

## ANSWERS TO QUESTIONS RAISED PRIOR TO AUDIT COMMITTEE (12 MARCH 2024) (LDS/218)

Audit Committee members were invited to send questions in prior to the meeting to allow sufficient time for answers to be sought. Where it was possible to obtain responses before the meeting, the questions and answer are detailed below.

Ques.	Agenda Item (agenda pack page) (Questioner)	Question	Answer (Respondent)
1.	5 – Auditor’s Annual Report for the Year Ended 31 March 2022 (pg 14) (Cllr Hellier)	Certification:  Do we have a date when this will be issued?	(Ernst & Young)  EY to confirm
2.	5 – Auditor’s Annual Report for the Year Ended 31 March 2022 (pg 18) (Cllr Hellier)	Going concern disclosure:  Can audit request sight of the cash flow position moving forward given the financial position of the council following this audit?	(Ernst & Young)  The cashflow forecast requested by EY relates to the treasury function of the management of the cash coming into and going out the bank and the projections of inflows and outflows. Whilst the Council is in a challenging financial position due to budget pressures the Council still collects the Council Tax, Business Rates, Rents etc, pays its precepts and suppliers, so the cashflow position identifies there is sufficient cash available in the medium term to carry on the day to day business.
3.	5 – Auditor’s Annual Report for the Year Ended 31 March 2022 (pg 34) (Cllr Hellier)	Financial Statements: Asset Valuations  Wilks Head & Eve’s statements re points 1 and 2. Are the audit recommendations being adopted by the Council re net yield valuations and verification of measurement of floor plans?	(Ernst & Young)  The Council uses an expert valuer (Wilks Head and Eve) to undertake the valuations of its property asset base. The different views on valuation methodology is due to a difference in expert opinion between the Council’s valuer and EY.  Officers are working with Wilks Head and Eve to ensure they have the correct information for the valuations, this includes verifying floor areas.

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4.	5 – Auditor’s Annual Report for the Year Ended 31 March 2022 (pg 49) (Cllr Hellier)	New Town Hall Overspend: Can audit request an update on where we are in relation to the disputes as these will be reported in 2022/23 auditors annual report?	(Ernst & Young) The auditors have requested and been provided with this information as part of the Value for Money work being undertaken for 2022/23.
5.	5 – Auditor’s Annual Report for the Year Ended 31 March 2022 (pg 11-38) (Atta Ul-Haque – Independent Member)	Regarding the risk in revenue recognition, has the auditor verified that grants are recognised as income only when they adhere to the conditions attached to the grant or contribution? Should this not be a presumed audit risk?	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor’s Information Bulletin.</i>
6.	5 – Auditor’s Annual Report for the Year Ended 31 March 2022 (pg 11-38) (Atta Ul-Haque – Independent Member)	Has the auditor considered the risk of cut-off errors for expenditures at year-end?	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor’s Information Bulletin.</i>
7.	5 – Auditor’s Annual Report for the Year Ended 31 March 2022 (pg 11-38) (Atta Ul-Haque – Independent Member)	In response to the auditor's recommendation to implement robust quality verification processes for preparing financial statements, could details be provided on the formulated action plan and its corresponding implementation timeline?	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor’s Information Bulletin.</i>
8.	5 – Auditor’s Annual Report for the Year Ended 31 March 2022 (pg 21) (Atta Ul-Haque – Independent Member)	Could you provide an update on the status of cyber security training, which the auditor identified as a weakness?	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor’s Information Bulletin.</i>

