

Crawley Borough Council Final Audit Results Report

Year ended 31/03/2022

November 2023

FIN/640

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 top right corner of the logo area.

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13 November 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 final audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee and management of Crawley Borough Council. We will update the Audit Committee at its meeting scheduled for 21 November 2023 on the changes to our reporting since the last meeting in September 2023.

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 21 November 2023.

Yours faithfully,

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

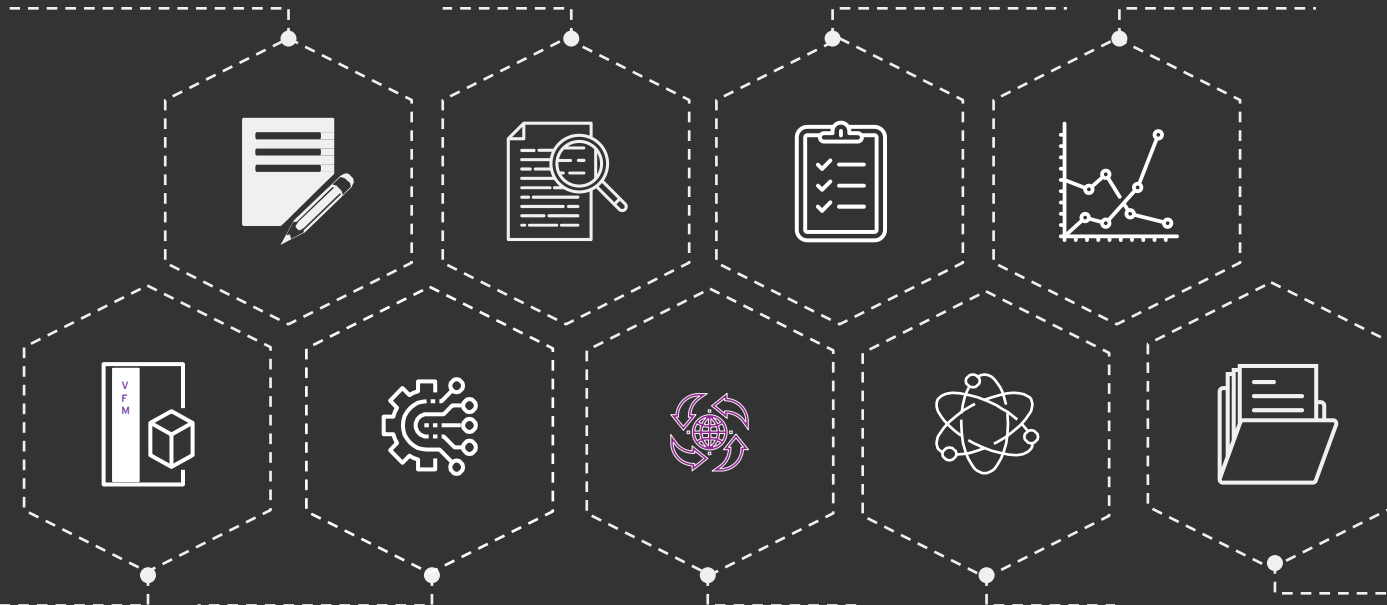
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Crawley Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Crawley Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Crawley Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 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 opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- Going concern assessment
- Final checks of the amended financial statements
- ▶ Receipt of the signed financial statements and signed letter of management representation
- ▶ Whole of Government Accounts.

Control Environment Findings

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements. However, we identified a few matters we want to draw your attention. See section 07 for further details.

Executive Summary (Cont.)

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 have concluded 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 NAO Code of Audit Practice, within our Auditor's Annual Report.

Executive Summary (Cont.)

Audit differences

- ▶ Our audit has identified fifteen unadjusted known differences.
- ▶ We have also identified eleven adjusted misstatements.
- ▶ Management have corrected disclosure misstatements in disclosures relating to the annual governance statement, Note 18 disclosure (Financial Instruments), Note 3 Critical Judgements in applying accounting policies, Note 5 Events after the Balance Sheet Date, Note 43 Going Concern, Note 36 Leases, Note 25 Cash Flow Statement - Operating Activities and Narrative report.

