



LEWES DISTRICT COUNCIL

REPORT TO THE AUDIT AND STANDARDS COMMITTEE

Audit for the year ended 31 March 2016 Issued to the Audit and Standards Committee 6 October 2016

PURPOSE AND USE OF THIS REPORT

We present our report to the Audit and Standards Committee which details the key findings arising from the audit for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) which provide us with a framework which enables us to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and providing our value for money conclusion. As the purpose of the audit is for us to express an opinion on the financial statements and provide a value for money conclusion, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Audit and Standards Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.



CONTENTS

SUMMARY	5	APPENDICES	
KEY AUDIT AND ACCOUNTING MATTERS	6	I. DEFINITIONS	33
OUTSTANDING MATTERS	19	II. AUDIT DIFFERENCES	34
OTHER REPORTING MATTERS	20	III. RECOMMENDATIONS AND ACTION PLAN	35
CONTROL ENVIRONMENT	22	IV. MATERIALITY	44
WHOLE OF GOVERNMENT ACCOUNTS	25	V. INDEPENDENCE	45
USE OF RESOURCES	26	VI. FEES SCHEDULE	46
		VII. DRAFT REPRESENTATION LETTER	47
		VIII. AUDIT QUALITY	50

SUMMARY

AUDIT SCOPE AND OBJECTIVES

- We were not able to complete our audit by the national deadline of 30 September 2016 due to misstatements in the Cash Flow Statement and supporting notes and outstanding working papers relating to non-current asset revaluation movements.
- These issues have now been resolved and we have completed our audit procedures in accordance with the planned scope.
- Our materiality level decreased from £1.6 million (as reported in our planning report dated 24 February 2016) to £1.4 million, as a result of a reduction in gross expenditure from previous years.
- No new significant audit risks were identified subsequent to our audit planning report to you, although we have expanded the significant risk in relation to valuation of property, plant and equipment to also cover investment properties. Further detail is provided on page 8.
- There were no other significant changes to our planned audit approach nor were any restrictions placed on our work.

AUDIT OPINION

- We are proposing to issue an unqualified opinion on the financial statements for the year ended 31 March 2016.
- We have no significant matters to report in relation to the Annual Governance Statement, although we have made some recommendations for improvement in Appendix III.
- We are satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources and we anticipate issuing an unqualified value for money conclusion for the year ended 31 March 2016. However, we have made a number of recommendations for improvement following our review of governance arrangements in respect of the New Homes Project, as set out in Appendix III.

KEY AUDIT AND ACCOUNTING MATTERS

- There are no differences to be corrected in the final Statement of Accounts that affect the reported surplus for the year. A number of amendments to classifications and disclosures have been made, as detailed within this report.
- There are two unadjusted audit differences identified by our audit work which would increase the surplus on the provision of services by £56,000, if adjusted.
- We found the Narrative Report to be fair, balanced and understandable, and to be generally compliant with relevant guidance. A small number of recommendations for improvement have been made in Appendix III.
- We identified no significant deficiencies in internal control. Other deficiencies and recommendations are set out in Appendix III

OTHER MATTERS FOR THE ATTENTION OF THE AUDIT AND STANDARDS COMMITTEE

- The Council is below the audit threshold for a full assurance review of the Whole of Government Accounts (WGA) return.
- Our observations on the quality of the audit and our audit independence and objectivity and related matters are set out in Appendices VIII and V.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT AUDIT RISKS

We reported our risk assessment, which brought to your attention areas that require additional or special audit consideration and are considered significant audit risks, in our 2015/16 audit planning report dated 24 February 2016. These significant risks have been highlighted in red and findings have been reported in the following table.

We have since undertaken a more detailed assessment of risk following the completion of our review of the Council’s internal control environment and draft financial statements, and we have not identified any additional significant risks. However, we have extended the significant risk over the valuation of property, plant and equipment to also cover the Council’s investment properties.

NATURE OF RISK	RISK DESCRIPTION AND RELATED CONTROLS	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION
MANAGEMENT OVERRIDE OF CONTROLS	<p>Auditing standards presume that a risk of management override of controls is present in all entities.</p> <p>By its nature, there are no controls in place to mitigate the risk of management override.</p>	<p>We reviewed the appropriateness of journal entries and other adjustments to the financial statements.</p> <p>We also reviewed accounting estimates for evidence of possible bias and obtained an understanding of the business rationale of significant transactions that appeared to be unusual.</p>	<p>No issues have been identified in our review of the appropriateness of journal entries and other adjustments made to the financial statements.</p> <p>Our work on accounting estimates has not identified any evidence of management bias. Further details are provided on pages 12 to 15 of this report.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

NATURE OF RISK	RISK DESCRIPTION AND RELATED CONTROLS	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION
<p>REVENUE RECOGNITION</p>	<p>Auditing standards presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council’s stated accounting policies or from an inappropriate use of estimates in calculating revenue.</p> <p>In particular, at the planning stage we considered there to be a significant risk over the completeness, existence and accuracy of income in relation to fees and charges recorded in the Comprehensive Income & Expenditure Statement (CIES).</p>	<p>Our review of revenue recognition has focused on testing completeness, existence and accuracy of fees and charges across all service areas within the CIES.</p> <p>We refreshed our understanding of the Council’s internal control environment for fees and charges, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period.</p> <p>We carried out focussed substantive testing on a sample of income received and debtor accruals to check whether accounting policies had been correctly applied in determining the point of recognition of income.</p>	<p>No issues have been identified by our testing of revenue from fees and charges.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

NATURE OF RISK	RISK DESCRIPTION AND RELATED CONTROLS	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION
<p>PROPERTY, PLANT AND EQUIPMENT (PPE) AND INVESTMENT PROPERTY VALUATIONS</p>	<p>During 2015/16 the Council appointed an external valuer to carry out a full five-yearly valuation of its Council dwellings. Other land and buildings were last revalued at 1 April 2014, although the Code of Practice on Local Authority Accounting 2015/16 in the United Kingdom (the Code) requires management to assess whether there has been a material change in the value of its assets which should be accounted for.</p> <p>In addition, the adoption of IFRS 13 <i>Fair Value Measurement</i> in 2015/16 now requires surplus assets and investment properties to be valued at fair value based on their 'highest and best' use, where there are no restrictions to the market, which may differ from the values previously used (for example 'existing use' values for surplus assets).</p> <p>Due to the significant value of land and buildings, and the high degree of estimation uncertainty, we considered there to be a significant risk of material misstatement in respect of the valuation of PPE and investment properties. At the planning stage, we also identified a significant risk in relation to the accuracy of presentation of PPE and related revaluation and impairment transactions posted to the CIES and reserves, as a result of a significant level of misstatement identified during the prior year audit.</p>	<p>For formal valuations carried out in the year, we reviewed the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we could rely on the management expert used.</p> <p>We checked that the basis of valuation for assets valued in year is appropriate based on the Code requirements. We also considered whether there have been any material movements in the value of non-current assets between valuation dates and year end, which would need to be accounted for.</p> <p>We reviewed the Council's listing of non-current assets at year-end, to check whether all surplus assets and investment properties have been revalued at fair value. We also reviewed a sample of other assets which were reclassified to surplus assets and investment properties during the year, to ensure that their new classification (and therefore valuation methodology) was appropriate.</p> <p>Finally, we agreed all significant revaluation movements to supporting documentation, and checked that these movements have been correctly accounted for and presented within the PPE note, CIES, and reserves.</p>	<p>Our work on valuations estimates is covered in more detail on pages 12 to 13 of this report.</p> <p>We noted that there were inconsistencies between the downward revaluation movement on investment properties recognised on the balance sheet (£162,000), and the charge taken to the CIES (£335,000) in the draft Statement of Accounts. These have been corrected in the final Statement of Accounts.</p> <p>There was also a misstatement in the posting of revaluation movements to the accounts, with the result that the credit to the CIES is understated by £130,000 and the credit to the revaluation reserve is overstated by £130,000. This has been reported as an unadjusted difference in Appendix II.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