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9.	6 – Value for Money Interim Report: Year Ended 31 March 2023 (pg 61) (Atta Ul-Haque – Independent Member)	Under the heading 'arrangement in place and reporting criteria consideration,' it is noted that there is a clear and transparent complaints procedure for handling complaints. Has the auditor reviewed these procedures and ensured they are implemented and operational as intended?	(Anna Pedlow, Corporate Performance Manager) The Complaints process was audited as part of the Internal Audit Plan for 22/23. The final report was presented in August 2023 and received a “Reasonable” assurance opinion.
10.	6 – Value for Money Interim Report: Year Ended 31 March 2023 (pg 39-64) (Atta Ul-Haque – Independent Member)	How many complaints do we receive on a monthly basis? And do we have KPIs in place to monitor the effectiveness of our complaints handling process?	(Anna Pedlow, Corporate Performance Manager) In Q3 the council received 133 Stage 1 complaints and 26 Stage 2 complaints. We do have KPIs in place to monitor our complaints handling process. These are reported on a quarterly basis to CMT.
11.	7 – Accounting Policies 2023/24 and 2024/25 (pg 65-84) (Atta Ul-Haque – Independent Member)	Have we introduced any new accounting policies during the year, or have there been any changes to existing accounting policies?	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor’s Information Bulletin.</i>
12.	7 – Accounting Policies 2023/24 and 2024/25 (pg 65-84) (Atta Ul-Haque – Independent Member)	We have two accounting policies relevant to financial assets measured at fair value through profit and loss. Which class of assets in the financial statements these accounting policies pertain to?	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor’s Information Bulletin.</i>
13.	8 – Internal Audit Progress Report (pg 92/93) (Cllr Hellier)	Rolling Work Programme: The council has responsibilities to undertake an effective internal audit and evaluate the effectiveness of	(Southern Internal Audit Partnership) The table on Page 91 (Analysis of Live Audit reviews) is where we provide a numerical summary

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		<p>this. On the rolling works programme table, limited actions have been completed from reports. There are no comments or dates of/for completion so progress report has limited value. How can assurance be given?</p>	<p>of outstanding management actions on audit reports – whether they be not yet due or overdue.</p> <p>Where management actions have been fully completed from reviews, the review will not feature in this table.</p> <p>For those that are overdue:</p> <ul style="list-style-type: none"> <li>• Annex 1 provides the full detail of those actions deemed by management as high priority from the reviews. This detail provides the reasons for the implementation being delayed with a revised target date set, which is then subsequently followed up by internal audit as part of our action tracking routine for the progress reports.</li> <li>• Annex 2 provides a less detailed summary on those actions deemed by management as medium or high priority. The only detail provided for progress reporting being the revised target date. This is felt sufficient detail for the progress report as the focus would naturally be for Members on any high priority actions overdue.</li> </ul> <p>When action tracking we email out to all officers that have assigned management actions that have fallen due according to implementation dates or revised implementation dates requiring information on whether the action has been implemented, or if not, a reason for non implementation and a revised implementation date.</p> <p>We assess the reasons for any non implementation as well as any reasons for further revised</p>

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			<p>timescales for reasonableness. If we are at all concerned we would discuss further with management and provide that update in the progress report.</p> <p>Of note – for some of the earlier audit work, particularly where there are long outstanding management actions, one of the prime reasons for this being an overly ambitious target date. This particularly relates to health and safety (corporate) and health and safety driver assessments, where when the detail of the work to be done was planned out it was subsequently recognised that they were more comprehensive pieces of work than originally thought.</p> <p>The Section 7 Table on Page 92/93 as referred to in the question is merely a summary on progress on completion of audit work as set out in the audit plan for the year. The assurance opinion on this table (and that in section 4 Page 91, is the overall assurance opinion for the audit review.</p>
14.	8 – Internal Audit Progress Report (pg 93) (Cllr Hellier)	<p>Adjustments to the Internal Audit Plan:</p> <p>Most items appear to be rolled forward and deferred. There is no reassurance of controls being in place and items that require action actually being done. On P95/96 original due dates have expired and dates revised. It appears that little has been done since the last review by audit which needs addressing as</p>	<p>(Southern Internal Audit Partnership)</p> <p>Before we agree to defer items from the plan for the year we:</p> <ul style="list-style-type: none"> <li>• Discuss the reasons with management</li> <li>• Review any recent audit coverage, findings and assurance</li> <li>• Review any strategic risks on the risk register for any potential impact</li> <li>• Review the potential in terms of the overall balance of the plan and whether this would</li> </ul>

