

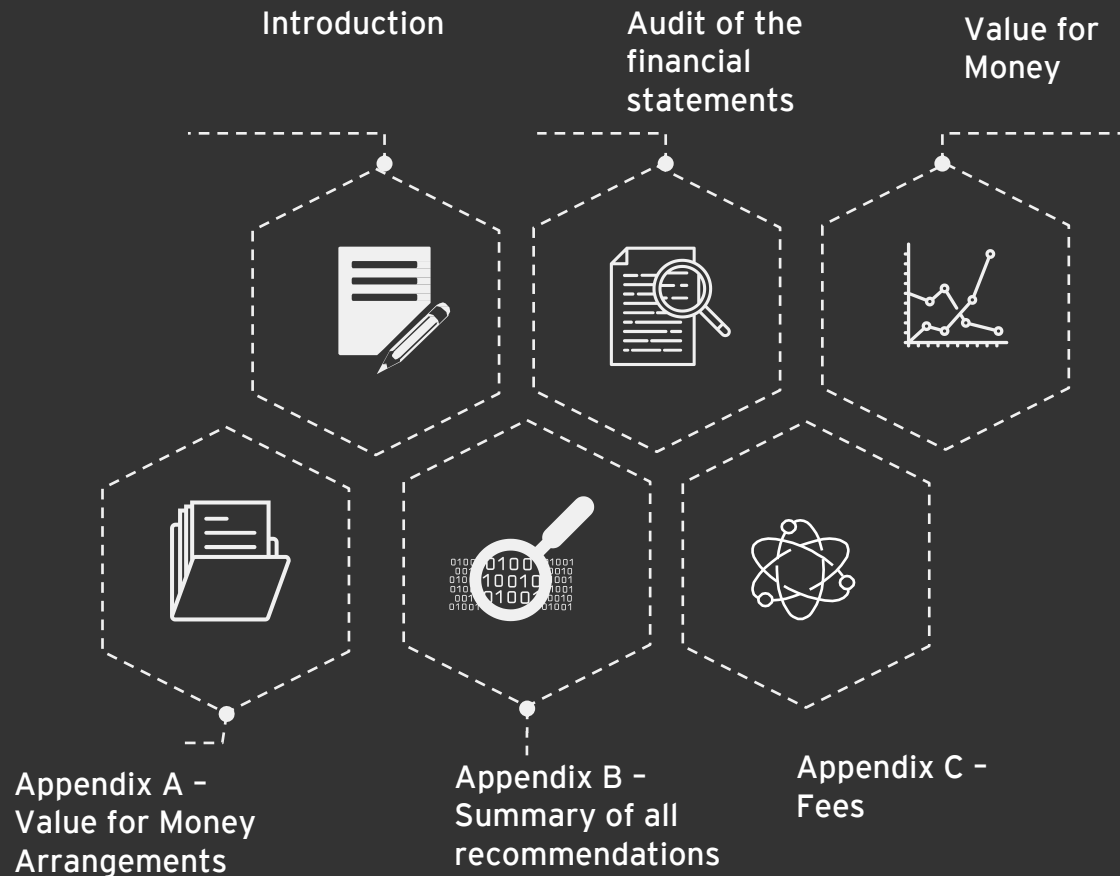


**FIN/651**

**Crawley Borough  
Council  
Auditor's Annual  
Report**

Year ended 31 March 2022

# Contents



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/auditquality/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 July 2021)" 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.



# Introduction

## **Purpose**

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## **Responsibilities of the appointed auditor**

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued in February 2023. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

## **Responsibilities of the Council**

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



## Introduction (continued)

### 2012/22 Conclusions

<b>Financial statements</b>	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on 25 January 2024.
<b>Going concern</b>	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.
<b>Consistency of the other information published with the financial statement</b>	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
<b>Value for money (VFM)</b>	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.
<b>Consistency of the annual governance statement</b>	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
<b>Public interest report and other auditor powers</b>	We had no reason to use our auditor powers.
<b>Whole of government accounts</b>	We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because we are awaiting confirmation from the NAO of any additional procedures to be performed by auditors for bodies which fall below the reporting threshold.
<b>Certificate</b>	We are not currently able to issue our certificate due to the outstanding work required for whole of government accounts as explained above.



# Audit of the financial statements

## Key findings

The Narrative Statement and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 25 January 2024, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 21 November 2023 Audit Committee meeting with a follow up addendum issued on 16 January 2024. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We did not identify any internal control recommendations but reported two areas for improvement in the control environment in the Audit Results Report.

## Significant risk

## Conclusion

### Risk of fraud in revenue and expenditure recognition

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.

In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position.

A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. Crawley Borough Council has a significant fixed asset base and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.

Our work did not identify any material misstatements from inappropriate capitalisation of revenue expenditure and we did not identify any material weaknesses in controls or evidence of material management override in relation to capitalisation of revenue expenditure. We did not identify any instances of inappropriate judgements being applied.

