

## Crawley Borough Council

### Minutes of Audit Committee

Tuesday, 21 November 2023 at 7.00 pm

#### **Councillors Present:**

J Millar-Smith (Chair)

J Charatan (Vice-Chair)

I Ashraf, T G Belben, H Hellier, J Russell and S Sivarajah

#### **Also in Attendance:**

Elizabeth Jackson                      Partner, Ernst & Young

Mr Ul Haque                                Independent Member to the Audit Committee

#### **Officers Present:**

Vicki Basley                                Chief Accountant

Siraj Choudhury                            Head of Governance, People & Performance

Carolin Martlew                            Head of Corporate Finance

Mez Matthews                                Democratic Services Officer

Anna Pedlow                                Corporate Performance Manager

Stuart Small                                 Deputy Fraud Manager

#### **1. Disclosures of Interest**

No disclosures of interests were made.

#### **2. Minutes**

The minutes of the meeting of the Audit Committee held on 5 September 2023 were approved as a correct record and signed by the Chair.

#### **3. Public Question Time**

No questions were asked by members of the public.

#### 4. Fraud and Investigation Team Report

The Committee considered report [FIN/638](#) of the Head of Corporate Finance, which focused on activity for the period from 21 August 2023 to 7 November 2023.

The Committee discussed the report and in doing so sought and received clarification on a number of points raised, including how the Council could reduce the amount of money lost due to properties being coded as empty; the difficulties in potentially using empty properties to reduce homelessness; billing of business rate for empty business premises; and procedures to ensure business rates and council tax were charged once a premises was in use.

The Deputy Fraud Manager informed the Committee that the length of time cases had been open for varied for those cases identified in paragraph 4.1 of the report, although it was acknowledged that most of those cases were fairly new. As the Deputy Fraud Manager did not have the information to hand, following a query from the Committee, it was agreed they would ascertain how many of the new billable council tax properties identified in paragraph 4.4 of the report were Crawley Homes premises and circulate that information to the Committee via email.

Additionally, the Committee was provided with further details relating to the significant case which was identified in paragraph 5.1 of the report. In response to matters raised by the Committee, the Deputy Fraud Manager expanded on how the Council had become aware of the fraud, the difficulties it had faced in obtaining evidence of fraud, and the process / responsibility for recovering the benefit overpayments.

#### RESOLVED

That the Fraud and Investigation Team Report be noted.

#### 5. Final Audit Results Report 2021/22

The Committee considered report [FIN/640](#) which had been submitted by Ernst & Young (EY), the Council's External Auditors. The report summarised the status of the Audit and indicated that EY expected to issue an unqualified audit opinion on the financial statements for the year ended 2021/22 and that the Statement of Accounts ("the Accounts") could be signed.

The Committee sought and received clarification on a number of issues. Committee considered matters arising, and in doing so:

- Acknowledged that the Council had a new Head of Corporate Finance (Section 151 Officer) and Chief Accountant who were considering ways in which processes could be revised to reduce the number of unadjusted misstatements for future years. It was noted that EY would be providing training to the Finance team, and that the team would be actively reviewing and challenging valuations throughout the financial year to assist in reducing the number of unadjusted misstatements in future. EY stated that they did not anticipate there would be the same number of unadjusted misstatements in the Accounts going forward.
- Was reminded that some differences in judgement (defined as "errors") could affect two sets of Accounts.
- Was informed that, whilst the Accounts were an operational risk, they were not a strategic risk as EY were expected to issue an unqualified audit opinion.

- Noted that the Department for Levelling Up, Housing and Communities (DLUC) were working with the Chartered Institute for Public Finance and Accountancy (CIPFA) and audit firms to review the specific requirements for future Accounts. Audit firms would not begin auditing the 2022/23 Accounts until DLUC announced the outcome of that review.

The Independent Member queried whether financial reporting should be subject to an internal audit review. They were informed that the Council's Internal Auditors might consider including such a review on the Audit Plan once the current review process had concluded. The Chair requested that the Committee be provided with an update on the prospect of conducting an internal audit on financial reporting in approximately six months.

## **RESOLVED**

That the Final Audit Results Report 2021/22 be received and noted.

## **6. Approval of the 2021/2022 Statement of Accounts**

The Committee considered report [FIN/641](#) of the Head of Corporate Finance which sought the Committee's approval of the 2021/22 Statement of Accounts. The Committee noted that the item had been included in a supplementary agenda with the agreement of the Chair.

The Committee expressed its thanks to Councillor Belben who had thoroughly reviewed the Accounts ahead of the meeting and had requested further points of clarification, as well as highlighting a few minor clerical corrections and suggestions. The Chief Accountant agreed that the Accounts would be amended to take into account, where necessary, those minor corrections and suggested changes.

The Committee sought and received clarification on a number of matters. In addition, the Committee:

- Noted that the Finance team would be undergoing training as well as revising its practices to assist in reducing the number of unadjusted misstatements in future.
- Noted that the 2.834m transfer to property, plant and equipment (page 56 of the Supplementary Agenda) related to Kingsgate Car Park as the asset had been moved from an investment asset to an operational asset.