Details of the corrected and uncorrected misstatements can be found in Section 4 Audit Differences.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

In relation to the AGS, we note that in prior years, the Audit and Risk Manager has acted as the Head of Internal Audit. However, the Audit and Risk Manager left Crawley in September 2021. Interim arrangements were put in place for the Southern internal Audit Partnership (SIAP) to provide audit management support from September 2021 and from the 1 January 2022 to also support the delivery of the revised annual audit plan for the year. We challenged as the Internal Audit Annual Report for 2021/22 appears to come from the Director of Finance rather than Internal Audit. The Head of Internal Audit from SIAP confirmed that the Southern Internal Audit Partnership were instrumental in compiling the Internal Audit Annual Report & Opinion 2021/22 and fully endorse the overall opinion on the framework of risk management, internal control and governance.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2021/22.

We have no other matters to report.

Independence

Please refer to Section 07 for our update on Independence.



Executive Summary (Cont.)

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)	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 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 Land and Buildings in Property, Plant & Equipment (PPE) under Existing Use Value (EUV)	<p>Our sample testing identified three investment property assets and three other land and building assets that were outside our estimated reasonable range. These misstatements are below our performance materiality threshold and therefore we are satisfied that the asset valuation is materially fairly stated and appropriately disclosed for the audit report.</p> <p>We have performed a detailed testing of leases to corroborate management's assessment. However, our work has identified that the garages were valued using an incorrect assumption regarding the number of weeks rent is applied. This resulted in the garages being understated by £1.8 million in the current year and £1.7 million in the prior year. We also identified a further difference between our calculation of the revalued garages and the valuation by the Council's valuers of £0.3 million. Management has agreed to amend the financial statements for these findings.</p>
Valuation of Investment Properties (IP) under Fair Value (FV)	Our sample testing identified three investment property assets that were outside our estimated reasonable range. These misstatements are below our performance materiality threshold and therefore we are satisfied that the asset valuation is materially fairly stated and appropriately disclosed for the audit report.

Executive Summary (Cont.)

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.

Area of Audit Focus / Inherent Risk	Findings & Conclusions
Valuation of Land & Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)	Our sample testing identified one asset that was outside our estimated reasonable range. These misstatements are below our performance materiality threshold and therefore we are satisfied that the asset valuation is materially fairly stated and appropriately disclosed for the audit report.
Valuation of Housing Revenue Account (HRA) properties	We have not identified any evidence of material misstatement arising from the valuation of those properties held within the Housing Revenue Account.
Infrastructure assets	<p>The work we completed on the infrastructure assets has identified that management has reclassified the incorrect amount from community assets to infrastructure assets. This has resulted in infrastructure assets being understated and community assets being overstated by £1.7 million.</p> <p>Apart from this misstatement, our work concluded the Council's current accounting practice continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old part being replaced.</p>
Accounting for Pension Fund Asset	<p>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.</p> <p>A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. The Council has appropriately updated the financial statements to reflect the revised IAS 19 reporting entries and we have performed sufficient testing to confirm we are satisfied with the revised balances included in the financial statements.</p>
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. We have not identified any evidence suggest the valuation of NDR Appeals Provision could be misstated.



Executive Summary (Cont.)

Areas of audit focus	
Area of Audit Focus / Inherent Risk	Findings & Conclusions
Transfer of HRA Garages to the General Fund	We have reviewed the written briefing paper provided by management following audit challenge, setting out their judgement, based on accounting standards and CIPFA guidance. We concluded that the Council is allowed under the Code to transfer the garages from the HRA to the General Fund.
Housing Rents Issue	<p>We have gained assurance over the issue by undertaking the following:</p> <ul style="list-style-type: none"> • obtained an understanding of the root cause of the NOCLAR in overpayments of rent; • obtained the Regulator's response and how they were satisfied in the process of handling and resolving the issue; and • the procedures taken by the Council with regards to notifying the tenants, applying the repayments to their accounts and recording the financial impact to the 21/22 statements. <p>Our testing has not identified any issues that need to be reported in the repayments of the rent in the year. However, the error identified from the previous year where the amount relating to the 2020/21 repayments of £688k was incorrectly accounted for in 2021/22 remains an error in this years financial statements. See section 04 for further information.</p>
Going Concern Disclosure	We have completed our audit procedures around the going concern disclosure and are satisfied that the Council's use of the going concern assumption is appropriate. We have identified some amendments required to the disclosure to ensure the note is focused on the future financing and cashflow position.