OTHER AUDIT RISKS AND ACCOUNTING ISSUES

We report below our findings of the work designed to address all other risks identified in our 2015/16 audit planning report and any other relevant audit and accounting issues identified as a result of our audit: ■ Normal risk ■ Other issue

NATURE OF ISSUE	WORK PERFORMED AND FINDINGS	CONCLUSION
<p>OFFICERS REMUNERATION NOTE</p>	<p>We reviewed the officers' remuneration note against supporting documentation such as payslips.</p> <p>We checked that all Code requirements have been complied with through the completion of a disclosure checklist.</p> <p>We gained assurance over the completeness of exit package disclosures through discussion with management, review of Cabinet and Council minutes, and review of relevant ledger codes.</p> <p>During 2015/16, the Council has entered into arrangements with Eastbourne Borough Council for the sharing of certain senior officers. Within the officers' remuneration note, the Council has correctly excluded those senior officers who are employees of Eastbourne Borough Council from the senior officers table, in line with Code requirements, but has included sufficient narrative underneath the table to explain the arrangements and the amounts recharged to the Council.</p> <p>During our testing of exit packages, we identified one individual package of approximately £23,000 which has been disclosed in 2015/16, but was agreed on 28 March 2015 and should therefore have been disclosed in the prior year.</p>	<p>Management has included additional narrative below the exit packages note in the final Statement of Accounts to explain the amount which should have been accrued in the prior year.</p> <p>We identified no other issues within the officers' remuneration note. We consider the additional narrative disclosures around the arrangements with Eastbourne Borough Council to be a positive step in ensuring transparency and comparability with previous periods and other authorities.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

NATURE OF ISSUE	WORK PERFORMED AND FINDINGS	CONCLUSION
FINANCIAL INSTRUMENT DISCLOSURES	<p>We reviewed the disclosures in the draft Statement of Accounts against supporting working papers, and other parts of the financial statements.</p> <p>We have completed a disclosure checklist to gain assurance over the completeness and presentation of the financial instrument disclosures.</p>	<p>Our audit identified a few presentational issues with the financial instruments note in the draft financial statements. This included an incorrect description for a £3.75 million available for sale financial asset that was classified as cash rather than cash equivalents. This has been corrected in the final Statement of Accounts.</p>
ACCOUNTING FOR TRANSFERS BETWEEN ASSET CATEGORIES	<p>During the year, the Council reclassified a small number of its property, plant and equipment assets to investment properties, as a result of a change in use. The total value of assets reclassified by the Council was £1.339 million, which was equivalent to the 'cost or valuation' value of the relevant assets at the point of transfer. However, the Council did not take account accumulated depreciation of £39,000 which should also have been transferred.</p>	<p>As a result of this issue, the value of assets transferred into investment properties was overstated by £39,000. Since all investment property assets were revalued at 31 March 2016, there is no impact on the year-end carrying value, but consequently the downwards revaluation movement is also overstated by £39,000. This impacts on a number of other notes to the financial statements, such as the adjustments between accounting basis and funding basis under regulations note and the notes to the Cash Flow statement.</p> <p>This misstatement has been corrected in the final Statement of Accounts.</p>
CLASSIFICATION OF INVESTMENTS AND CASH DEPOSITS	<p>We reviewed the classification of cash equivalents and investments at year end.</p>	<p>We found that £1.995 million of treasury bills with maturity dates longer than three months were incorrectly classified as cash equivalents instead of short term investments.</p> <p>This has been corrected in the final Statement of Accounts.</p>
CASH FLOW STATEMENT	<p>We reviewed the Cash Flow Statement and associated notes and agreed to other parts of the Statement of Accounts and supporting working papers.</p>	<p>Our audit identified a number of misstatements in the Cash Flow Statement and associated notes relating mainly to the treatment of interest received and paid, capital grants received and collection fund balances. These have been corrected in the final Statement of Accounts, including a reclassification of some of the comparative figures. There is a remaining unreconciled balance of £108,000 (£476,000 in the prior year) which is described as 'other non cash movements' in note 21 to the financial statements. As this difference is not material, we have not investigated it further.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

NATURE OF ISSUE	WORK PERFORMED AND FINDINGS	CONCLUSION
<p>RELATED PARTY TRANSACTIONS</p>	<p>We reviewed the Council's procedures for identifying related party transactions for disclosure in the related parties note, including signed declaration forms from members and senior officers. We carried out Companies House checks for a sample of members and senior officers and checked the completeness of interests included in the declaration forms. We also considered the completeness of related party disclosures based on knowledge gained from our other audit work.</p> <p>The Council has disclosed the fact that it has had a number of related party transactions with other public bodies, and has also awarded grants to a number of organisations in which members have interests. Detailed disclosure has also been given of related party transactions in respect of University Technical College and Wave Leisure Ltd.</p> <p>No disclosure was made, however, in respect of transactions and year-end balances with Eastbourne Borough Council. Whilst transactions between local authorities do not usually require specific disclosure, our view is that the fact that the two authorities share key management personal means that full disclosure should be made.</p>	<p>The Council generally has adequate procedures for identifying related party transactions. However, we note that signed declarations were not received from three members in the year end declaration process lead by the finance team for 2015/16. Whilst we have been able to carry out procedures to satisfy ourselves that there are no material undisclosed related party transactions in relation to these members, this does represent a weakness in internal controls and we have reported a recommendation in Appendix III.</p> <p>Where transactions have taken place (or balances are held) with organisations outside of the public sector which meet the definition of related parties, the Code requires full disclosure of the amounts involved. The generic disclosure within the draft Statement of Accounts concerning grants awarded does not, therefore, currently comply with these requirements. However, our audit work indicates that the value of such transactions is very low (less than £1,000), and is therefore unlikely to be material to either party. We therefore recommend that management reviews this note to ensure that disclosures are up to date, which should include removing any disclosures which are immaterial or no longer relevant.</p> <p>At our request management has disclosed material year-end balances with Eastbourne Borough Council within the final Statement of Accounts.</p>
<p>FRAUD AND ERROR</p>	<p>We have enquired of management regarding any instances of fraud in the period, and considered throughout the audit the possibility of material misstatements due to fraud or error.</p> <p>We are not aware of any instances of fraud other than housing benefit and housing tenancy fraud committed against the Council.</p>	<p>Our audit procedures have not identified any errors due to fraud.</p> <p>Non-trivial errors identified are described elsewhere within this report, and summarised at Appendix II.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

ACCOUNTING ESTIMATES

Our views on significant estimates, including any valuations of material assets and liabilities, arrived at in the preparation of your financial statements are set out below.