### Misstatements due to fraud or error - [e.g. inappropriate capitalisation of revenue expenditure]

The financial statements as a whole are free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 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.

Our work did not identify any material weaknesses in the design or operation of controls or evidence of material misstatements, whether due to fraud or error. Our work did not identify any other transactions during our audit which appeared unusual or outside the organisation's normal course of business.





## Audit of the financial statements (continued)

Significant risk	Conclusion
<b>Valuation of Land &amp; Buildings in Property, Plant and Equipment (PPE) under fair value - Estimated-Use-Value (EUV)</b>	<p>The value of land and buildings in PPE under EUV represent significant balances in the Council's financial statements and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>We identified no evidence that management had attempted to override internal controls or any instances of inappropriate judgements being applied. We instructed our property valuation team to review a sample of the valuation performed by the Council. The review concluded that the valuation was based on reasonable and supportable assumptions, with the exception of one asset outside our assessed reasonable range resulting in 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.</p>
<b>Valuation of Investment Properties (IP) under Fair Value (FV)</b>	<p>The value of investment properties represent significant balances in the Council's financial statements and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>We identified no evidence that management had attempted to override internal controls or any instances of inappropriate judgements being applied. We instructed our property valuation team to review a sample of the valuation performed by the Council. The review concluded that the valuation was based on reasonable and supportable assumptions, with the exception of three assets outside our assessed reasonable range resulting in 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.</p>
Areas of audit focus	Conclusion
<b>Valuation of Land &amp; Buildings in property, plant and equipment (PPE) under Depreciated Replacement Cost (DRC)</b>	<p>The value of land and buildings in PPE under DRC represent significant balances in the Council's financial statements and are subject to valuation changes and impairment reviews. Management is required to make a degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>We identified no evidence that management had attempted to override internal controls or any instances of inappropriate judgements being applied. We instructed our property valuation team to review a sample of the valuation performed by the Council. The review concluded that the valuation was based on reasonable and supportable assumptions, with the exception of one asset which was outside our assessed reasonable range resulting in an uncorrected misstatement. We identified that the floor plan measurements used by the Council's valuers in calculating the valuation of these assets were not in line with the floor plan evidence provided by the Council. We therefore recommended management to verify measurements used by the valuer and challenge the valuation in case of incorrect measurements being used. These did not lead to significant variances between the valuers valuation and our assessment of a reasonable range for the valuation.</p>



## Audit of the financial statements (continued)

Areas of audit focus	Conclusion
Valuation of Housing Revenue Account (HRA) properties	<p>The value of investment properties represent significant balances in the Council's financial statements and are subject to valuation changes and impairment reviews. Management is required to make a high degree of material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>We identified no evidence that management had attempted to override internal controls or any instances of inappropriate judgements being applied.</p>
Infrastructure Assets	<p>Nationally, audit firms have identified an issue with applying the CIPFA code accounting treatment to infrastructure assets. Where management incur subsequent expenditure to replace part of an asset, the CIPFA Code requires management to write out the value of the old part being replaced. Across the country, councils have not kept sufficient detailed records of infrastructure spend to allow the value of the part being replaced to be written out.</p> <p>The work we completed on the infrastructure assets has identified that management has reclassified an 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 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.</p>
Pension Liability Valuation	<p>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.</p> <p>We completed our review of the accounting entries and disclosures and our review of the assumptions used by the actuaries. We were able to reconcile our roll forward with the figures provided by the actuary within an acceptable range.</p> <p>The net defined benefit liability had originally been recorded based on the 31 March 2022 IAS 19 valuation report which uses the 2019 triennial valuation assumptions. During the period of finalisation of the 2021/22 audit, the 2022 triennial valuation report was issued and therefore the impact of this needed to be considered by both management and the audit team. The revised IAS 19 report showed that the net pension liability reduced by £42.4m. As this was material, management adjusted for this within their 2021/22 financial statements. We performed further procedures on the revised IAS 19 report and no issues were identified.</p>
Valuation of NNDR Appeals Provision	<p>Crawley Borough Council's share of the NNDR Appeal Provision is valued at £5.716m in the financial statements. This is a high value estimate driven by internal calculations and judgement. We identified an error in the calculation of the NNDR provision that the Council did not amend as it was not material.</p> <p>We are satisfied that the NDR Appeals Provision and associated balances within the financial statements are not materially misstated.</p>



## Audit of the financial statements (continued)

Areas of audit focus	Conclusion
Transfer of HRA Garages to the General Fund	<p>In December 2020, the 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 had been agreed by members, we identified a risk that moving garages from Housing Revenue Account to the General Fund may not be in line with the CIPFA code requirements.</p> <p>We reviewed the written briefing paper provided by management 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.</p>
Housing Rents Issue	<p>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.</p> <p>We gained assurance through obtaining the root cause of the overpayments of rent, obtained the Regulator's response and how they were 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 2021/22 statements.</p> <p>Our testing did not identify any issues that need to be reported in the repayments of the rent in the year. However, the misstatement identified in 2020/21, where the amount relating to the 2020/21 repayments of £688,000 was incorrectly accounted for in 2021/22 remains a misstatement in the 2021/22 financial statements.</p>
Going Concern Disclosure	<p>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.</p> <p>We were satisfied that 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 identified some amendments required to the disclosure to ensure the note was focused on the future financing and cashflow position.</p>



We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

Our VFM commentary highlights relevant issues for the Council and the wider public.