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.



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 complete.

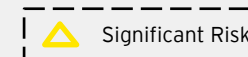
We have found no evidence of weaknesses in controls or that management had attempted to override internal controls. We have not identified any instances of inappropriate judgements being applied to date.

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

Significant risk (Cont.)

What are our conclusions?

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;
 - ▶ Valuation of land and buildings in Property, Plant and Equipment and Investment Properties; and
 - ▶ 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.

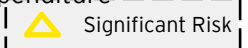
We have concluded our work on the testing of additions made to Property, Plant and Equipment during the year and have not identified any evidence of manipulation through incorrect capitalisation of revenue expenditure within the Property, Plant and Equipment additions balance.

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 are 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?

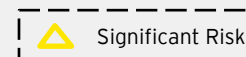
Our work in relation to the valuation of property is complete.

We identified two assets outside our assessed reasonable range resulting uncorrected misstatements and we identified misstatements in the valuation of the garages which the Council has amended the financial statements for.

We also identified some issues with the methodology and data being used by the Council's valuers. These did not lead to significant variances between the valuers valuation and our assessment of a reasonable range for the valuation.

Further details are on the following page.

The uncorrected misstatements are below our performance materiality threshold (£2,440,000) and therefore we are satisfied that the asset valuation is materially fairly stated and appropriately disclosed for the audit report.





Areas of Audit Focus

Significant risk (Cont.)

What are our conclusions?

We engaged the use of our own internal expert to support the work in relation to the valuation of land and buildings on an EUV basis, assessing the valuation of 4 properties. Their review did not identify any issues in relation to these assets.

The local audit team tested a further 14 assets back to supporting information. We identified 2 uncorrected misstatements in this area:

- ▶ A judgmental overstatement difference relating to calculation of the Showrooms valuation property, totaling £0.2 million.
- ▶ A judgmental aggregate understatement difference relating to the fair value movement in valuation across two number of the Councils operational properties totaling £0.9 million.

Our work also identified that the garages were valued using an incorrect assumption regarding the number of weeks rent is applied. This resulted in the garages being understated by £1.8 million in the current year and £1.7 million in the prior year. We also identified a further difference between our calculation of the revalued garages and the valuation by the Council's valuers of £0.3 million. Management has agreed to amend the financial statements for these findings.

Wilks Head & Eve's valuation methodology continues use a gross yield rather than a net yield in determining property valuations on behalf of the Council. We do not consider this is in line with open market practice. A gross yield does not consider relevant purchase costs attributable to the property. If the Council were to sell the asset, any purchaser would reflect their purchase cost within the price offered. The Council should continue to challenge this approach when taken by their specialist.

When testing the valuation of the Council's other land and building assets valued on an EUV basis, we identified that the floor plan measurements used by Wilks Head & Eve (WHE) in calculating the valuation of these assets were not always in line with the floor plan evidence provided by the Council. We therefore recommend management to verify measurements used by WHE and challenge the valuation in case of incorrect measurements being used.



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?

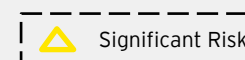
Our work in relation to the valuation of property is complete.

We identified three assets outside our assessed reasonable range resulting uncorrected misstatements.

We also identified some issues with the methodology. These did not lead to significant variances between the valuers valuation and our assessment of a reasonable range for the valuation.

Further details are on the following page.

The uncorrected misstatements are below our performance materiality threshold (£2,440,000) and therefore we are satisfied that the asset valuation is materially fairly stated and appropriately disclosed for the audit report.





Areas of Audit Focus

Significant risk (Cont.)

What are our conclusions?

We engaged the use of our own internal expert to review the valuation of three investment properties held under fair value. Their report challenged the valuation of those assets tested and resulted in the valuation for Ashdown House was considered to be outside the expected range by £1.0 million.