We have assessed how prudent or aggressive the estimate is based on the level of caution applied by management in making the estimate under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenditure are not understated.

ESTIMATES

PROPERTY, PLANT & EQUIPMENT (PPE) AND INVESTMENT PROPERTY VALUATIONS

Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) and investment properties is not materially different to the current value or fair value at the Balance Sheet date.

The valuation for housing dwellings and land and buildings included in PPE is a management estimate based on market values or depreciated replacement cost (DRC). Management uses external valuation data to assess whether there has been a material change in the value of classes of assets and periodically (every five years) employs an external expert (valuer) to undertake a full valuation. Management also relies upon its external valuer to assess material valuation changes based on observable data (asset sales and building contract prices).

In 2015/16, IFRS 13 *Fair value measurement* introduced a change in the basis of valuation of surplus assets and investment properties, from existing use value (in the case of surplus assets) or market value (in the case of investment properties) to fair value based on highest and best use. This means that valuations may be significantly different in certain circumstances.

AUDIT FINDINGS AND CONCLUSIONS

HRA Properties

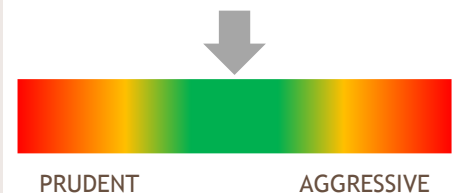
The Council engaged an external valuer to carry out a full 5-yearly valuation of its HRA properties on a beacon basis as at 1 April 2015, followed by a desktop refresh at 31 March 2016. In total, this resulted in a valuation increase of 23.5%, after allowing for depreciation and other movements. This is significantly higher than our expectation based upon observable data such as house price indices.

Discussions with the valuer have confirmed that the reason for this increase is that the prior year valuation was understated, having been based upon an annual desktop refresh of a 2010 valuation.

We are content that the Council has correctly treated the change in valuation as a change in accounting estimate, by accounting for the movement prospectively in year, rather than restating the prior year balances.

However, this does highlight potential weaknesses within the annual desktop revaluation process, and this is something which management may wish to discuss with the valuer going forwards.

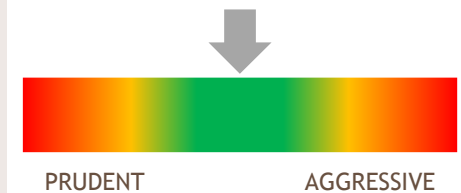
Our audit also identified a calculation error which resulted in the HRA valuation and revaluation reserve being understated by £244,000. The Council has amended this in the final Statement of Accounts.



KEY AUDIT AND ACCOUNTING MATTERS

Continued

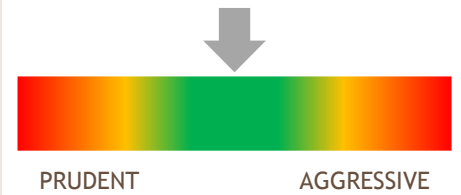
ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
<p>PROPERTY, PLANT & EQUIPMENT (PPE) AND INVESTMENT PROPERTY VALUATIONS (CONTINUED)</p>	<p>General Fund Properties</p> <p>For general fund properties, the Council commissioned a full valuation as at 31 March 2016 for its surplus assets and investment properties, as well as for one new build property. This resulted in a total upwards revaluation of £3.1 million.</p> <p>Surplus assets have shown an upwards revaluation of 122%, which reflects the new basis of valuation ('highest and best use').</p> <p>Investment properties have, in total, shown a downwards revaluation of 3.6%. These have always been valued at fair value, and therefore the implementation of IFRS 13 has had a smaller effect on their valuation.</p> <p>The Council also commissioned its external valuer to carry out a review of material movements in valuation on other general fund properties over the course of the year. Whilst the valuer identified a number of properties where the valuation was likely to have increased by more than £50,000, management, in discussion with the valuer, concluded that any such movements are unlikely to be material in the context of the Statement of Accounts.</p>



KEY AUDIT AND ACCOUNTING MATTERS

Continued

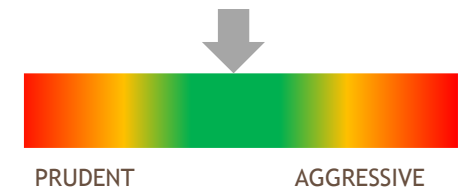
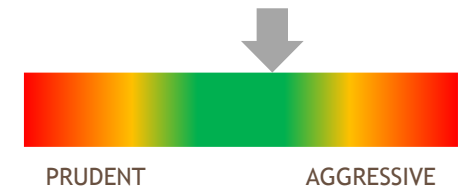
ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
<p>PENSION LIABILITY ASSUMPTIONS</p> <p>The pension liability comprises the Council's share of the market value of assets held in the East Sussex Pension Fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation. Management has agreed the assumptions made by the actuary to support the estimate and these are disclosed in the financial statements.</p> <p>We have reviewed the reasonableness of the assumptions applied by comparing these to the expected ranges provided by an independent consulting actuary report.</p>	<p>As at 31 March 2016 net pension liabilities disclosed in the Balance Sheet decreased by £8.6 million compared to the balance at 31 March 2015.</p> <p>It should be noted that these retirement benefits (liabilities) will not actually be payable until employees retire but because the Council has a commitment to make the payments (for those benefits) there is a requirement to disclose the information in the accounts at the time employees earn their future entitlement.</p> <p>The last formal valuation of the Fund was carried out as at 31 March 2013. In order to assess the value of the Council's liabilities as at 31 March 2016 the actuary has rolled forward the value of the liabilities calculated at the latest formal valuation, allowing for up to date financial assumptions.</p> <p>The key changes to the financial assumptions relate to:</p> <ul style="list-style-type: none"> • a reduction in the pension increase rate from 2.4% to 2.2% • a reduction in the salary increase rate from 4.3% to 4.2% • an increase in the discount rate from 3.2% to 3.5% (to place a current value on the future liabilities through the use of a market yield of corporate bonds). <p>These changes have resulted in a significant decrease in the present value of the scheme liabilities at 31 March 2016. We have compared the assumptions used by the actuary to calculate the present value of future pension liabilities with the expected ranges provided by the independent consulting actuary. We are satisfied that the assumptions used are not unreasonable or outside of the expected ranges.</p>



KEY AUDIT AND ACCOUNTING MATTERS

Continued

ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
<p>ALLOWANCE FOR NON COLLECTION OF RECEIVABLES</p> <p>The Council's largest allowances for impairment of receivables relate to housing benefit overpayments and housing rent arrears.</p> <p>The Council estimates its impairment allowances for housing benefit overpayments by applying a percentage impairment rate between 10% and 70% to each individual debtor based upon their age.</p> <p>For housing rent arrears, the Council also uses a range of impairment rates (from 10% to 95%), depending upon the size of the debt and status of the debtor.</p>	<p>Housing benefit overpayments</p> <p>The impairment allowance at 31 March 2016 is £681,000, an increase of £278,000 from the prior year, against an overpayments balance of £2.0 million.</p> <p>We are satisfied that the impairment allowance is based on the age of the debts and that the underlying assumptions are reasonable, although we found an error in the calculation resulting in an understatement of the allowance by £74,000. This has been reported as an unadjusted difference in Appendix II in respect of this estimate.</p> <p>Housing rent arrears</p> <p>The impairment allowance at 31 March 2016 is £494,000, an increase of £165,000 from the prior year, against an arrears balance of £662,000.</p> <p>We are satisfied that the impairment allowance is based on the size of the debt and the nature of the debtor and that the underlying assumptions are reasonable.</p>