We have no matters to report by exception in the audit report.

## Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the Audit Committee meeting in September 2023 which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the Head of Corporate Finance and Chief Accountant and evaluation of associated documentation through our regular engagement with Council management and the finance team.

## Reporting

We completed our risk assessment procedures in September 2023 and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out over pages 10 to 13. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



## Value for Money (continued)

### Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

The Council is in the final year of its Corporate Priorities plan and have developed the new Corporate Priorities plan through to 2027. Crawley's six priorities are similar to the prior period:

- Delivering value for money and modernising the way we work
- Delivering affordable homes for Crawley and reducing homelessness
- Enabling a sustainable economic recovery and improving job opportunities
- Reconnecting communities
- Providing high quality leisure and culture facilities and supporting health and wellbeing services
- Protecting the environment

As part of this, the Council is continuing to deliver its transformation plan 'embracing new ways of working, providing easily accessible and more efficient services for their customers, delivering value for money and creating a more commercial culture in order to be financially stable.'

The 2022/23 budget reflects the policy objectives set out in the Budget Strategy 2022/23 to 2026/27 and was approved in February 2023. The budget strategy for 2022/23 to 2026/27 was prepared with the aim to deliver the Council's service delivery objectives outlined in its Corporate Priorities and Transformation Plan. Due to the financial pressures the Council is facing, it needs to identify significant savings or deliver income growth over the next 5 - 10 years to balance the budget, particularly if it wants to deliver on its service delivery objectives detailed in its 'Corporate Priorities' and 'Transformation Plan'.

Revenue and capital budgets are monitored throughout the financial year by the CFO and reported on a quarterly basis to the Overview and Scrutiny Commission. The 2021/22 Outturn Report reflects the efficiency of these in-year monitoring measures as the Council has again contained expenditure within the original budget levels despite facing a range of additional costs that were not part of the original budget. In 2021/22, the Council reported an underspend of £0.6 million against a budget of £14.8 million.

As noted in more detail in the section of this report related to Governance, we updated our review of the breach in laws and regulations in relation to the overcharging of housing rents as part of our Non-Compliance with Laws and Regulations (NOCLAR) procedures. Our work concluded that the breach of the regulations was material to the Council's financial statements for 2021/22 but that the overcharging of rent was not a deliberate act by the Council.

We considered the impact on the level of reserves, given that the Council repaid c£3.3 million relating to this issue in 2021/22. We noted that general reserves at the end of 2021/22 were £5.573 million with earmarked reserves of £11.846 million with total general fund reserves being £17.419 million. Despite repaying the housing rents, the Council has maintained significant reserves, which continue to be maintained at greater than the £3 million minimum reserve level set by the Head of Corporate Resources.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**



## Value for Money (continued)

### Governance: How the Council ensures that it makes informed decisions and properly manages its risks

The Council has good arrangements in place to monitor the implementation of internal audit recommendations by the Audit Committee. Internal audit progress reports are presented on a regular basis throughout the year to monitor implementation of recommendations by internal audit and to implement corrective actions where necessary.

The opinion by the Head of Internal Audit provides “substantial assurance”. However, they did issue three reports that received limited and no assurance in 2021/22. These are: Complaints; Health and Safety and Cyber Security. We reviewed the reasons for the outcome on these reports and their impact on value for money. The main area of significance was the Cyber Security audit, which identified a large number of actions that management need to address, many of which were in the ‘high’ category. The main issues are that training was not taking place for officers or members with respect of GDPR and cyber security awareness; cyber security incident communication protocols to staff and the public are not documented and the Information Security and AUP documents are version-controlled but do not indicate whether they are subject to a review schedule and the AUP does not include an approval date by the IT Board. The lack of training around cyber security could leave the Council open to cyber security risks and the lack of training on GDPR could lead to unintentional breaches of the regulations.

Internal Audit also undertook a review of the framework and process in place to support the compilation of the Annual Governance Statement, which concluded with a reasonable assurance opinion.

