

MINUTE EXTRACT

**Audit and Standards Committee – 26 September 2016**

**21 Lewes District Council – Audit for the year ended 31 March 2016**

The Committee considered Report No 129/16 which detailed BDO's, the Council's external auditors, key findings arising from its audit for the year ended 31 March 2016. The Report formed a key part of BDO's communication strategy with the Council; a strategy that was designed to promote effective two way communication throughout the audit process.

Ms Janine Combrinck, BDO, took councillors through the Report. Page 27 of the Report summarised the scope and objectives of the audit and the anticipated audit opinion of BDO. Ms Combrinck explained that BDO had substantially completed its audit work procedures in accordance with the planned scope and its objectives had been achieved, subject to the resolutions of the outstanding matters as shown on page 19 of the Report.

Ms Combrinck clarified that those amendments arising since the Report had been produced were not materially significant. She advised the Committee that BDO would circulate the final version of the Report to Members in the coming days for final approval by the Chair of the Committee. Ms Combrinck explained that, subject to the successful resolution of those outstanding matters, BDO anticipated issuing an unqualified opinion on the financial statements for the year ended 31 March 2016. She further explained that BDO were also satisfied that the Council had adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources and BDO anticipated issuing an unqualified value for money conclusion for the reporting period.

The key audit and accounting matters, as set out on pages 6 to 18 of the Report, detailed BDO's findings in relation to the areas of significant audit risks which it had previously highlighted within its audit planning report presented to the meeting of the Committee on 24 February 2016.

As part of the audit work carried out, BDO had not identified any significant deficiencies in the Council's internal control environment, though its observations and recommendations in relation to other deficiencies were set out on pages 22 to 24 of the Report.

BDO's findings in respect of the efficiency and effectiveness in the Council's use of resources (value for money) were set out on pages 26 to 31 of the Report. Ms Combrinck highlighted the section on the New Homes Project, under the use of resources audit work on page 30 of the Report. Following its review of the Council's governance and decision making processes, BDO had been satisfied that the Council had followed its own internal processes in making decisions about the Project, and legal advice had been sought on key decisions made. BDO had identified scope for improvement in arrangements underpinning the New Homes Project and had agreed an action plan with officers for lessons learnt from the Project to be applied to future projects of similar size and nature. Ms Combrinck drew the Committee's attention to the recommendations raised by BDO in respect of the New Homes Project, as shown under Appendix III of the Report (pages 39 to 43), namely:

- Earlier disclosure of potential development sites;
- Public consultation in preliminary stages;
- Updating the Property Strategy and Asset Management Plan; and
- More structured approach to carrying out due diligence checks.

In response to a Councillor's question, Ms Combrinck explained that the New Homes Project had been considered by BDO as part of its audit work for 2015/2016, and not previously, as the Council had entered into, and had subsequently terminated, the contract within that reporting period. In light of the Project's termination, BDO had identified a risk to its use of resources opinion if due processes had not been followed by the Council, hence its subsequent investigations and discussions with management.

The Committee queried the impact of the termination of the New Homes Project on the Council's financial statements and how this would be accounted for. The Deputy Chief Executive explained that the effect on the Council's capital expenditure had been reviewed in 2015/2016 and that the review process was undertaken periodically. He advised the Committee that an explanatory note would be added to the Narrative Report that accompanied the Council's Statement of Accounts 2015/2016 that was being presented later in the meeting.

Deputy  
Chief  
Executive/  
HF

The Committee expressed its thanks to Ms Combrinck and BDO.

**Resolved:**

- 21.1** That the Chair of the Audit and Standards Committee, on behalf of the Committee, be delegated to approve the final BDO Report on its audit work for the year ended 31 March 2016; and
- 21.2** That the contents of Report No 129/16 be noted.