KEY AUDIT AND ACCOUNTING MATTERS

Continued

FINANCIAL STATEMENT DISCLOSURES

Our views on the sufficiency and content of your financial statements' disclosures are set out below:

DISCLOSURE AREA	AUDIT FINDINGS AND CONCLUSIONS
ACCOUNTING POLICIES	<p>We have reviewed the draft accounting policies note, and found it to be generally compliant with Code requirements.</p> <p>We have identified the following minor areas for improvement which we have shared with management:</p> <ul style="list-style-type: none"> • The policies on intangible assets and inventories could be removed on materiality grounds • The policy on leases could be significantly reduced to cover only the elements which are material (i.e. the Council as a lessor of operating leases). <p>These have not been amended in the final Statement of Accounts.</p> <p>In addition, a small number of other minor errors were identified by the audit, which have been amended in the final Statement of Accounts.</p>
IMMATERIAL DISCLOSURES	<p>This year, the Council has removed a number of immaterial notes from the Statement of Accounts. We support this decision, as it improves the readability and understandability of the Statement of Accounts.</p>
EVENTS AFTER THE BALANCE SHEET DATE	<p>The draft Statement of Accounts did not include disclosure of any material events after the balance sheet date. It is likely that the result of the EU Referendum on 23 June 2016 may have a material impact on the value of the Council's pension liability in the future, and we therefore requested that disclosure of this fact is made. We also requested disclosure concerning the conversion of the Council's LOBO loan to a fixed rate loan after year-end.</p> <p>These disclosures have been included in this note in the final Statement of Accounts.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

DISCLOSURE AREA	AUDIT FINDINGS AND CONCLUSIONS
OTHER DISCLOSURE ISSUES	<p>Our review of the draft Statement of Accounts identified the following minor disclosure issues, which have been communicated to management and corrected in the final Statement of Accounts:</p> <ul style="list-style-type: none"> • The note on assumptions made about the future and other major sources of estimation uncertainty did not include the impact on estimation in respect of PPE valuations, which is a greater source of uncertainty • The draft grant income note omitted a grant of £107,000 (the Property Searches New Burdens grant), which meant that the note did not cast correctly, although the correct total income was recognised in the CIES • The PPE note needs to include an analysis of assets by ownership (i.e. owned or leased) • Within the financial instruments note, certain financial instruments were incorrectly classified as ‘carried at contract amounts’ which is not a valid financial instrument category - these have been re-categorised to loans and receivables, or financial liabilities held at amortised cost • The short-term element of finance lease liabilities of £108,000 was incorrectly included within the long-term liabilities line in the financial instruments note • The disclosure of aged operational debtors in the financial instruments note was based on total debt rather than amounts past due date but not impaired • There are a number of inconsistencies between the amounts reported for resource allocation decisions note and other parts of the Statement of Accounts • A number of other minor errors and inconsistencies. <p>We also noted that HRA assets under construction to the value of £462,000 was omitted from note on the value of HRA non-current assets. This was not amended in the final Statement of Accounts.</p>

KEY AUDIT AND ACCOUNTING MATTERS

Continued

OTHER MATTERS

We are required to communicate certain other matters to you. We deal with these below, either directly or by reference to other communications.

MATTER		COMMENT
1	Our responsibility for forming and expressing an opinion on the financial statements	See our audit planning report to you dated 24 February 2016.
2	An overview of the planned scope and timing of the audit	See our audit planning report to you dated 24 February 2016.
3	Significant difficulties encountered during the audit	We have no matters to report.
4	Significant matters arising from the audit that were discussed with management or were the subject of correspondence with them, and any other matters arising from the audit that in our judgment are significant to the oversight of the financial reporting process	We have no matters to report.
5	Written representations which we seek	These are reproduced at Appendix VII.
6	Any fraud or suspected fraud issues	See our planning report to you dated 24 February 2016 and additional matters included within this report.
7	Any suspected non compliance with laws or regulations	We have no matters to report.
8	Uncorrected misstatements, including those relating to disclosure	A schedule of uncorrected misstatements is included at Appendix II.
9	Significant matters in connection with related parties	All relevant matters have been included within this report.

OUTSTANDING MATTERS

We have completed our audit work in respect of the financial statements for the year ended 31 March 2016, and propose issuing an unqualified opinion on the financial statements.

There are no matters outstanding at the date of this report.



OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

MATTER	COMMENT
<p>1 The draft financial statements, within the Statement of Accounts, was prepared and provided to us for audit on 30 June 2016, in accordance with the agreed audit timetable.</p> <p>As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit.</p>	<p>We have no matters to report.</p>
<p>2 We are required to review the draft Annual Governance Statement and be satisfied that it meets the disclosure requirements in Delivering Good Governance in Local Government: a Framework published by CIPFA/SOLACE in June 2007. We are also required to be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.</p>	<p>We have reviewed the draft Annual Governance Statement, and we are satisfied that it broadly meets the relevant disclosure requirements, and that it is not materially misleading or inconsistent with other information of which we are aware from our audit and our knowledge of the Council.</p> <p>However, we have identified the following areas where we feel there is some scope for improvement:</p> <ul style="list-style-type: none"> • The 'Review of effectiveness' section is quite lengthy, and contains a mixture of activities which provide evidence of the effectiveness of the system of internal controls, but also information about the governance framework itself and other decisions which have been taken. We recommend that management consider whether to focus this section more on the annual review of effectiveness process, and perhaps to move some of the other information to other parts of the Annual Governance Statement. • Since the draft Statement was produced in June 2016, there are several areas which are drafted in the future tense about activities to take place between July and September 2016. The Statement will need to be redrafted in places to reflect the fact that the Statement of Accounts will be issued in September 2016, and this will need to include a consideration of whether the outcome of any of these activities raises any additional governance issues which need to be reported. In particular, the Council may wish to consider the outcomes of our use of resources work on the New Homes Project, and whether this provides evidence of weaknesses in the system of internal controls which should be disclosed. <p>Some of these issues have been addressed in the final Annual Governance Statement.</p>

OTHER REPORTING MATTERS

Continued

MATTER	COMMENT
<p>3 We are required to read all the financial and non financial information in the Narrative Report to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.</p>	<p>For 2015/16, all local authorities are required to include a Narrative Report within their Statement of Accounts for the first time. This replaces the old Explanatory Foreword, but will also include additional information not previously disclosed. The Narrative Report is required to be fair, balanced and understandable.</p> <p>We have reviewed the Council's draft Narrative Report in the context of our understanding of the Council, our knowledge acquired in the course of performing the audit, and also CIPFA guidance on the recommended content of a Narrative Report as published within the 2015/16 Code update.</p> <p>We are satisfied that, overall, the Narrative Report is fair, balanced and understandable. We note that the Report is comprehensive, covering most of the areas recommended by CIPFA in a significant degree of detail, and we consider that the Council has got the balance right between financial and non-financial information.</p> <p>There are, however, a small number of areas within the CIPFA guidance which are not covered in the draft Narrative Report, and we recommended that management considers including these going forward. These are as follows:</p> <ul style="list-style-type: none"> • A note explaining the significance of the pension liability disclosed • Details concerning interest payable and other operating costs • Reference to cash flows during the year and factors which may affect future cash flows • Comparative figures in respect of non-financial KPIs (although we note that some commentary has been included against some KPIs to indicate general direction of travel). <p>Within the financial performance section, there are a number of figures which do not agree directly to the Statement of Accounts, as they are prepared on a different basis. Further explanation has been provided in the final Narrative Report to explain some of these inconsistencies, where necessary.</p> <p>Finally, we identified a small number of rounding inconsistencies and other minor presentational errors which management has corrected within the final Statement of Accounts.</p>

CONTROL ENVIRONMENT

Significant and other deficiencies

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal controls.