The Audit Committee is a key mechanism of governance for the Council. Throughout the 2021/22 audit period, we discussed with management in place at the time that there were weaknesses in the Committee as members placed too much reliance on the ability and briefings of officers rather than forming their own conclusions. Whilst they levied good challenge at times, they tended to focus too heavily on minutiae rather than taking a wider holistic overview as required by a committee responsible for overseeing the governance arrangements of the Council. They did not take reliance from the more detailed scrutiny of other committees; an example of this is the risk register reporting, the focus of the discussion was on the specific risks and their views on the action planned/being taken instead of whether they considered the reporting style, governance process over the risks and the management engagement with the risk register to be appropriate. The Council took steps to strengthen the Committee, undertaking training for the Committee members and have since appointed an independent member. This has brought more balance into the challenges made and the Committee is now operating effectively.

The Council notified us of an issue identified in April 2021 regarding historic overcharging of housing rents. Our initial review in 2020/21 concluded that there was no ‘detect’ control gap at the Council. The original error was made when the future target rent was not updated due to an oversight when the Council moved from a 48 week to 52 week rental year. The target rent is a figure that is only updated once a year when the Council apply any prescribed uplift or decrease required by the regulations, government instruction or guidance. Internal Audit verified that all required uplifts and decreases required each year had been applied accurately and in line with the guidance for each given year. Without the Regulator performing the review of the formula calculation, the error in not adjusting the target rent would not have been identified. The Council had no reason to perform such a check as they were confident that they had applied the correct adjustment to the target rent each year.



## Value for Money (continued)

### Governance: How the Council ensures that it makes informed decisions and properly manages its risks (continued)

We noted that once the issue regarding the overcharging of housing rents was identified, the Council acted swiftly to identify the root cause of the issue and discussed how to resolve this, taking decisions in consultation with the Leader of the Council, the Cabinet Member for Housing and the Leader of the Opposition, including a timeline for further communication and decisions that members needed to make to support the process being undertaken. Therefore, we do not consider this to be a significant weakness in arrangements.

We updated our review of the breach in laws and regulations as part of our Non-Compliance with Laws and Regulations (NOCLAR) procedures. Our work concluded that the breach of the regulations was material to the Council's financial statements for 2021/22 but that the overcharging of rent was not a deliberate act by the Council.

The Council prepared its draft 2021/22 financial statements in accordance with the 31 May 2022 deadline. However, our accounts audit for that year identified a significant number of misstatements in the accounts, some of which were adjusted by management before the audit report was issued in January. We identified improvements to the internal control processes for preparing and reviewing the draft financial statements and the supporting documentation that underpins them. We reported a recommendation in the Audit Results Report and have included this below as it is also relevant to the Council's governance arrangements for value for money.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.**

#### **Recommendations:**

- 1) 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.**
- 2) The Council should ensure that all cyber security training is up to date to minimise the risk of cyber security risks and unintentional breaches of the regulations.**



## Value for Money (continued)

### 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

Crawley Borough Council is required to have arrangements in place to ensure proper resource management. The primary responsibility and reporting on the design and operation of these arrangements is via the annual governance statement and rests with management.

The 2020 to 2022 Transformation Plan is the forum for action to be taken when a project has been identified that generally lies outside of any single service and require impetus and additional resource/focus in order to deliver and embed that change. Overview of the delivery of the Transformation Plan is the responsibility of the Transformation Board, which sits at Corporate Management Team level and brings together and provides oversight at a high level plan to ensure coherence, manage interdependencies and change, allocate resources and ensure delivery. The Transformation Board meets monthly and monitors progress at regular intervals reporting back to the organisation through Portfolio Briefings, Chief Executive Inform and Q&A sessions, Team Brief, via the intranet and at the annual update to the Overview and Scrutiny Commission.

Most services have performance information and standards used to compare and assess performance with other Councils or with national recognised performance frameworks (e.g Housemark, DWP, national planning indicators).

A senior management group - Corporate Project Assurance Group - ensures appropriate governance of projects and that key projects beyond the transformation programme are not adversely impacted from the constraint of capacity and resources. Performance monitoring is done by the Corporate Management Team (CMT) quarterly. This includes the major contracts such as waste and leisure. The finance team prepare fortnightly budget monitoring reports for the Corporate Management Team on the financial performance of the Council which identifies emerging issues. This feeds into the quarterly reporting of the revenue and capital budgets to the Overview and Scrutiny Commission.

In terms of partnerships, the Council has a successful capital programme with the LEP and WSCC on the Crawley Growth Programme, shared procurement service with three other authorities, they are part of the Greater Brighton Economic Board, Gatwick Diamond, development management partnership with Westrock. The Council is also party to a shared procurement service with Horsham District Council and Mid Sussex District Council as part of its procurement processes, with Crawley Borough Council being the lead authority. The Council has published its procurement thresholds and contract register on its website.

We are currently reviewing the Town Hall as a specific project but we are aware from discussions with management that there were contract disputes with the builders which have been resolved as part of the finalisation of the project. We will report our findings from this review as part of the Auditor's Annual Report.