The local audit team tested a further four assets back to supporting information. We identified 2 uncorrected misstatements in this area:

- A judgmental overstatement difference relating to calculation of the 49 - 51 High Street valuation property, totaling £0.03 million.
- A judgmental understatement difference relating to calculation of the 1 - 7 Station Road valuation property totaling £0.2 million.

Wilks Head & Eve's valuation methodology continues use a gross yield rather than a net yield in determining property valuations on behalf of the Council. We do not consider this is in line with open market practice. A gross yield does not consider relevant purchase costs attributable to the property. If the Council were to sell the asset, any purchaser would reflect their purchase cost within the price offered. The Council should continue to challenge this approach when taken by their specialist.



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 are our findings and conclusions?

We employed the use of our own expert to support the work in relation to the valuation of land and buildings on a DRC basis, assessing the valuation of one property. Their review did not identify any issues in relation to this asset. The local audit team tested a further four assets back to supporting information. We identified one uncorrected misstatement in this area - a judgmental overstatement difference relating to calculation of the Crawley Museum valuation property, totaling £0.1 million. When testing the valuation of the Council's other land and building assets valued on a DRC basis, we identified that the floor plan measurements used by Wilks Head & Eve (WHE) in calculating the valuation of these assets are not in line with the floor plan evidence provided by the Council. We therefore recommend management to verify measurements used by WHE and challenge the valuation in case of incorrect measurements being used.



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 are our findings and conclusions?

We have not identified any evidence of material misstatement arising from the valuation of those properties held within the Housing Revenue Account.



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 are our findings and conclusions?

The work we completed on the infrastructure assets has identified that management has reclassified the incorrect amount from community assets to infrastructure assets. This has resulted infrastructure assets to be understated and community assets to be overstated by £1.7 million which has been corrected by management in the final version of the financial statements. Apart from this misstatement, our work concluded the Council's current accounting practice continues to be in accordance with the CIPFA Code of Local Authority Accounting. Where subsequent expenditure is incurred to replace part of an asset, management writes out the value of the old part being replaced.

We are therefore satisfied there is no material misstatement arising from the accounting treatment of the Councils infrastructure assets.



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 are our findings and conclusions?

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.

A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. We have tested the underlying data which supports this triennial review in order to provide assurance over the revised IAS19 entries which will replace the existing liability figures within the financial statements. This resulted in amendment of IAS 19 related balances and disclosures throughout the financial statements. The IAS 19 net pension asset has increased by £3.9 million.



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 are our findings and conclusions?

We tested the Council's NDR Appeals Provision valuation and assess the management estimate.

Crawley Borough Council's share of the NNDR Appeal Provision is valued at £5.7 million in the draft financial statements. This is 40% of the council's share as per our calculations. We therefore identified a difference of £0.2 million between the assessment performed by the Council and our own recalculation. This is due to the Council incorrectly amending the prior NDR appeals provision calculations using the appeal multiplier for the current year, which has been correctly calculated using the historic success rate for the Council. The provisions made in the prior years should have been retained at their prior values.

We are satisfied that the NDR Appeals Provision and associated balances within the financial statements are not materially misstated.



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 are our findings and conclusions?

We have reviewed the written briefing paper provided by management following audit challenge, setting out their judgement, based on accounting standards and CIPFA guidance. We concluded that the Council is allowed under the Code to transfer the garages from the HRA to the General Fund.



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; and
 - ▶ 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 are our findings and conclusions?

We have gained an assurance in obtaining what the root cause of the NOCLAR in overpayments of rent, obtained the Regulator's response and how he was satisfied in the process of handling and resolving the issue, the procedures taken by the Council with regards to notifying the tenants, applying the repayments to their accounts, and recording the financial impact to the 21/22 statements.

Our testing has not identified any issues that need to be reported in the repayments of the rent in the year. However, the error identified from the previous year where the amount relating to the 2020/21 repayments of £688k was incorrectly accounted for in 2021/22 remains an error in this years financial statements. See section 04 for further information.



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 are our findings and conclusions?