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		<p>there appears to be little governance, control and assurance. P95 Overdue and high priority actions have not been actioned or prioritised. Audit require assurance of processes being implemented by management to ensure these are actioned and not rolled forward in the immediate future.</p> <p>Overdue 'Low &amp; Medium Priority' Management Actions (July 2023):</p> <p>Do the overdue management actions (pg 100) need to either be actioned by management or become high priority risk?</p>	<p>impact on the ability to give an annual assurance opinion.</p> <p>Only when we are satisfied that there is no overall negative impact do we agree to deferring reviews. For any deferred areas there will be no reassurance on controls as there will have been no audit work conducted.</p> <p>Any deferred reviews are then reconsidered when drawing up the next years plan.</p> <p>As above</p>
15.	8 – Internal Audit Progress Report (pg 93) (Atta UI-Haque – Independent Member)	<p>Adjustments to the Internal Audit Plan (Statutory Check – Lift):</p> <p>This was deferred due to external sources of assurance obtained. What are these external sources of assurance, and is the scope of the external review/audit identical to ours? Can the audit committee access the external review report to identify any issues identified?</p>	<p><i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor's Information Bulletin.</i></p>

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16.	8 – Internal Audit Progress Report (pg 94) (Atta UI-Haque – Independent Member)	Adjustments to the Internal Audit Plan (PCI):  What is PCI? What does 'no progress towards compliance' mean, and what are the implications?	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor's Information Bulletin.</i>
17.	8 – Internal Audit Progress Report (pg 94) (Atta UI-Haque – Independent Member)	Adjustments to the Internal Audit Plan (Port Heath):  Port Heath – Similar to the above: Is the scope of the DEFRA audit the same as ours, and can the audit committee see their audit report?	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor's Information Bulletin.</i>
18.	8 – Internal Audit Progress Report (pg 94) (Atta UI-Haque – Independent Member)	Adjustments to the Internal Audit Plan (Commercial Properties):  Do we know the scope of the internal review? Is it aligned with the audit's scope?	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor's Information Bulletin.</i>
19.	8 – Internal Audit Progress Report (pg 94) (Atta UI-Haque – Independent Member)	Adjustments to the Internal Audit Plan (Parking and Enforcement):  What are the 'service capacity issues'?	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor's Information Bulletin.</i>
20.	8 – Internal Audit Progress Report (pg 85-103) (Atta UI-Haque – Independent Member)	Is it correct to assume that no audit has been completed in the last three months as there doesn't appear to be an audit report?	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor's Information Bulletin.</i>

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21.	9 – Internal Audit Charter (pg 112) (Atta UI-Haque – Independent Member)	Please outline the process of conducting the scoping exercise and clarify the extent to which council management is involved in this process? Page 112, mentions that senior management approves the audit plan. This suggests that the internal audit function may not be entirely independent from management.	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor's Information Bulletin.</i>
22.	9 – Internal Audit Charter (pg 103-114) (Atta UI-Haque – Independent Member)	It also seems that senior management acts as an intermediary between the audit committee and internal auditors. Ideally, internal auditors should have direct access to the audit committee and should attend all audit committee meetings.	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor's Information Bulletin.</i>
23.	9 – Internal Audit Charter (pg 103-114) (Atta UI-Haque – Independent Member)	I believe we have been using 'the Board' and 'Audit Committee' interchangeably. I suggest we consistently use 'Audit Committee' instead of 'the Board' for clarity.	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor's Information Bulletin.</i>
24.	9 – Internal Audit Charter (pg 103-114) (Cllr Hellier)	If internal audit is to be effective it needs to ensure that management implements and actions its risk management and controls processes. Who oversees this as the documents presented indicate that whilst there may be processes in place and a charter, these actions are not being completed?	(Southern Internal Audit Partnership)  It is managements responsibility to ensure that management actions are implemented and for the Audit Committee through the progress reports and any specific additional updates they may request of officers to be assured that actions are being appropriately progressed where they have become overdue.



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25.	10 – Internal Audit Annual Plan 2024/2025 (pg 115-126) (Atta UI-Haque – Independent Member)	Shouldn't we include 'Finance Reporting and Close Process' in the 2024 plan, considering the auditor has expressed concerns and we are undergoing process changes?	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor's Information Bulletin.</i>
26.	10 – Internal Audit Annual Plan 2024/2025 (pg 115-126) (Atta UI-Haque – Independent Member)	Can we have a briefing on the key considerations and approach followed by the Internal Audit to come to the current audit plan i.e. what factors were considered, including risk assessments, regulatory requirements, organisational priorities, and stakeholder input etc.?	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor's Information Bulletin.</i>
27.	10 – Internal Audit Annual Plan 2024/2025 (pg 118) (Cllr Hellier)	Whilst mechanisms may be in place to provide assurance, matters are not being completed or implemented. What will internal audit do in the plan to ensure this happens in 2024/25 plan?	(Southern Internal Audit Partnership) It is managements responsibility to ensure that management actions are implemented and for the Audit Committee through the progress reports and any specific additional updates they may request of officers to be assured that actions are being appropriately progressed where they have become overdue.
28.	10 – Internal Audit Annual Plan 2024/2025 (pg 122-125) (Cllr Hellier)	Audit review proposed timings, especially Q1: How can we ensure completion by due dates?	(Southern Internal Audit Partnership) The timings are indicative of the proposed quarter in which the work will start, so naturally some may overrun into subsequent quarters. Any significant delays to ongoing audit reviews would be reported via the table in section 7.