**Conclusion: Based on the work performed to date, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**

# Appendices



## Appendix A – Summary of arrangements

### Financial Sustainability

#### Reporting Sub-Criteria

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

#### Findings

The Council has a corporate priorities plan, in which they set out its strategic direction. The corporate priorities consist of six key headline priority objectives which are underpinned by 24 objectives, projects and initiatives and these inform its service delivery objectives for the short-term and forms the basis of its strategic planning, including its short-term and medium-term financial plans.

The Council have developed their Corporate Priorities through to 2027. As part of this, the Council is continuing to deliver its transformation plan 'embracing new ways of working, providing easily accessible and more efficient services for their customers, delivering value for money and creating a more commercial culture in order to be financially stable.'

The Council prepares an annual revenue budget as part of its short-term financial planning which compiles with the context of the Government's Comprehensive Spending Review, the Chancellor's Budget, and the local government settlement. This is approved at full Council. There has been a significant decline in overall government income in recent years with increasing amounts of income being generated locally through Council Tax, Business Rates, fees and charges, and income from commercial property.

The Council prepares a five-year revenue budget as part of its medium-term financial planning. The budget strategy is prepared with the aim to deliver the Council's service delivery objectives outlined in its 'Corporate Priorities' and 'Transformation Plan'. These forecasts are updated throughout the year to give the Council a clear view of the forthcoming financial challenges. They then feed into the setting of the medium term financial plan and the budget, taking into account any cost pressures on the finances of the Council and setting the strategic direction to address the significant challenges for 2022/23 onwards.

These forecasts consider the fall in government funding combined with the impact of the pandemic of the Council's budgets. A combination of the use of reserve, efficiencies and temporary divisional savings is on track to address the in-year savings needed.

Permanent savings are also required to be made to meet the long term budget gap with any future waves of Covid increasing the level of savings required as this will impact on Council tax and business rates income.

Revenue and capital budgets are monitored throughout the financial year by the CFO and reported on a quarterly basis to the Overview and Scrutiny Commission. These reports culminate into the revenue and capital outturn report that is approved by the Overview and Scrutiny Commission.

Any areas of concern are subject to detailed scrutiny by the relevant Portfolio holder at separate management meetings. The Overview and Scrutiny Commission can also add areas of concern to their work programme.

## Appendix A - Summary of arrangements

### Financial Sustainability (continued)

Reporting Sub-Criteria	Findings
How the body plans to bridge its funding gaps and identifies achievable savings	<p>The savings process followed for the development of the budget has the following stages:</p> <ul style="list-style-type: none"><li>• Savings achieved through the challenge process led by the Corporate Management Team and any agreed savings that have been identified by officers.</li><li>• Savings identified by each Head of Service meeting with the Chief Exec and finance officers to identify savings in their service</li><li>• Public consultation as set out in the annual budget report</li><li>• A meeting held with members, where officers present the options for savings which would involve a cut to services currently provided to ensure governance oversight of the decisions being taken</li></ul> <p>Once the budget has been set and approved, it is monitored throughout the financial year by Corporate Management Team and reported on a quarterly basis to the Overview and Scrutiny Committee, as discussed above.</p> <p>The Council's transformation plan is also taken into consideration throughout the process above.</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>As discussed previously, the Council has detailed its service delivery objectives detailed in its 'Corporate Priorities' and 'Transformation Plan'. This forms the basis for its strategic and statutory priorities on which its short-term and medium-term financial plans are developed.</p> <p>Progress towards achieving these objectives are monitored by the Corporate Management Team throughout the year and through review of the quarterly finance reports, which are presented to the Overview and Scrutiny Commission, with remedial actions discussed and subsequently actioned, where necessary.</p> <p>Short-term and medium-term financial plans detail the likely costs associated with the Council's strategic and statutory priorities; identifies any budget gaps that may arise from reduction in government funding; and planned savings strategies to bridge any gaps between available funding from taxation and the cost of services.</p> <p>Any new service investment made must meet either objectives within the corporate priorities or be a new statutory obligation.</p>