We have completed our work relating to going concern and are satisfied the use of the going concern assumption remains appropriate for the Council, and it has access to sufficient working capital to support its operations for a period of at least 12 months from the date of our audit report. We have identified some amendments required to the disclosure to ensure the note is focused on the future financing and cashflow position.



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 of more than twelve months from when the financial statements are authorised for issue.

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



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

Date



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

We highlight the following misstatements and adjustments greater than £0.1 million which have been corrected by management.

Adjusted misstatements

We have identified the following audit differences in the financial statements which management have agreed to amend:

- A triennial review of the West Sussex Pension Fund was undertaken as of March 2022 with reporting released in March 2023. This triennial review resulted in a revised IAS19 report being issued as at 31 March 2022. This resulted in amendment of IAS 19 related balances and disclosures throughout the financial statements with a net impact of increasing the pension fund asset by £3.9 million.
- We identified that the garages were valued using an incorrect assumption regarding the number of weeks rent is applied. This resulted in the garages valuation being understated by £1.8 million.
- We also identified a further difference between our calculation of the revalued garages and the valuation by the Council's valuers of an understatement £0.3 million.
- We identified that management was not treating the indexation as a formal valuation and therefore was not eliminating the accumulated depreciation when as assets valuation was indexed for either other land and buildings (OLB) or housing stock (HRA) assets. The OLB and HRA have been understated by £1.1 million and £2.0 million, respectively.
- Management has reclassified the incorrect amount from community assets to infrastructure assets. This has resulted infrastructure assets to be understated and community assets to be overstated by £1.7 million.
- Management has incorrectly classified the Disabled Facilities Grant income of £1.0 million as netting against expenditure
- Management has incorrectly classified £0.4 million repayable grant as REFCUS. This amount should have been classified within debtors
- We identified £0.4 million of assets on the asset register that the Council have either disposed of or scrapped. These should have been removed from cost and accumulated depreciation. This has no impact on the Balance Sheet
- We identified that £0.3 million of intangible assets had incorrectly been classified as Vehicle, Plant and Equipment within PPE. Both the gross book value and accumulated depreciation should have been classified within intangible assets. These assets have a nil net book value and therefore nil impact on the Balance Sheet
- Management has 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.



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

Prior year Adjusted misstatements

We have identified the following audit differences that in aggregate are greater than performance materiality in the 2020/21 financial statements that management has agreed to amend:

- We identified that management was not treating the indexation as a formal valuation and therefore was not eliminating the accumulated depreciation when as assets valuation was indexed for either other land and buildings (OLB) or housing stock (HRA) assets. The OLB and HRA have been understated by £1.0 million and £1.7 million, respectively.



Audit Differences (Cont.)

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:


Uncorrected misstatements 31 March 2022 (Currency'000)	Effect on the current period:		Net assets (Decrease)/Increase				Equity Components Debit/ (Credit)
	OCI Debit/(Credi t)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	
Misstatements	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Judgemental differences:							
<ul style="list-style-type: none"> Investment Property valuation differences identified: <ul style="list-style-type: none"> Ashdown house valuation overstated by £1,007,500 1 - 7 Station Road valuation understated by £179,000 49 - 51 High Street valuation overstated by £30,000 		859		(859)			
<ul style="list-style-type: none"> Property, Plant and Equipment valuation differences identified: <ul style="list-style-type: none"> Greylands valuation understated by £415,457 Showrooms valuation overstated by £174,933 Crawley Museum valuation overstated by £147,566 Broadfield Stadium valuation understated by £435,458 	(528)			528			
<ul style="list-style-type: none"> Overstatement of the NDR appeals provision (£155,000 total impact, £62,000 impact on Crawley Borough Council financial statements) 		(62)			62		
Cumulative effect of uncorrected misstatements before turnaround carried forward	(528)	797	-	(331)	62	-	-



Audit Differences (Cont.)

