valuation of HRA properties valued using the beacon approach.
- ▶ Confirmed that the valuation was undertaken to ensure all assets required to be valued within a 5 year rolling programme as required by the Code for PPE had been completed, which confirmed that the entire asset base had been revalued by Wilks, Head & Eve in 2021/22, so there was no risk of material misstatement arising from the lack of valuation of assets.
- ▶ Reviewed and challenged where necessary any changes to useful economic lives as a result of the most recent valuation.

What is the status of our work?

Our work in relation to the valuation of property is still ongoing.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Pension Liability Valuation

What is the risk?

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.

The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £28.38m and in the draft financial statements as at 31 March 2022 this totalled £37.08m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We:

- ▶ Liaised with the auditors of West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;
- ▶ Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team;
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and
- ▶ Assessed the accuracy of estimated information included in the financial statements and concluded whether any adjustments were required.

What is the status of our work?

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. The standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PwC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor's estimate, to gain assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by Hymans Robertson. This confirmed there was no material misstatement arising from those estimation procedures undertaken by Hymans Robertson.

We were satisfied there was no evidence of material misstatement arising from the work completed above.

As in previous years we identified a difference between the audited value of the Council's share of pension scheme assets and the estimated value communicated to the Council's actuary earlier in the year to inform its assessment of the Council's pensions liability. This difference, which we consider to be an update to an estimate and not an error, decreases the reported pensions liability and debit balance on the positive pensions reserve by £0.4 million. This has not been adjusted in the financial statements.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Valuation of NNDR Appeals Provision

What is the risk?

Crawley Borough Council's share of the NNDR Appeal Provision is valued at £5.716m in the draft financial statements to 31 March 2022. This is a high value estimate driven by internal calculations and judgement.

What did we do?

We:

- ▶ Agreed data used to calculate the provision to reports received from the Valuations Office Agency;
- ▶ Confirmed appeals percentage provided for is reasonable, considering the government's baseline data for predicting business rates appeals;
- ▶ Reperformed calculations to confirm arithmetical correctness; and
- ▶ Compared the level of appeals at 31 March 2022 and 31 March 2021 to assess the reasonableness of amounts provided for at year end.

What is the status of our work?

Subject to review, no material audit differences have been identified from our work to address this area of focus.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Transfer of HRA Garages to the General Fund

What is the risk?

In December 2020, Full Council agreed to transfer the garages from the Housing Revenue Account to the General Fund from 1 April 2021. Although the transfer of garages has been agreed by the Council, there is a risk that moving garages from Housing Revenue Account to the General Fund may not be in line with the CIPFA code requirements.

What did we do?

We:

- ▶ Obtained a briefing paper from the Council outlining the arrangements under which such a transfer can be made with due reference to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22;
- ▶ Reperformed our own correlation of the movement to CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 to ensure that we concur with the Council's view;
- ▶ Reviewed the communication with those charged with governance to ensure appropriate governance arrangements were observed with regards to the transfer; and
- ▶ Tested the accounting for the transfer to ensure that the Council has accounted for this appropriately.

What is the status of our work?

Our work in relation to the transfer of the HRA garages is still ongoing.

We have asked management to provide a written briefing paper setting out their judgement, based on accounting standards and CIPFA guidance, that allows them to transfer these assets. We are currently waiting for this paper.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Housing Rents Issue

What is the risk?

During 2020/21 audit period, the Council disclosed to us that it came to their attention in April 2021 that they had been overcharging rent to council housing tenants since April 2014 for all new tenancies since this date in properties that pre-dated April 2014. As the issue came to light in 2021/22, the Council investigated the issue and made the repayments during the year. The risk is that the Council have not accounted for this correctly in 2021/22.

What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Updated our understanding of the areas reviewed in 2020/21
 - ▶ Obtained and reviewed the Council's root cause analysis for this issue.
 - ▶ Obtained confirmation from the Regulator regarding the actions they intend to take.
 - ▶ Evaluated the procedures undertaken by the client, to determine whether the quantification of the issue is reliable and reasonable.
 - ▶ Reviewed the legal advice received by the Council regarding this issue.
 - ▶ Determined whether the proposed accounting treatment is correct.
 - ▶ Documented Council's approach to notifying impacted tenants.
 - ▶ Considered the impact of repaying the rents on the going concern of the Council.
- ▶ Reviewed the accounting for this issue in the 2021/22 financial statements to ensure that this is in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22

What is the status of our work?