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29.	11 – Risk Management Update (pg 127 & 144) (Atta UI-Haque – Independent Member)	I read about the new items where payments were made to vendors with limited due diligence ( <a href="https://www.bbc.co.uk/news/uk-england-essex-68284594">https://www.bbc.co.uk/news/uk-england-essex-68284594</a> ). What is our council's exposure to this risk? Have we appropriately considered this risk?	<i>An answer to this question is still being sought. Where possible, a response will be given at the meeting. If a response has not been obtained in time for the meeting the response will be published in the Councillor's Information Bulletin.</i>
30.	11 – Risk Management Update (pg 131) (Cllr Hellier)	Risk 2 (LEP Infrastructure - Crawley Growth Programme):  Mitigation wording 2nd paragraph date 2022 but says to agree a way forward? Needs updating as mitigation score reflects 2022 actions and states is being updated, so should risk score change?	(Clem Smith, Head of Economy & Planning)  This should have read “A mid term review was undertaken in Q3 2022, which agreed a way forward and delivery for the remaining projects. As a consequence, the agreed funding protocol between CBC and WSCC is being updated”  This has been updated in the risk register.
31.	11 – Risk Management Update (pg 132) (Cllr Charatan & Cllr Hellier)	Risk 4 (Homelessness):  I note that the score is 20. Does the score reflect the fact that CBC's council recently declared a 'housing emergency'?	(Diana Maughan, Head of Housing Strategic Services)  The current risk score (no controls) was last reviewed prior to the Council's declaration of a Housing emergency. It is agreed that it should now be raised to 25 to provide consistency with the risk score (no controls) associated with the Climate emergency previously declared by the Council.  The current post mitigation risk score was recently increased to 20 and is allied to the post mitigation score applied to the risk for the Council in maintaining a balanced budget. The Council continues to actively lobby Government for increased financial support and there is evidence

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			<p>that this is gaining traction – through the allocation of additional funding for local authorities impacted by those granted British citizenship through association with the British Indian Ocean Territories wishing to settle in this country and the increase in Local Housing Allowance levels with effect from April for the first time since 2011. An increase of this score to 25 would reflect that the impact to the Council had increased to the point where it was considered to be catastrophic.</p> <p>It is therefore suggested that the risk score (no controls) be increased to 25 and the post mitigation risk score remain at 20.</p>
32.	11 – Risk Management Update (pg 128 & 135) (Cllr Hellier)	<p>Risk 9 (Maintaining a Balanced Budget):</p> <p>With worsening financial pressures and potential for declaration mitigation should be 25.</p>	<p>(Carolin Martlew, Head of Corporate Finance)</p> <p>The score without mitigations is 25 (probability high and impact catastrophic). The main mitigation is that the Council has balances. Work has begun to implement the actions set out in the Financial Strategy, like the asset review (the link to the report to be included in the next update of the Risk Register). However, it is not certain that the Council can reduce net expenditure to the extent required to fund the cost of Temporary Accommodation (net expenditure of £5.250m budget 2024/25). TA is now approximately 28% of the net expenditure budget for 2024/25.</p> <p>The impact therefore remains catastrophic (&gt;1m) but the probability reduces from highly probable (&gt; 80%) to probable (&gt;50% to 80%) as the Council has balances and explores other options.</p>