Summary of unadjusted differences




In addition we highlight the following misstatements to the financial statements and which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2022 (Currency'000)		Effect on the current period:				Net assets (Decrease)/Increase	
		OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Misstatements	£'000	£'000	£'000	£'000	£'000	£'000	
Cumulative effect of uncorrected misstatements before turnaround brought forward	(528)	797	-	(331)	62	-	
Factual differences:							
<ul style="list-style-type: none"> The Council prorated the 52 weeks housing rent between 4 days of the period 21/22 and 3 days of 22/23. The full 3 days prorated amount for 22/23 (i.e 413 k) has been incorrectly included as payables in 2021/22 period. This should have been recorded as receivables. 			(413)		413		
<ul style="list-style-type: none"> The Council's specialist valuer has used incorrect GIA measurements in K2 Leisure Centre asset. This has resulted this asset to be overstated by £153k. 	153			(153)			
Projected differences:							
<ul style="list-style-type: none"> We identified that there were assets on the asset register that no longer existed. Projection of these errors on the remaining population identified a potential overstatement of £684,000 				684	(684)		
<ul style="list-style-type: none"> We identified that there were intangible assets on the asset register that no longer existed. Projection of these errors on the remaining population identified a potential overstatement of £221,000 				221	(221)		
Cumulative effect of uncorrected misstatements before turnaround effect	(375)	797	(413)	(484)	475	-	

Audit Differences (Cont.)

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2022 (Currency'000) 		Effect on the current period: 	Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Comprehensive Income and Expenditure Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Misstatements	£'000	£'000	£'000	£'000	£'000	£'000
Cumulative effect of uncorrected misstatements before turnaround brought forward	(375)	797	(413)	(484)	475	-
Turnaround effect :						
<ul style="list-style-type: none"> Overcharging of rent to Council tenants relating to the year ended 31 March 2021 		(688)				
<ul style="list-style-type: none"> Overstatement of grant income due to applying whole grants to income in the year of receipt rather than applying the income to match the year of expenditure in line with the Code 		1,434				
<ul style="list-style-type: none"> Understatement of the shared equity debtor 		331				
Cumulative effect of uncorrected misstatements	(375)	1,874	(413)	484	475	-



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 the 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.

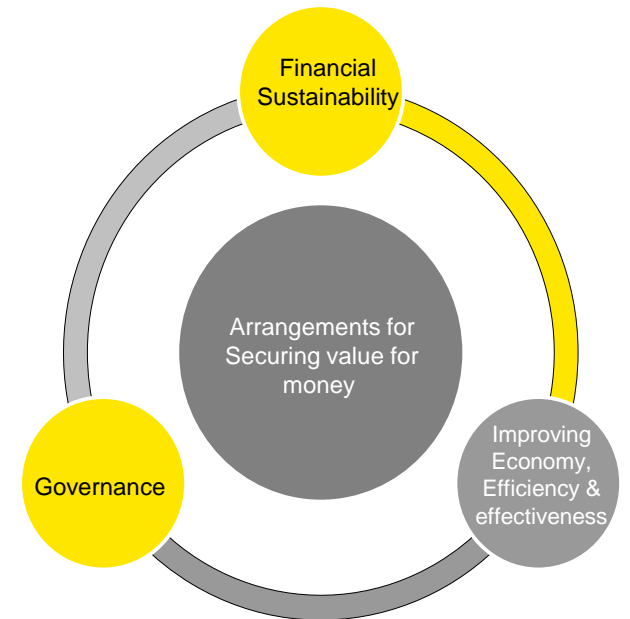
Risk assessment

In the Audit Plan, we reported that our value for money (VFM) risk assessment was in progress but had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We have concluded our VFM risk assessment and no risks of significant weaknesses were identified.

Following completion of the audit of the financial statements, we have revisited our assessment and remain satisfied that we have not identified a risk of significant weakness.

We have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03). We plan to issue the VFM commentary following our audit opinion on the financial statements.





06 Other reporting issues

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 Statement of Accounts 2021/22 with the audited financial statements.

Financial information in the Statement of Accounts 2021/22 and published with the financial statements was consistent 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 reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

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

Assessment of Control Environment



Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

However, we have the following issues to bring to your attention.

Quality of the Statement of Accounts:

We identified a significant number of misstatements during the course of the audit, both corrected and uncorrected. The Council needs to put in place more robust processes in relation to the quality verification of the preparation of the financial statements. This includes the preparation of the financial statements in line with the CIPFA guidance and accounting standards, quality of working papers to support the balances and transactions disclosed, documentation of judgements made by management in preparing the financial statements and the final review process by management before publishing them on the Council's website as ready for audit.