## Appendix A – Summary of arrangements

### Financial Sustainability (continued)

Reporting Sub-Criteria	Findings
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>As part of the Council’s short-term and medium-term financial planning process (which include their capital budgets), it develops an annual Treasury Management Strategy, which includes its capital investment strategy which is approved by the Council alongside its Revenue Budget. This Strategy is also aligned to the Council’s Corporate Priorities and Transformation plans and identifies the capital investments required to achieve set service delivery objectives.</p> <p>This capital plan determines the cost of financing the required capital along with any other financial impact. The Revenue Budget is also updated to reflect the latest information regarding the delivery of the capital programme.</p> <p>Members are also involved in the budget setting process, through a Budget Advisory Group or all Member Seminar and special meetings, to ensure that knowledge is brought into the process from all aspects of the Council.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The Council manages its financial resilience risk through the following implemented measures:</p> <ul style="list-style-type: none"><li>• The Council publishes detailed short-term and medium-term financial plans that are aligned to its Corporate Priorities and Transformation plans and includes actions to ensure financial sustainability as discussed above</li><li>• In-year monitoring of these financial plans to identify and incorporate any unplanned changes in underlying assumptions of the Council’s plans as discussed above</li><li>• Reporting of financial performance against above set financial plans on a quarterly basis to the Overview and Scrutiny Commission and Cabinet as discussed above; and</li><li>• Risk management processes to identify, monitor and address risks</li></ul> <p>The high level risks to the 2022/23 Budget and how they will be managed are shown in an Appendix to the Budget report. Risks on the Town Hall project are reported to the Audit Committee. Risks are highlighted throughout the budget report including the impacts of the pandemic on the current and unknown impacts of this on future years for both service costs and income but especially business rates, interest rates, the impact of the economic climate, ensuring planned savings are achieved, and the availability of capital resources in future years and the need to take out borrowing.</p> <p>The Council also have in place mitigations, so when a meeting is cancelled, the reports are still shared with members through the Councillor information bulletin.</p>

## Appendix A – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

#### Findings

The Council's Constitution sets out how it Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. Areas of potential change are identified, and the Constitution is amended accordingly, which has been evidenced by the recent updating of its constitution on in November 2021.

The Council operates an Overview and Scrutiny Commission which has its own terms of reference, as outlined in the Council's Constitution. This Commission supports the work of the Cabinet and the Council as a whole. It allows citizens to have a greater say in Council matters by holding public inquiries into matters of local concern. These lead to reports and recommendations which advise the Cabinet and the Council on its policies, budget and service delivery. The Overview and Scrutiny Commission also monitors the decisions of the Cabinet. This enables them to consider whether the decision is appropriate. They may recommend that the Cabinet reconsider or amend the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy.

All significant (strategic) risks are discussed regularly by the Corporate Management Team and are reported to the Audit Committee on a quarterly basis. Operational risks are managed at departmental level.

This aids the achievement of the Council's strategic priorities, supports its decision-making processes, and protect its reputation and other assets and is compliant with statutory and regulatory obligations. These risks are identified as a routine process of all services and these are regularly reviewed and updated. Strategic risks are those risks defined as something that may result in failure in service delivery, significant financial loss, non-achievement of key objectives, damage to health, legal action or reputational damage, and mitigating measures/assurances must be put in place.

The Council also has an internal audit service in place which provides the Council with information regarding the effectiveness of the internal control environment and its arrangements to prevent and detect fraud. Regular in-year reporting at each meeting by internal audit to the Audit Committee is also in place which ensures that efficient and effective assurance arrangements are in place to assist in the management of risk and performance.

The Council has a Fraud and Investigations Team with responsibility for investigating fraud and carrying out verification work on issues such as Council Tax discount and investigations into NFI matches. This team acts to minimise the risk of fraud, bribery, corruption and dishonesty and recommends procedures for dealing with actual or expected fraud to the Council. The team also prosecutes where appropriate and is involved in fraud training and awareness.

## Appendix A – Summary of arrangements (continued)

### Governance (continued)

Reporting Sub-Criteria	Findings
<p>How the body approaches and carries out its annual budget setting process</p>	<p>The Annual Budget process including the responsibilities and procedures in the annual budget process is set out in Part 2: Financial and Budget Procedure Rules within the Constitution of the Council.</p> <p>As mentioned above, the Annual Budgeting process of the Council seeks to reconcile corporate and business plans and strategies with the relevant resources which includes the finance department. This process starts with a series of strategic initiatives with inputs from the various stakeholders, for example, the establishment of the Council's Medium-Term Financial Plan and Medium-Term Capital Strategy, the Council has an implemented budgeting system that allows for the alignment of its annual budget to the priorities and commitments in its 'Corporate Priorities' and 'Transformation Plan'. The Council refreshes the medium term financial plan and agrees the budget strategy in advance of the forthcoming year in November. Budget holders meet with finance officers and update their budgets in the CP (Collaborative Planning) module in the finance system. CP is updated before this to incorporate any known changes that are in the MTFS, including inflation. Subsequently, the overall savings plan is checked and consulted on prior to initial consideration by the Corporate Management Team and the Overview and Scrutiny Commission in February. As set out above, the savings are then put to 'All Members seminars' with the proposals that resulted in a public consultation and the results, which then go through to Cabinet for approval. Note that the Overview and Scrutiny Commission is not a decision making body. The Council will then consider the overall budget and options for Council Tax setting which is then subject to approval by the respective Councils in February.</p>
<p>How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed</p>	<p>The processes and systems in place to ensure budgetary control have been set out in Part 2: Financial and Budget Procedure Rules within the Constitution of the Council.</p> <p>Furthermore, each cost centre has an assigned budget manager. There are monthly meetings with budget managers, but unless there is a major variation, the reporting is only done quarterly. This is a standing item on CMT agenda every two weeks. Contingency budgets include Covid expenditure and there are other reserves available to meet pressures as outlined in the budget report and budget strategy.</p> <p>The finance team prepare fortnightly budget monitoring reports for the Corporate Management Team on the financial performance of the Council which identifies emerging issues. This feeds into the quarterly reporting of the revenue and capital budgets to the Overview and Scrutiny Commission. This budget management process is also subject to regular internal audit review to ensure that the system is fit for purpose.</p>