Our work in relation to the overcharging of housing rents is still ongoing.

We have asked management to provide us with a working paper to support the repayments made in 2021/22.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Infrastructure Assets

What is the risk?

In March 2022, an issue was raised with the National Audit Office's Local Government technical network in relation to the accounting for infrastructure assets. Under the CIPFA Code of Local Authority Accounting, these assets are held at depreciated historic cost. Following more detailed consideration by auditors this year, it has been identified that whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulation is therefore continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.

Our work in 2020/21 concluded the Council's current accounting practice is in line with the CIPFA Code. However, as a consequence of the issue above CIPFA is considering a potential Code amendment. We will ensure the Council's accounting treatment of infrastructure assets complies with any updated guidance or Code amendments issued by CIPFA.

What did we do?

We confirmed the Council's accounting practice for infrastructure assets remains in line with the published CIPFA Code of Local Authority Accounting. The Council has therefore not needed to adopt the temporary solution for accounting for infrastructure assets issued by DLUHC and CIPFA. Our work focused on:

- ▶ Obtaining evidence to match the subsequent expenditure to the carrying amount of the replaced part or component that is being derecognised.
- ▶ Understanding the Councils approach to depreciating infrastructure assets, ensuring that the asset lives were reasonable and undertaking sensitivity analysis to understand the potential impact of over or understating the asset lives.
- ▶ Testing the accounting entries have been correctly processed in the financial statements.

What is the status of our work?

Our work in relation to infrastructure assets is still ongoing.



Areas of Audit Focus

Other areas of audit focus (Cont.)

Going Concern Disclosure

What is the risk?

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 during 2021/22, there is a need for the Council to ensure its going concern assessment, including its cashflow forecast, is robust and appropriately comprehensive.

The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

What did we do?

We:

- ▶ Challenged management's identification of events or conditions impacting going concern.
- ▶ Tested management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- ▶ Reviewed the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern including an assessment of any underlying need to borrow.
- ▶ Undertook a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when drawing our conclusions on going concern.
- ▶ Challenged the disclosure made in the accounts in respect of going concern and any material uncertainties.

What is the status of our work?

Our work in relation to going concern is still ongoing.



03 Audit Report



Audit Report

Draft audit report

Our draft opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRAWLEY BOROUGH COUNCIL

Opinion

We have audited the financial statements of Crawley Borough Council ('the Council') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- ▶ Comprehensive Income and Expenditure Statement;
- ▶ Movement in Reserves Statement;
- ▶ Balance Sheet;
- ▶ Cash Flow Statement;
- ▶ the related notes 1 to 43 and the Expenditure Funding Analysis;
- ▶ Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 8; and
- ▶ Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Crawley Borough Council as at 31 March 2022 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22

as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Head of Corporate Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for the period to April 2024.

Our responsibilities and the responsibilities of the Head of Corporate Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.

Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

Other information

The other information comprises the information included in the Narrative Report 2021-2022 and the Statement of Accounts 2021-2022, other than the financial statements and our auditor's report thereon. The Head of Corporate Finance is responsible for the other information contained within the Narrative Report 2021-2022 and the Statement of Accounts 2021-2022.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)

- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects

Responsibility of the Head of Corporate Finance

As explained more fully in the Statement of Responsibility for the Statement of Accounts set out on page 2, the Head of Corporate Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Head of Corporate Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Corporate Finance is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:
 - ▶ Local Government Act 1972,
 - ▶ Local Government and Housing Act 1989 (England and Wales),
 - ▶ Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
 - ▶ Local Government Act 2003,
 - ▶ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
 - ▶ Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948),
 - ▶ Business Rate Supplements Act 2009,
 - ▶ The Local Government Finance Act 2012,
 - ▶ The Local Audit and Accountability Act 2014 (as amended), and
 - ▶ The Accounts and Audit Regulations 2015.
- ▶ In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.
- ▶ We understood how Crawley Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm the Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

- ▶ We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified the manipulation of reported financial performance through inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.
- ▶ To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- ▶ To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether Crawley Borough Council had proper arrangements for financial sustainability,

governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Crawley Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our work on value for money arrangements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2022. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.