Recommendations in relation to asset valuations

Wilks Head & Eve's valuation methodology continues use a gross yield rather than a net yield in determining property valuations on behalf of the Council. We do not consider this is in line with open market practice. A gross yield does not consider relevant purchase costs attributable to the property. If the Council were to sell the asset, any purchaser would reflect their purchase cost within the price offered. The Council should continue to challenge this approach when taken by their specialist.

When testing the valuation of the Council's other land and building assets valued on an EUV basis, we identified that the floor plan measurements used by Wilks Head & Eve (WHE) in calculating the valuation of these assets were not always in line with the floor plan evidence provided by the Council. We therefore recommend management to verify measurements used by WHE and challenge the valuation in case of incorrect measurements being used.



08

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 2023

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 2023:

[EY UK 2023 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 - 12,500		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 be submitting a request for this additional work undertaken on:

- ▶ Work of EY expert to calculate an auditor's estimate of the pension liability, including the re-performance of roll forward for the triennial pensions update, and the valuation of assets;
- ▶ Work on the over charging of housing rents for financial statements, including consultation on the NOCLAR with Professional Practice; and
- ▶ Reperformance of work due to poor quality working papers and the significant level of error identified in the draft financial statements.

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.






09

Appendices




Appendix A

Required communications with the Audit 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 Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	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 and updated Audit Results Report - November 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 and updated Audit Results Report - November 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 and updated Audit Results Report - November 2023
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report - March 2023 and updated Audit Results Report - November 2023
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit 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 Audit Committee responsibility. 	Audit Results Report - March 2023 and updated Audit Results Report - November 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 and updated Audit Results Report - November 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 and updated Audit Results Report - November 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 and updated Audit Results Report - November 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 and updated Audit Results Report - November 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 and updated Audit Results Report - November 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 and updated Audit Results Report - November 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 and updated Audit Results Report - November 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 and updated Audit Results Report - November 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 and updated Audit Results Report - November 2023 Auditor's Annual Report - TBC
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 and updated Audit Results Report - November 2023 Auditor's Annual Report - TBC

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 2022 and of its income and expenditure for the year then ended in accordance with 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)).

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

Appendix B (Cont.)

Management representation letter

Management Rep Letter

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 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls. and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.
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]**.
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. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect 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.

Management representation letter

Management Rep Letter

2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic 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 Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: TBC.
 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.
 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 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
 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 the date of our last management representation letter or the beginning of the current period for initial audits 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.

Management representation letter

Management Rep Letter

F. Subsequent Events

1. As described in 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, Narrative Report 2021/22 and Annual Governance Statement.
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 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)), aligned with the statements we have made in the other information or other public communications made by us.

I. Comparative information - comparative financial statements

In connection with your audit of the comparative financial statements for the year ended 31 March 2021, we represent, to the best of our knowledge and belief, the following:

1. We have identified the following audit differences that in aggregate are greater than performance materiality in the 2020/21 financial statements that management has agreed to amend:
 - ▶ Management was not treating the indexation as a formal valuation and therefore was not eliminating the accumulated depreciation when as assets valuation was indexed for either other land and buildings (OLB) or housing stock (HRA) assets. The OLB and HRA have been understated by £1.0 million and £1.7 million, respectively.

The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

J. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, 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.

K. Reserves

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

Management representation letter

Management Rep Letter

L. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:
 - ▶ Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

M. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the IAS 19 pensions liability, valuation of our land and buildings 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.

N. 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 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)).
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 and the effects of the COVID-19 pandemic 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.

Management representation letter

Management Rep Letter

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of 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)).
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, including due to the COVID-19 pandemic.

IAS 19 pensions liability

1. We confirm that the significant judgments made in making the IAS 19 pensions liability 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 IAS 19 pensions liability.
3. We confirm that the significant assumptions used in making the IAS 19 pensions liability 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 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)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 pensions liability.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

O. 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 21 November 2023.

(Chair of the Audit Committee)

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