SIGNIFICANT DEFICIENCIES

We did not identify any significant deficiencies in internal control.

OTHER DEFICIENCIES AND OBSERVATIONS

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
RELATED PARTY TRANSACTIONS	Signed declarations were not received from three members in year end declaration process lead by the finance team for 2015/16.	This increases the risk that conflicts of interest may not be declared and related party transactions may remain unidentified and undisclosed.	We recommend that the Audit and Standards Committee puts procedures in place to monitor compliance with the annual declaration process, and to take further action in the case of individual members where necessary.	Agreed- will strengthen procedures for 2016/17 accounts, potentially to include briefing note to Councillors from Chair of Audit Committee

CONTROL ENVIRONMENT

Significant and other deficiencies continued

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
COUNCIL TAX DISCOUNT DOCUMENTATION	We tested a sample of 16 Council tax accounts where a single person discount had been applied, and found that in two cases, no documentary evidence could be produced to support the discount. In both cases, the Council has informed us that discount was first applied in 1993, and the evidence is no longer available.	The lack of documentary evidence makes it impossible for us or the Council to be assured conclusively that the discounts are appropriate and valid.	Whilst it may be problematic to retrieve or replace documents or evidence already lost or discarded, management should ensure going forward that the Council’s retention policy requires that evidence not be disposed of whilst discounts remain live.	All single person discounts are subject to an independent, risk-based review exercise every two years. The discount is withdrawn in respect of cases which are found to be invalid. Where cases are found to be valid, details of the review are not recorded on the customer file, but are retained centrally.
ADMINISTRATOR ACCESS TO SYSTEMS	For a number of the Council’s key IT systems, including Agresso, Trent, Saffron, Academy and Icon, there are one or more functional users and/or generic accounts which have system administrator access, allowing them to set up, modify and delete other user accounts.	It is generally considered best practice to prevent functional users from also having system administrator access (e.g. for members of the finance team not to have administrator access to the finance system). This is because it poses a potential segregation of duties threat. The same is true for generic accounts, where it can be difficult to ascertain which particular individual may have carried out an action using a shared account.	We recommend that management carries out a review of system administrator rights on each of its key systems to ensure that these are appropriate to the Council’s need. We recognise the need to balance potential risks against practical considerations, particularly within some of the smaller teams where the opportunities for further segregation of duties may be limited. We would welcome further discussions with management on this issue.	Agreed - systems admin rights will be reviewed. Key systems will be replaced or redesigned as part of the Joint Transformation Programme and BDO’s advice on systems admin best practice will be beneficial.

CONTROL ENVIRONMENT

Significant and other deficiencies continued

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
ICON PASSWORD CONTROLS	We note that, whilst the Icon system requires users to change their password every 60 days, no password history is maintained. This means that it is possible for users to reuse the same password multiple times.	The lack of password history within the Icon system serves to weaken the password controls in place, thus increasing the risk of unauthorised access to the system.	We understand that management is currently considering upgrading the Icon system, and we recommend as part of this process that password controls are strengthened.	Agreed - upgrading the Icon system is a priority, and password controls will be strengthened as part of the implementation process.

WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

MATTER	COMMENT
<p>Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure.</p> <p>The Council falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.</p>	<p>We will submit the relevant section of the assurance statement to the National Audit Office (NAO) upon completion of the audit.</p>

USE OF RESOURCES

Key informed decisions, deployed resources and sustainable outcomes

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money). This is based on the following reporting criterion:

- In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We reported our risk assessment, which included use of resources significant risks, in the 2015/16 planning report issued on 24 February 2016. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have not included any additional significant risks.

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
SUSTAINABLE FINANCES: 2015/16 performance	<p>The Council's Medium Term Financial Strategy (MTFS) was updated in February 2016 and this indicated that the Council is required to make an average level of savings of £705,000 per annum from over the four years. The Council has identified savings which exceed this target by £365,000, although delivery is likely to be challenging and will require further difficult decisions around service provision and alternative delivery models.</p> <p>As a starting point for assessing the Council's financial sustainability, we have considered the Council's budget setting and budget monitoring arrangements, and the effectiveness of those arrangements by assessing financial performance to date and monitoring the delivery of budgeted savings in 2015/16.</p> <p>General Fund</p> <p>The Council had budgeted to spend £11.298 million on General Fund services in in 2015/16, with a savings target of £561,000 and a £398,000 use of uncommitted reserves. The actual cost of services (before technical accounting adjustments) in 2015/16 was £10.740 million, an underspend of £558,000. This was partly due to a £169,000 net reduction in salary costs through managing vacancies and as a result of the restructuring programme, and reduced service expenditure in support for business of £370,000.</p>	<p>We are satisfied that the Council has adequate arrangements in place for budget setting and budget monitoring.</p> <p>The Council has a track record of delivering underspends in the General Fund and taking action to minimise the impact of overspends.</p>

USE OF RESOURCES

Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
SUSTAINABLE FINANCES: 2015/16 performance (Continued)	<p>This meant that the Council was able to increase its general fund balance by £514,000, to £2.066 million at 31 March 2016. The closing general fund balance remains above the minimum level of £1 million recommended by the Director of Corporate Services. It also increased its earmarked general fund reserves from £10.343 million to £10.719 million at 31 March 2016.</p> <p>The Council achieved £570,000 against its planned £561,000 savings target in 2015/16, which was largely due to the second phase of its organisational development plans and vacancy savings.</p>	<p>The general fund balance and earmarked reserves act as a potential buffer against future risks.</p>
	<p>Housing Revenue Accounts (HRA)</p> <p>A surplus of £88,000 was achieved on the HRA in 2015/16, compared with an original budgeted deficit of £491,000. This was largely due to the Council deferring its project to carry out a property condition survey and updating the 30 year Housing Business Plan into 2016/17. Total HRA reserves (HRA balance and major repairs reserve) totalled £4.883 million at 31 March 2016, an increase of £1.133 million from the prior year.</p>	<p>There are reasonable levels of HRA reserves to support the sustainability of the 30 year HRA Business Plan.</p> <p>The Business Plan is being updated to take account of the substantial reform to the HRA brought about by the Housing and Planning Act 2016.</p>
	<p>Collection Fund</p> <p>The council tax balance in the Collection Fund was in surplus at 31 March 2016 by £1.529 million, of which the Council's share was £242,000. This reflects growth in the tax base, changes in entitlements to discounts and lower than projected council tax reduction scheme awards. The Council reported a collection rate of 98.3% for the year, which is in line with the prior year.</p> <p>The Council collected around £24.3 million of non domestic rates during the year and is entitled to retain 40% of this, after deducting the increase in the provision for non domestic rate appeals. From this, the Council was required to pay £7.8 million in tariff and levy payments to the Government. The Council reported a collection rate of 98.3% for the year, which is down compared to 98.9% in the prior year. The overall non domestic rates balance on the Collection Fund at 31 March 2016 is in deficit by £2.010 million, of which the Council's share was £804,000. The Council has reported that this is largely the result of increased entitlement to small business rate relief and appeals against business rate valuations.</p>	<p>The overall Collection Fund is in deficit by £481,000 at 31 March 2016, due to a provision for non-domestic rate appeals.</p> <p>We are satisfied that the Collection Fund is being adequately monitored and managed.</p>