## Appendix A – Summary of arrangements (continued)

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### Governance (continued)

#### Reporting Sub-Criteria

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

#### Findings

Primary oversight is the responsibility of the Full Council. There are certain decisions which are reserved for the Full Council, either by legislation or through its own choice, and as such these will only be taken by the Full Council.

All decisions of the Council are accompanied by a detailed report which details the rationale for the decision, the options considered, legal advice and financial advice. Under the constitution, all decisions may be called in by members for review prior to implementation on specific grounds. These reviews are the purview of the Overview and Scrutiny Commission.

These committees meet on a regular basis during which key issues are raised and addressed with effective challenge from members.

To allow for transparency, the Council also ensures that it publishes relevant information relating to salaries, business interests and performance data on its website; has a Procurement team who provide advice and issue clear guidelines for procuring goods and services; publishes information to the Council and its Committees as part of established accountability mechanisms; prepares an Annual Governance Statement and prepares a Corporate Priorities Plan as discussed above.

The Council is furthermore committed to the publication of transparent performance information on its website, which includes Budget reports; Operational performance reports; a Medium-Term Financial Plan; A Corporate Plan; Statement of Accounts; Annual Governance Statement and Information as required under the Local Government Transparency Code.

Internal audit progress reports are presented on a regular basis throughout the year to monitor implementation of recommendations by internal audit and to implement corrective actions where necessary.

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## Appendix A – Summary of arrangements (continued)

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### Governance (continued)

#### Reporting Sub-Criteria

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

#### Findings

The roles of both members and officers of the Council are outlined in the Code of Conduct included within its Constitution. If any member or officer breaches the Code of Conduct, there is a resolution and complaints process administered by the Council's Monitoring Officer and potentially involving a hearing of the Council's Governance Committee.

The Council is transparent about how decisions are taken and recorded by ensuring that decisions are made in public and recorded. Those decisions and relevant information are publicly available (except where that information is exempt under the provisions of the Local Government Act or determined as being confidential by Government) and having rules and procedures which govern how decisions are made.

The Council has implemented systems to ensure conflicts of interest are identified, recorded and acted upon accordingly, excluding anyone from decision-making where a conflict arises, and making public declaration of interests through its 'Register of Councillors' financial and other interests' which is published on the Council's website and covers employees, governing body members and members of committees.

Regular training is provided to members on standards issues, so all members are aware of the requirements. Each member and officer is expected to complete a return on any gifts of hospitality.

The Council has a published Whistleblowing Policy and provides protection to individuals raising concerns. This policy is periodically reviewed in line with guidance.

The Council also ensures that effective, transparent and accessible arrangements are in place for dealing with complaints. The website contains guidance for submitting complaints against the Council by the public and processes are in place to progress any complaints that are made.

## Appendix A – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The Transformation Plan was revised in 2020, following a report to the Overview and Scrutiny Commission in November 2020, with six key themes and activities to deliver against the corporate priorities.</p> <p>The Transformation Board at Corporate Management Team level brings together and provides oversight at a high level plan to ensure coherence, manage interdependencies and change, allocate resources and ensure delivery.</p> <p>The Transformation Board meets monthly and monitors progress at regular intervals reporting back to the organisation through Portfolio Briefings, Chief Executive Inform and Q&amp;A sessions, Team Brief, via the intranet and at the annual update to the Overview and Scrutiny Commission.</p> <p>Furthermore, any issues identified by internal audit are monitored and reported to the Audit Committee regularly. Officers not taking sufficient action on these service improvements may be requested to report to the Committee.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>As discussed above, the Council's service delivery objectives are detailed in the Corporate Priorities and Transformation Plan. Overview of the delivery of the Transformation Plan is the responsibility of the Transformation Board.</p> <p>Most services have performance information and standards used to compare and assess performance with other Councils or with national recognised performance frameworks (e.g Housemark, DWP, national planning indicators).</p> <p>Internal audit and customer feedback are also used to inform which services require improvement. Where a service is identified in need of improvement consideration is given for including this within the transformation plan to support service improvement.</p>

## Appendix A - Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness (continued)

#### Reporting Sub-Criteria

#### Findings

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

A senior management group - Corporate Project Assurance Group - ensures appropriate governance of projects and that key projects beyond the transformation programme are not adversely impacted from the constraint of capacity and resources.