Audit Report

Draft audit report (cont.)

Our draft opinion on the financial statements

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Crawley Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Elizabeth Jackson (Key Audit Partner)
For and on behalf of Ernst & Young LLP
Luton



04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences and unadjusted differences

We report to you any corrected and uncorrected misstatements greater than our nominal value of £122,000.

Adjusted misstatements

We have identified three audit differences so far in the draft financial statements which management have agreed to adjust:

- Management have incorrectly classified £0.4 million repayable grant as REFCUS. This amount should have been classified within debtors
- Management have incorrectly classified the Disabled Facilities Grant income of £1.0 million as netting against expenditure
- Management have incorrectly included £0.1 million as the ‘interest receivables and similar income’ in Note 12 - Financing and Investment Income and Expenditure, This amount should have been classified as ‘income and expenditure in relation to investment properties and changes in their fair market value’ in Note 12.

Unadjusted misstatements

As in previous years we identified a difference between the audited value of the Council’s share of pension scheme assets and the estimated value communicated to the Council’s actuary earlier in the year to inform its assessment of the Council’s pensions liability. This difference, which we consider to be an update to an estimate and not an error, decreases the reported pensions liability and credit balance on the positive pensions reserve by £0.4 million. This has not been adjusted in the financial statements.



05

Value for Money



Value for money

The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

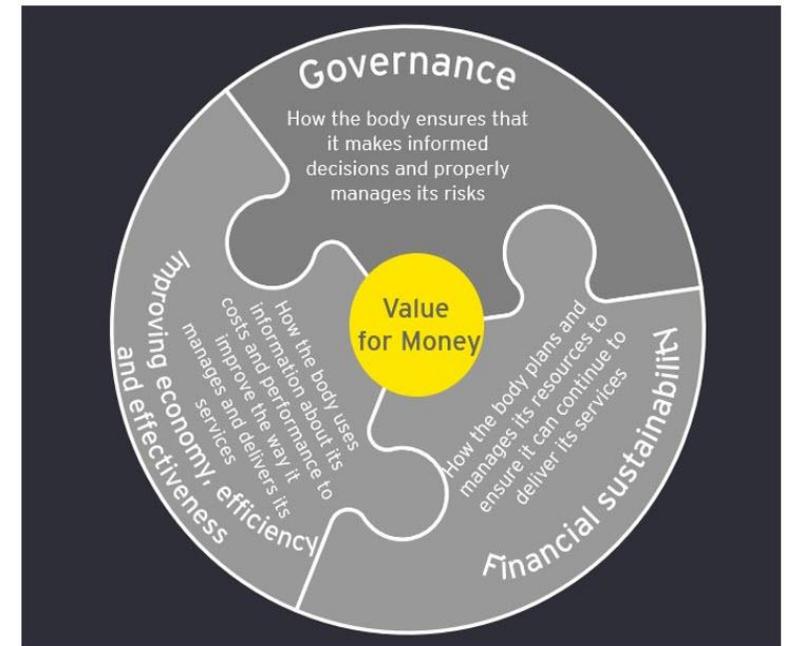
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in CIPFA Code of Practice on Local Authority Accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We are in the process of concluding our risk assessment. We have not identified any risks of significant weaknesses in our work completed to date and have no matters to report by exception in the auditor's report at this stage (see Section 03).

Status of our VFM work

Our planned VFM procedures are in progress and we have no matters to report by exception in the auditor's report (see Section 03) at this time. We plan to issue the VFM commentary within three months of issuing the opinion.





06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the 2021/22 Financial Statements document with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have identified some inconsistencies within the Statement which we are currently discussing with management for amendment. We will report amendments to you as required once the work is complete.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet performed the procedures required on the Whole of Government Accounts submission for 2021/22. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2021/22 on which our work is based.

Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no matters to report.