USE OF RESOURCES

Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
<p>SUSTAINABLE FINANCES:</p> <p>Transformation project</p>	<p>The Council is currently in the process of undergoing a major Joint Transformation Programme (JTP) with Eastbourne Borough Council to provide more flexible, customer focused and cost effective services, both in the provision of frontline services and the organisation of back office functions.</p> <p>At Lewes, this programme builds on the intent of, and work already started on, its previous ‘New Services Delivery Model’.</p> <p>We reviewed the arrangements in place for the Council to make informed decision making in relation to its transformation programme. In particular, we considered how the Council understands and uses reliable financial information to make decisions and how it supports the delivery of strategic priorities, as well as reviewing the governance structures and processes in making decisions.</p> <p>We also reviewed the business case, including sensitivity analysis of future outcomes, for the Council’s transformation programme.</p> <p>In September 2015 Cabinet approved a strategy for the JTP, which took account of the findings from a major shared services review commissioned from Improvement and Efficiency Social Enterprise (iESE).</p> <p>A joint team of officers across the two councils worked with Ignite Consulting Limited to develop the detailed business case. Activity mapping and analysis was used to inform the savings estimates.</p> <p>The work on the business case was monitored and steered by the Joint Transformation Programme Board, which consists of the leaders, deputy leaders and leaders of the main opposition parties of both councils.</p> <p>The detailed business plan was approved by Cabinet in May 2016.</p>	<p>Effective governance arrangements have been established to oversee delivery of the project.</p> <p>Risks associated with the project regarding the potential for ineffective change management processes, governance arrangements and engagement and consultation procedures, as well as the risk of the transformation not delivering the financial savings in the timescales required by the MTFS, are being appropriately managed.</p>

USE OF RESOURCES

Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
<p>SUSTAINABLE FINANCES:</p> <p>MTFS assumptions</p>	<p>Our planning identified a risk that the MTFS does not adequately take account of the investment costs and savings associated with its transformation project.</p> <p>We reviewed the reasonableness of the assumptions in the MTFS, including the level of Government grant reductions expected, cost pressures, and investment and savings associated with the transformation programme.</p> <p>The MTFS covers the period 2016/17 to 2019/20 and contains assumptions about the future funding of the Council, national and local economic factors, the level of pay and non-pay inflation and a range of savings targets. Over the medium term, the Council expects the net budget requirement to reduce from £13.1 million to £11.1 million and that by 2018/19 its revenue support grant (which amounts to £1.7 million in 2015/16) will cease. The Council plans to balance its finances over the medium term by delivering savings of £2.821m, which will sit alongside projected growth in income from council tax. Savings schemes totalling £3.186 million have been identified.</p> <p>The Council’s share of planned savings from the JTP are £400,000 per annum, which is in line with the JTP business case approved by Cabinet. The business case projects total savings of £2.8 million, with an equivalent reduction of 79 full time equivalent posts across both councils. The Council will achieve a higher proportion of the programme benefits because Eastbourne Borough Council has already delivered significant savings through its Future Model programme and the JTP inherits the savings target from Lewes District Council’s cancelled New Service Delivery Model programme.</p> <p>Total combined investment required specifically to deliver the JTP is £5.6 million, of which the Council’s share is approximately £3.2 million. These costs will be met from the Council’s strategic change earmarked reserve, which stood at £3.657 million at 31 March 2016.</p>	<p>The Council understands the risks involved across its financial planning assumptions and that these will continue to require careful management.</p> <p>We are satisfied that the MTFS reflects known savings and cost pressures and that the key underlying assumptions regarding reductions in central government funding and income from taxation are not unreasonable.</p> <p>The projected savings and investment from the JTP have been adequately considered and factored into planning assumptions.</p>

USE OF RESOURCES

Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
<p>NEW HOMES PROJECT</p>	<p>In July 2015 the Council signed a Conditional Sale Agreement and Profit Share and Project Management Agreement with a private sector consortium, in respect of a project to raise funds to build a number of new Council homes across the district, and to bring regenerative benefits to a number of sites.</p> <p>This was meant to have been a significant project involving the sale of a number of the Council’s surplus land assets, and substantial investment from both the Council and the consortium.</p> <p>In February 2016 a decision was taken by Cabinet to terminate this agreement as a result of the non-satisfaction of title and ground conditions in respect of key sites within the project.</p> <p>Given the scale of the project, we identified a risk to our use of resources opinion if due process was not followed by the Council in entering into the contract and terminating the contract.</p> <p>We have therefore reviewed the governance and decision making processes followed by the Council in entering into the Conditional Sale Agreement, and subsequently terminating the agreement. The aim was to determine whether the Council’s own internal processes were followed and whether these were sufficient to ensure that appropriately informed decisions were made. This involved a review of relevant documents and Cabinet minutes, and discussions with management.</p>	<p>Overall the Council followed its own internal processes in making decisions about this project, and legal advice was sought on key decisions made.</p> <p>However, we have identified scope for improvement in arrangements underpinning the project and have agreed an action plan with officers for lessons learnt from this project to be applied to future projects of this size and nature.</p> <p>Recommendations have been raised in Appendix III in respect of :</p> <ul style="list-style-type: none"> • Earlier disclosure of potential development sites • Public consultation in preliminary stages • Updating the Property Strategy and Asset Management Plan • More structured approach to carrying out due diligence checks. <p>The actions relate largely to good practice that could be implemented rather than significant weaknesses in processes.</p>