## **RESOLVED**

That delegated authority be given to the Chair of the Audit Committee and the Head of Corporate Finance to sign the Statement of Accounts, Annual Governance Statement and Letter of Representation, with the exception of any material errors that impact on the general fund position.

## 7. Internal Audit Progress Report

The Committee considered report [FIN/639](#) of the Head of Corporate Finance which had been prepared by Southern Internal Audit Partnership (SIAP), the Council's External Auditors. The purpose of the report was to update the Committee on the status of 'live' internal audits, the progress against the Annual Audit Plan and provide a summary of internal audits as well as any significant issues which might impact the annual audit opinion.

The Head of Corporate Finance presented the report on behalf of SIAP. The Committee was provided with the following updates:

- Management action 4 of the Recruitment, Retention and Leavers Audit was still in progress as it would form a wider piece of work by the Corporate Management Team (CMT). Future Progress Reports would include revised target dates for the actions, once more accurate timescales could be provided.
- The management action for the Compliance – Gas Safety Audit (Housing Stock) remained in progress. The revised target date for this action was the end of November.

The Committee then discussed the report and, in doing so:

- Acknowledged that it was not always possible to meet the target date for overdue 'high priority' management actions as the target could be impacted by limited workforce capacity or an adjustment to the scope of the actions.
- Was advised that the CMT deemed contract management to be of high importance and had therefore chosen to request that an audit on the matter be undertaken.
- Noted that the Procurement Team would be providing officer training on procurement and contracts.
- Was assured of the measures in place to avoid an officer having a conflict of interest in a procurement process or award of contract.
- Noted that medium sized contracts had been used when conducting the Contract Management Audit.
- Was provided with more information on the varying processes by which contracts could be awarded. It was noted that resilience in the Legal team had improved post-Covid and Council officers were now more proactive in discussing contracts with the Legal team. Negotiations and tracking of contracts had also improved.
- Was provided with more information concerning the level of risk associated with the delay in completing the electrical safety checks (housing stock) and updating the Electrical Safety Policy.

Following a comment from the Committee, the Head of Corporate Finance agreed to request that, where an audit review was identified as high risk and overdue (red) in Section 4 of the Progress Report (Analysis of 'Live' Audit Reviews), SIAP identify where more detailed information on the audit and the related management actions could be found within the Progress Report.

### **RESOLVED**

That the Committee receive the report and note progress to date, as at 31 October 2023.

## 8. Risk Management Update

The Committee considered report [LDS/210](#) of the Head of Governance, People & Performance which provided an update on the Council's Strategic Risks.

The Corporate Performance Manager highlighted the following minor clerical corrections to the report and Register:

- Risk 9 (maintaining a balanced budget): paragraph 7.3 of the report stated that the post mitigation score has increased from 12 to 16. That should be amended to read "...from 12 to 15". The Risk Register identified the correct score.
- Risk 10 (Organisational Capacity: Recruitment, Retention & Succession Planning): the 'no control' score should be 15 on the Register. The Committee noted that the live Register had been updated.

A discussion took place on the Council's risk management processes and the Strategic Risk Register. It was acknowledged that, although a risk score had not yet been attributed for the presence of RAAC (reinforced autoclaved aerated concrete) in Council properties (Risk 18), the Committee agreed it was useful to flag the potential risk early with its inclusion on the Register.

In response to a query raised, the Committee was informed that, other than homelessness, other broader related risks regarding maintaining a balanced budget (Risk 9) had not been included on the Register as those risks would be included in the Budget Strategy Report which would be a publicly available report.

Following a query, the Committee was reminded that the Risk Register was a 'live' document and officers throughout the Council were encouraged to raise any potential risks. Those risks would then be added to the Register if appropriate.

In response to a query raised by the Independent Member regarding the 'no control' and 'post mitigation' scores for cost of living (Risk 15) being identical, it was clarified that the risk did not likely meet the financial level identified in the risk assessment criteria to warrant a higher risk score. Following further discussion, and at the suggestion of the Independent Member, the Committee agreed that the Chief Executive / Corporate Management Team be requested to review the risk description for Risk 15 so it reflected how the Council's inability to support residents might impact the Council's ability to provide services to its residents.

The Committee raised concern regarding damp and mould (Risk 17) and noted the response provided by the Head of Crawley Homes. The Register referred to community event(s) that were being planned ahead of Autumn 2023 to raise awareness and educate residents on self-help. The Committee were not aware of those events and sought further information. Consequentially, the Committee agreed that clarification on the details of those events be sought from the Chief Executive / Cabinet. The Committee also requested that, once details of those events had been obtained, they be circulated to the Committee via email.

### RESOLVED

1. That the Committee confirm it is satisfied with risk management arrangements.

2. That the Chief Executive / Corporate Management Team and/or Cabinet be requested to:
  - a) Review the risk description for 'cost of living' (Risk 15) so it reflected how the Council's inability to support residents might impact the Council's ability to provide services to its residents.
  - b) Clarify the details of the damp and mould community events being planning with regard to 'damp and mould' (Risk 17).

### **Closure of Meeting**

With the business of the Audit Committee concluded, the Chair declared the meeting closed at 9.15 pm

**J Millar-Smith (Chair)**