07

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees due for the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted. We confirm that we have not undertaken non-audit work other than the certification of the Council's Housing Benefit Claim.

EY Transparency Report 2022

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 2022:

[EY UK 2022 Transparency Report | EY UK](#)

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

Description	Planned Fee 2021/22 £	Scale Fee 2021/22 £	Final Fee 2020/21 £
PSAA Scale Fee	50,291	50,291	50,291
Scale fee rebasing (Note 1)	34,248	-	34,248
Revised proposed scale fee:	84,539	50,291	84,539
In-year scale fee variation:			
Scale fee variation - Additional audit work (Note 2)	TBC		16,423
Scale fee variation - PSAA pre-approved additional fee for VFM and ISA540 (Note 3):	8,500 - 13,500		8,500
Total audit related fees	TBC	TBC	109,462
Housing Benefit Claim Certification Fees	TBC	TBC	TBC
Total fees	TBC	TBC	109,462

All fees exclude VAT

** this is our proposed figure that has been submitted to the PSAA*

The agreed fee presented is also based on the following assumptions:

- ▶ Officers meet the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion are 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 where applicable.

Relationships, services and related threats and safeguards (Cont.)

Services provided by Ernst & Young

Notes

Note 1 - This relates to our scale fee rebasing for the audit, to take into account changes in professional and regulatory requirements to that date. This was previously raised in the 2019/20 audit year and as these are related to ongoing requirements, we have included the impact again in our 2020/21 requested fees. This is the same request that was submitted in the prior year and has been adjusted for the increase in PSAA rates.

Note 2 - This figure includes a variation to the scale fee for items specific to the 2020/21 audit year where additional audit work was undertaken by the audit team. We will submitting a request for this additional work undertaken on:

- ▶ Work of EY expert to calculate an auditors estimate of the pension liability and the valuation of assets;
- ▶ Work on the over charging of housing rents for financial statements and value for money

Note 3 - The fee impacts of the NAO's 2020 Code of Audit Practice, and the revised ISA540 on estimates were new during 2020/21. The PSAA communicated fee ranges for each type of auditee, and our assessed impact for the Council is that both ISA540 and VFM Commentary is at the bottom of the ranges.

A close-up photograph of a person's hand reaching towards a row of hanging file folders. The folders are filled with papers and have various colored tabs (yellow, blue, white). The background is a light-colored wall with a subtle pattern.

08 Appendices

Appendix A

Required communications with the Joint Governance Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Joint Governance 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.	Audit planning report - February 2023.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report - February 2023.
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - March 2023.

Appendix A (Cont.)

		 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"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Audit Results Report - March 2023.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - March 2023.
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Joint Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report - March 2023.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Joint Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Joint Governance Committee responsibility. 	Audit Results Report - March 2023.

Appendix A (Cont.)

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit Results Report - March 2023.
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"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Planning Report - February 2023</p> <p>Audit Results Report - March 2023.</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit Results Report - March 2023.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ 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. 	Audit Results Report - March 2023.

Appendix A (Cont.)

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Planning Report - February 2023 Audit Results Report - March 2023
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - March 2023
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - March 2023
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - March 2023 Auditor's Annual Report - June 2023
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Planning Report - February 2023 Audit Results Report - March 2023
Value for Money	<ul style="list-style-type: none"> ▶ Risks of significant weakness identified in planning work ▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Audit Planning Report - February 2023 Audit Results Report - March 2023 Auditor's Annual Report - June 2023