USE OF RESOURCES

Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
VALUE FOR MONEY PROFILE TOOL	<p>The Audit Commission, and now Public Sector Audit Appointments Ltd, provides auditors with a VfM Profile Tool of comparative financial data for all local authorities. This is available at www.vfm.psaa.co.uk.</p> <p>We have reviewed the reports available with data populated in July 2016, which includes mainly 2014/15 outturn costs, comparing the Council with all other district councils.</p> <p>The report highlights that the Council's overall net spend per head in 2014/15 was in the highest 10% and planned net spend per head for 2015/16 was in the highest 20%. As a result, reserves as a percentage of net current expenditure are relatively low.</p> <p>This is partly due to the following outliers, using 2014/15 data:</p> <ul style="list-style-type: none"> Income from sales, fees & charges as percentage of total spend is in the lowest 20% The average weekly cost of maintenance per dwelling is in the highest 5%. <p>On the positive side, spend on management and support (back office) services as a proportion of total service spend is in the lowest third.</p> <p>Other key outliers based on 2014/15 data include:</p> <ul style="list-style-type: none"> The percentage of household waste sent for reuse, recycling, and composting is in the worst 5% Spend on council tax benefits and housing benefits administration per head is in the highest 25%. 	<p>The reasons for the relatively high net spend in the Council are understood by management and plans are in place to address areas for improvement. The aim of the transformation programme with Eastbourne Borough Council is to drive efficiencies and reduce the Council's overall cost base.</p> <p>The Council continues to be below average for income collected from fees and charges. This is due to limited discretionary areas for charging fees and reflects the Council's decision regarding the running of the leisure centres by a separate Trust.</p> <p>Management is aware of the relatively high cost per dwelling in the Council and is reviewing its direct service organisation (DSO) for housing repairs. The Council has recently been working with a secondee from Eastbourne Homes Limited (an organisation that manages Eastbourne Borough Council's housing stock) to rationalise housing repair procurement. A report on housing repairs and maintenance is due to be presented to Cabinet in November 2016, with recommendations for increasing efficiencies.</p> <p>Management is also aware that there is significant scope for improvement in its waste collection and recycling service. In 2015/16 a number of initiatives got underway to improve the service, which had some success in increasing garden waste collections. A project manager was appointed to carry out a review of the service and draw up detailed proposals for the future development of the service, including plans to build a new waste collection/recycling facility in Newhaven. The results of the service review were considered by the Scrutiny Committee in July 2016 and will be considered by Cabinet in September 2016.</p> <p>The Council continues to be above average for spend on council tax and housing benefits administration, although grant subsidy covers this expenditure. Management expects this to improve under the joint transformation programme.</p>

APPENDICES

APPENDIX I: DEFINITIONS

TERM	MEANING
The Council	Lewes District Council
'Those charged with governance'	The persons with responsibility for overseeing the strategic direction of the Council and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance for the Council are the members of the Audit and Standards Committee.
Management	The persons responsible for achieving the objectives of the Council and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for: <ul style="list-style-type: none"> • The financial statements (including designing, implementing, and maintaining effective internal control over financial reporting) • Putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of them.
ISAs (UK & Ireland)	International Standards on Auditing (UK & Ireland)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards as adopted by the European Union
Materiality	The size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement.
The 'Code'	Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA / LASAAC (Chartered Institute of Public Finance and Accountancy / Local Authority Scotland Accounts Advisory Committee)
SeRCOP	Service Reporting Code of Practice for Local Authorities issued by CIPFA / LASAAC
SOLACE	Society of Local Authority Chief Executives
CIES	Comprehensive Income and Expenditure Statement

APPENDIX II: AUDIT DIFFERENCES

AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit and Standards Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, or in aggregate, on the opinion in the auditor's report.

CORRECTED AUDIT DIFFERENCES

There were no differences that have been corrected in the revised draft financial statements that affect the reported surplus for the year. However, a number of amendments to classifications and disclosures have been made, as detailed in the 'Key Audit and Accounting Matters' section of this report.

UNADJUSTED AUDIT DIFFERENCES

There are two unadjusted audit differences identified by our audit work this year which would increase the draft surplus on the provision of services in the CIES by £56,000 to £19.333 million (from £19.277 million) if adjusted.

Management has stated that it considers these misstatements to be immaterial in the context of the financial statements taken as a whole.

	INCOME AND EXPENDITURE			BALANCE SHEET	
	£ 000	DR £ 000	CR £ 000	DR £ 000	CR £ 000
Surplus on the provision of services	(19.277)				
Dr Revaluation reserve				130	
Cr Expenditure			(130)		
<i>Incorrect posting of revaluation reserve movements (factual misstatement)</i>	(130)				
<i>This would not impact on the general fund balance as the charge would be reversed to the Capital Adjustment Account through the Movement in Reserves Statement</i>					
Dr Expenditure - other housing services (housing benefits)		74			
Cr Debtors	74				(74)
<i>Understatement of impairment allowance on housing benefit overpayments (estimation misstatement)</i>					
TOTAL UNADJUSTED AUDIT DIFFERENCES	(56)	74	(130)	130	(74)
Surplus on the provision of services if adjustments accounted for	(19.333)				

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS					
ACCOUNTING POLICIES DISCLOSURES	There are a small number of sections within the accounting policies disclosures which could be removed or reduced on the grounds of materiality.	We recommend that management reviews its accounting policies note going forward to ensure that immaterial or irrelevant information is removed, in order to improve the readability and understandability of the Statement of Accounts.	Agreed	Head of Finance	June 2017 (2016/17 Draft Accounts)
NARRATIVE REPORT	We identified a small number of areas which CIPFA guidance recommends should be included in the Narrative Report, but which are absent from the Council’s draft Narrative Report. Further detail is set out on page 21 of this report.	We recommend that management considers whether to include these areas within the Narrative Report in future years.	Agreed	Head of Finance	June 2017 (2016/17 Draft Accounts)

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

Continued

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
CONTROL ENVIRONMENT					
RELATED PARTY TRANSACTIONS	Signed declarations were not received from three members in the year end declaration process lead by the finance team for 2015/16. This increases the risk of undeclared conflicts of interest and undisclosed related party transactions.	We recommend that the Audit and Standards Committee puts procedures in place to monitor compliance with the annual declaration process, and to take further action in the case of individual members where necessary.	Agreed- will strengthen procedures for 2016/17 accounts, potentially to include briefing note to Councillors from Chair of Audit Committee	Head of Finance	31 March 2017
ADMINISTRATOR ACCESS TO SYSTEMS	For a number of the Council's key IT systems, including Agresso, Trent, Saffron, Academy and Icon, there are one or more functional users and/or generic accounts which have system administrator access, allowing them to set up, modify and delete other user accounts.	We recommend that management carries out a review of system administrator rights on each of the Council's key systems to ensure that these are appropriate to the Council's need. We recognise the need to balance potential risks against practical considerations, particularly within some of the smaller teams where the opportunities for further segregation of duties may be limited. We would welcome further discussions with management on this issue.	Agreed - systems admin rights will be reviewed. Key systems will be replaced or redesigned as part of the Joint Transformation Programme and BDO's advice on systems admin best practice will be beneficial.	Head of Finance Head of Customer Services Head of IT	31 March 2017, dependent on JTP programme timetable

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

Continued

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
ICON PASSWORD CONTROLS	We note that, whilst the Icon system requires users to change their password every 60 days, no password history is maintained. This means that it is possible for users to reuse the same password multiple times.	We understand that management is currently considering upgrading the Icon system, and we recommend as part of this process that password controls are strengthened.	Agreed - upgrading the Icon system is a priority, and password controls will be strengthened as part of the implementation process.	Head of Finance	31 March 2017
COUNCIL TAX DISCOUNT DOCUMENTATION	We tested a sample of 16 Council tax accounts where a single person discount had been applied, and found that in two cases no documentary evidence could be produced to support the discount. In both cases, the Council has informed us that discount was first applied in 1993, and the evidence is no longer available.	Whilst it may be problematic to retrieve or replace documents or evidence already lost or discarded, management should ensure going forward that the Council's retention policy requires that evidence not be disposed of whilst discounts remain live.	All single person discounts are subject to an independent, risk-based review exercise every two years. The discount is withdrawn in respect of cases which are found to be invalid. Where cases are found to be valid, details of the review are not recorded on the customer file, but are retained centrally.	No action	No action