The Transformation Plan is the forum for action to be taken when a project has been identified that generally lies outside of any single service and require impetus and additional resource/focus in order to deliver and embed that change.

#### Consultation and engagement

The Council has a Consultation section on its website, which enables the public to get involved with helping the Council to make good, informed decisions and provide the best service to the town. There is a new service with local public can sign up to, to keep informed of new consultation to enable them to take part.

The Council consult on their budget each year, especially in areas impacting services as set out above.

#### Complaints

There is also a clear and transparent complaints procedure for dealing with complaints as set out above. Complaints are included in performance monitoring report to CMT.

#### Partnership working

Performance monitoring is done at CMT quarterly. This includes the major contracts such as waste and leisure.

The Council has a successful capital programme with the LEP and WSCC on the Crawley Growth Programme (see quarterly monitoring), shared procurement service with three other authorities, they are part of the Greater Brighton Economic Board, Gatwick Diamond, development management partnership with Westrock.

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

As set out in the Constitution, the Council's Procurement Code governs the way officers acquire goods, works and services, and ensure that their processes are consistent, transparent, legally compliant, and that they treat suppliers fairly.

The Council has published its procurement thresholds and contract register on its website. The Council is party to a shared procurement service with Horsham District Council and Mid Sussex District Council as part of its procurement processes, with Crawley Borough Council being the lead authority.

In line with the above-mentioned standing procedures, any procurement over £20,000 must be referred to the shared procurement team to ensure that the proposed procurement will deliver the expected outcome, and to ensure that the Council is complying with relevant legislation. All contracts are referred to legal, who will ensure that the procurement process has been complied with prior to approving the form of contract. Furthermore, the council will commission external expert advice where a proposed procurement is particularly complex or difficult.

## Appendix B – Summary of all recommendations

### Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2021/22. All recommendations have been agreed by management.

Issue	Recommendations	Management Response
<p>Financial statements: Quality of accounts preparation</p> <p>Value for Money: Governance</p>	<p>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.</p>	
<p>Financial statements: Asset valuations</p>	<ol style="list-style-type: none"> <li>1) Wilks Head &amp; Eve's valuation methodology continues to 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.</li> <li>2) 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 &amp; 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.</li> </ol>	
<p>Value for Money: Governance</p>	<p>The Council should ensure that all cyber security training is up to date to minimise the risk of cyber security risks and unintentional breaches of the regulations.</p>	

## Appendix C - Fees

### Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to the valuation of property, plant and equipment and investment properties and the identified areas of audit focus. As a result, we have discussed an associated additional fee with the Head of Corporate Resources which remains subject to approval by PSAA Ltd.

Description	Proposed Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
Audit Scale Fee - Code work	50,291	50,291	50,291
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	30,208	34,248	
Scale Fee Variation - revised ISA 540 and VFM arrangements (Note 2)	8,490	8,500 - 12,500	31,687
Scale Fee Variation due to one-off issues impacting the audit year (Note 3)	25,264	tbc	
<b>Total Audit Fee</b>	<b>114,253</b>	<b>£TBC</b>	<b>81,978</b>

All fees exclude VAT, and 2021/22 is subject to determination by PSAA.

For 2021/22 the scale fee has been re-assessed to take into account a number of risk factors which includes procedures performed to address the risk profile of the Council and additional work to address the increase in Regulatory standards.

We confirm we have not undertaken any non-audit work.

## Appendix C - Fees

### Fees

#### Note 1

We have previously discussed with the management and the Audit Committee that we do not believe the existing scale fees provide a clear link with a public sector organisation's risk and complexity and laid out the impact of regulatory changes which have caused that. We have quantified the implications of these factors on our assessment of the baseline fee to deliver a sustainable high-quality external audit. For 2021/22 we have rolled forward our previous rebasing request.

#### Note 2

In 2021/22, the new VFM arrangements and revised ISA 540 (estimates) result in a scale fee variation. PSAA have published guidance on these matters and advise for minimum additional fees, for a borough council. We have kept these proposed fees at the lower end of the ranges indicated in the guidance.

#### Note 3

For 2021/22 we have quantified the additional work we undertook in the completion of the audit, as set out in the table below.

Issue	Fee
Area of focus: Engaging our internal asset valuation specialists with respect to our work over asset valuations	£4,689
Area of focus: Engaging our internal pensions specialists with respect to our work over the valuation of the pension fund liability	£3,122
Area of focus: Work related to the transfer of garages to the general fund	£6,369
Area of focus: Work related to the overcharging of housing rents	£5,975
Other: Work regarding the identification and audit of a prior year adjustment in respect of writing out of depreciation	£3,869
Other: Work regarding a required assessment of the uncorrected misstatements in the prior year following identification of a misstatement that affected the prior year but was not significant individually to require a prior year adjustment	£1,240



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