Appendix B – Outstanding matters

The following significant areas of the audit items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Review of completed audit work: LGPS and Pension Fund Liability (IAS 19); Officers Remuneration; Exit packages; NDR Appeals Provisions; REFCUS: PPE additions and disposals: Cash and cash equivalents: Borrowings: Provisions: Collection fund: Net cost of services - Expenditure: HRA expenditure:.	Review to be performed by the Senior Manager and Engagement Partner	EY
Completion of our work over PPE and IP Valuations, including obtaining and considering the implications of the report by our internal specialists	Obtain the report and consider the implications of the work performed by our internal specialists across the valued population of assets. Complete our testing of revalued assets Complete our testing of assets not revalued in year	EY
Completion of our testing of journals	Receipt of supporting evidence for journals selected for testing Testing of journals identified for testing	EY and management
Completion of infrastructure	Review depreciation calculations on the component part of infrastructure, this is in progress. Complete our assessment testing	EY
Completion of housing rents issue work	Receipt of supporting evidence that the rent was repaid to tenants Complete our sample testing	EY and management
Completion of garages transferred to general fund	Receipt of supporting evidence for our sample selected, HRA tenant register and reconciliation report between property team and finance team for total number of garages. Complete our sample testing	EY and management
Completion of going concern assessment	Reviewing of cash forecast and management assessment on going concern, this is in progress. Detail review and consideration of the going concern assessment	EY
Completion of Investments	Receipt of all investment confirmations Complete our testing	EY and management's counterparty
Completion of Finance & Investments, Grants, Net cost of services - Income, Creditors and Debtors	Receipt of supporting evidence for our sample selected. Complete our sample testing	EY and management
Completion of Employee Cost	Review and analyse employee cost data from our data analysis. Complete our testing	EY

Appendix B – Outstanding matters (Cont.)

The following non-significant areas of the audit items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Review of completed audit work: Usable and Usable Reserves; cashflow statement; financial instruments and non-significant disclosures	Receipt of supporting evidence for samples selected for testing Testing of samples identified for testing	EY
Complete our value for money risk assessment	Completion of our planned procedures Receipt of the supporting evidence for the Annual Governance Statement Walkthrough	EY and management
Review of the revised financial statements	Obtain and review final revised financial statements and verify all agreed amendments have been made	EY and management
Completion of manager and partner review of work performed	Complete work and review	EY
Subsequent events review	To be performed just before signing	EY and management
Receipt of signed management representation letter	Finalise the letter following completion of the audit	EY and management
Receipt of signed Narrative Report and financial statements	Finalise the financial statements and narrative report following completion of the audit	EY and management
Receipt of the final assurance letters	Obtain letters of assurance	Management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on [going concern, directors' remuneration and impairment sensitivities] remain to be finalised and audited. A draft of the current opinion (with outstanding areas highlighted) is included in Section 03.

Management representation letter

Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]

Elizabeth Jackson
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of Crawley Borough Council ("the Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Crawley Borough Council as of 31 March and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because **[specify reasons for not correcting misstatement]**.

Management representation letter

Management Rep Letter

6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - ▶ involving financial improprieties;
 - ▶ related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - ▶ related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - ▶ involving management, or employees who have significant roles in internal controls, or others; or

- ▶ in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - ▶ Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ▶ Additional information that you have requested from us for the purpose of the audit; and
 - ▶ Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
3. We have made available to you all minutes of the meetings of the Full Council, Cabinet, and Audit Committee and Governance Committee held through the year to the most recent meeting of the Full Council on 22 February 2023, Cabinet on 8 March 2023, Audit Committee on 20 March 2023 and Governance Committee on 13 March 2023.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.

Management representation letter

Management Rep Letter

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 11 November 2022, the date of our last management representation letter, through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is **reasonably likely to have a material impact to the financial statements, in each case** or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 43 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than Note 5 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises information included in the Statement of Accounts 2021/22 and Narrative Report 2021/22, other than the financial statements and your auditor's report thereon.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Council, and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the applicable financial reporting framework, aligned with the statements we have made in the other information or other public communications made by us (see section G).

Management representation letter

Management Rep Letter

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

J. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of our land and buildings, HRA properties and investment properties and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates

NDR Appeals Provision

1. We confirm that the significant judgments made in making the NDR appeals provision have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the NDR appeals provision.

3. We confirm that the significant assumptions used in making the NDR appeals provision appropriately reflect our intent and ability to carry out our services on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialized skills or expertise has been applied in making the NDR appeals provision.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

Valuation of assets

1. We confirm that the significant judgments made in making the valuation of assets have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of assets.
3. We confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out our services on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialised skills or expertise has been applied in making the valuation of assets.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

Management representation letter

Management Rep Letter

M. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Head of Corporate Finances)

I confirm that this letter has been discussed and agreed at the Audit Committee on 20 March 2023.

(Chair of the Audit Committee)

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