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33.	11 – Risk Management Update (pg 128 & 135) (Cllr Hellier)	<p>Risk 9 (Maintaining a Balanced Budget):</p> <p>The various overspends should be listed as it had to be transferred from reserves</p>	<p>(Carolin Martlew, Head of Corporate Finance)</p> <p>Although further details are listed on page 135 under risk 9 “maintaining a balanced budget” the link to the Q3 budget monitoring report was omitted which provides the detail of the overspend and current year mitigations.</p>
34.	11 – Risk Management Update (pg 136) (Cllr Charatan)	<p>Risk 10 (Organisational Capacity: Recruitment, Retention &amp; Succession Planning):</p> <p>Is this score is too low? – particularly with regard to upcoming legislation (Awaad’s Law?) which is likely to put increasing pressure on an already stretched resource and as CBC’s budget / national agreements reduces flexibility in what can be offered in remuneration to potential employees</p>	<p>(Siraj Choudhury, Head of Governance, People &amp; Performance)</p> <p>Regarding organisational capacity, the challenges around recruitment and retention remain a concern. The score is considered to be appropriate at present. This risk has not grown more severe since the score was upgraded (following Audit Committee comment) in 2023 – nor has it diminished. Existing officers need to get to grips with new legislation in terms of interpretation and implications. This will impact on their day-to-day capacity as research, training and internal process development takes time. However, this will not require additional resource unless a new function, service or workstream is required by the legislation. If a specific example of this is identified, then the issue will be discussed at CMT and the score will be adjusted to reflect this. The Transformation Plan looks to improve HR systems, employer brand, employee experience and the professional development offering and seeks to ensure employee recognition, voice and well-being. These improvements are considered to be the realistic mitigation to this risk rather than increases to remuneration which will be difficult to fund.</p>

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35.	11 – Risk Management Update (pg 139) (Cllr Hellier)	<p>Risk 15 (Cost of Living):</p> <p>Should this be 20 as rents increased and people presenting as homeless? Mitigation same risk as arrears increasing. Data gathering to develop understanding but not there re risk mitigation</p>	<p>(Carolin Martlew, Head of Corporate Finance)</p> <p>The no controls score is 16 (major and probable) as it is not as high as the balanced budget risk which is catastrophic. The mitigations reduce the risk score to 12 (moderate and probable). Unfortunately, due to a clerical error, it slipped along a column to 15. It should be noted that the score is subjective to an extent and that the risk will be kept under review and updated as and when more information becomes available.</p>
36.	11 – Risk Management Update (pg 129 & 139) (Cllr Charatan)	<p>Risk 15 (Cost of Living):</p> <p>Are we gathering further information to establish more concretely what the cost of living impact is on our residents? And are we monitoring whether CBC’s strategies are having a positive impact?</p>	<p>(Amanda Kendall, Head of Crawley Homes)</p> <p>This will be answered within the transformation plan. We will be seeking to gather data both internally and via partners and looking to understand lived experience. This project has already been scoped out and the scope approved by the Transformation Board.</p>
37.	11 – Risk Management Update (pg 130-141) (Cllr Charatan)	<p>To give an idea of “current-ness’ of the actions (particularly those with a score of 15+, would be appropriate to add something to indicate when the last action had taken place (or was going to take place) and when last reviewed (or due to be reviewed) – similar to internal the audit documents?</p>	<p>(Siraj Choudhury, Head of Governance, People &amp; Performance)</p> <p>The Strategic Risk Register is intended to be a high level live document. The risks identified are also quite wide-ranging and the nature of the Council’s response to these risks is varied. In most cases, a programme (e.g. Transformation Plan) or a suite of projects or initiatives sits behind the response. In some cases, it would not be practical to include the level of detail involved, especially in terms of timescales. That is more likely to be found in the detailed programme / project plan(s). You mentioned the style of the internal audit report (with</p>

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			<p>its actions and timescales) as a possible way of showing the “status” of a risk. However, that report is the output of a set number of very detailed internal audits with a number of actions based on the auditor recommendations. This cannot be directly replicated for the strategic risks (certainly not for all of them). Looking forward, CMT will consider the best method (if there is one) to capture a “status” for each risk.</p>
38.	12 – Approval of RIPA Policy and Update (pg 167) (Cllr Hellier)	Refers to Chichester District Council. Needs to read Crawley Borough Council.	<p>(Siraj Choudhury, Head of Governance, People &amp; Performance)</p> <p>This is a typographical error. This new excerpt (marked in green) was well worded in Chichester District Council’s recently reviewed policy so it was adopted by the Monitoring Officer for the CBC document. The CDC reference should be replaced with “Crawley Borough Council”.</p>