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

Continued

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
GOVERNANCE REPORTING					
ANNUAL GOVERNANCE STATEMENT	From our review of the draft Annual Governance Statement, we found that the 'Review of effectiveness' section is quite lengthy, and contains a mixture of activities which provide evidence of the effectiveness of the system of internal controls, and information about the governance framework itself and other decisions which have been taken.	We would recommend that management focus this section more on the annual review of effectiveness process, and perhaps move some of the other information to other parts of the Annual Governance Statement.	Agreed - management will review the AGS to take account of these comments and restructure as appropriate.	Head of Audit, Fraud and Procurement	March 2017

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN Continued

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
USE OF RESOURCES					
NEW HOMES PROJECT DISCLOSURE OF DEVELOPMENT SITES	<p>An exempt list of potential development sites was presented to Cabinet in May 2012 and all District Councillors who held office at the time received a copy of the Cabinet report and the exempt list.</p> <p>The list was kept exempt as it contained commercially sensitive information and listed all potential, rather than proposed, development sites. Once a preferred bidder was selected and negotiations begun, the Council was also required to keep the details of the negotiation confidential.</p> <p>The site list was therefore only made available to the public after the contract was awarded, in May 2015.</p> <p>The Council's approach was set out in the May 2012 Cabinet report as it stated that all affected parties would be informed about the Council's plans once the detail of the promotion agreement was agreed and the list of sites agreed as part of the contract.</p> <p>However, given the significant public interest in this project and in the interests of transparency, we believe that management should have considered ways of making the list of potential development sites publicly available before contact negotiations began.</p> <p>Non-disclosure of the site list for three years is likely to raise public concern.</p>	Each significant project should have a detailed public engagement plan, specific to the project, setting out the nature and timing of information to be released into the public domain. This should be approved by Cabinet at the outset.	<p>Agreed. The Head of Business Strategy and Performance will update the Council's project management guidance, to take into account the changes required to the treatment of significant projects, and ensure that senior officers and Cabinet councillors are made aware of them.</p> <p>Training on the Council's revised project methodology to be provided to all Heads of Service and Corporate Management Team.</p>	Head of Business Strategy and Performance	<p>By end of October 2016</p> <p>By end of January 2017</p>

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

Continued

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
NEW HOMES PROJECT PUBLIC CONSULTATION	No public consultation on the site list was carried out before the contract was awarded, and only shortly before the contract was signed on 30 July 2015.	Each significant project should have a detailed public engagement plan, setting out the purpose and timing of public consultation events. In developing this plan for each project, management should consider the benefits of carrying out preliminary targeted consultation before entering into the procurement stage.	Agreed. The Head of Business Strategy and Performance will update the Council's project management guidance, to take into account the changes required to the treatment of significant projects, and ensure that senior officers and Cabinet councillors are made aware of them.	Head of Business Strategy and Performance	By end of October 2016
	We are informed that the aim of the consultation events was to discuss proposals and answer questions about how the development would proceed, and gain information about any potential limitations, rather than what was included in the site list.				By end of January 2017
	Whilst earlier consultation was not required by the Council's policies, it would have been good practice for the Council to have carried out preliminary targeted consultation before entering into the procurement stage.				
	The absence of public consultation in the early stages of a project limits the public's ability to provide useful input into matters affecting them.		Training on the Council's revised project methodology to be provided to all Heads of Service and Corporate Management Team.		

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN Continued

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
NEW HOMES PROJECT PROPERTY STRATEGY AND ASSET MANAGEMENT PLAN	<p>Cabinet approved a Property Strategy in May 2012, which recognised that the environment in which the Council was operating had changed significantly over the preceding two years, which resulted in the need to refresh the Council’s approach to the utilisation of its assets. The report stated that it superseded any previous capital and property strategies. It did not specifically mention superseding the Council’s 2009 Asset Management Plan.</p> <p>We understand that a new Asset Management Plan is being developed as one of the work streams from the 2012 Property Strategy.</p> <p>The 2012 Property Strategy requires a series of interviews with key stakeholder across the Council to collate information. Officers have stated that this means internal stakeholders.</p> <p>The absence of an up to date asset management plan to underpin the Council’s Property Strategy may result in due process not being followed.</p>	<p>The Council should complete the update of its previous Asset Management Plan, to underpin its Property Strategy.</p> <p>The Property Strategy should be updated to remove any references to out of date policies and to more clearly indicate what is meant by stakeholders.</p>	<p>Agreed. The Head of Property and Facilities will update the Council’s Asset Management Plan. This will take account of the requirements of the Council’s Property Strategy.</p> <p>Agreed. The Head of Property and Facilities will update the Council’s Property Strategy to reflect current policies and clearly specify the meaning of stakeholders.</p>	<p>Head of Property and Facilities</p> <p>Head of Property and Facilities</p>	<p>By end of December 2016</p> <p>By end of December 2016</p>

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN

Continued

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING	
NEW HOMES PROJECT FEASIBILITY CHECKS	The Council entered into a Conditional Sale Agreement and Profit Share and Project Management Agreement for the new homes project, which required that detailed due diligence checks were carried out by all the partners within a 5 month period following signing of the agreements.	The Council's project methodology should require a more structured approach to due diligence work, so that the most critical issues are identified and covered in order of priority.	Agreed. The Head of Business Strategy and Performance will update the Council's project management guidance, to take into account the changes required to the treatment of significant projects, and ensure that senior officers and Cabinet councillors are made aware of them.	Head of Business Strategy and Performance	By end of October 2016	
	In February 2016 Cabinet approved a decision to serve notice on the other partners to terminate the contractual agreements because of the non-satisfaction of the title and ground conditions on key sites, which became apparent during the course of due diligence.					
	The Council incurred preliminary costs in the region of £0.6 million associated with the development of sites included within this project. This included initial design fees, ground surveys, transport and environmental studies and public consultation.				Training on the Council's revised project methodology to be provided to all Heads of Service and Corporate Management Team.	By end of January 2017
	The contract documents identified two particular sites - the Buckle and Normansel Park Avenue - as being "key" sites within the project because they would yield the highest capital receipts, and it was clear that the project would not remain viable if both of these sites failed the due diligence checks.					

APPENDIX III: RECOMMENDATIONS AND ACTION PLAN Continued

AREA	CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
NEW HOMES PROJECT FEASIBILITY CHECKS (continued)	<p>High level reports on title had been undertaken by the Council on these two sites, and all other project sites, prior to the agreement being signed and the results shared with the other parties. However, detailed investigation of the covenants on the two key sites, including the commissioning of counsel’s opinion, was not undertaken until after the Conditional Sale Agreement and Profit Share and Project Management Agreement were concluded.</p> <p>Whilst some of the £0.6 million preliminary expenditure may benefit feasibility studies on future projects of this nature, preliminary costs on this particular project would have been lower if the parties had focused their detailed due diligence checks on these two key sites at an earlier stage.</p> <p>Unnecessary costs may be incurred if due diligence checks are not carried out in order of priority.</p>	As above.	As above.	As above.	As above.

APPENDIX IV: MATERIALITY

MATERIALITY - FINAL AND PLANNING

	FINAL	PLANNING
Materiality	£1,400,000	£1,630,000
Clearly trivial threshold	£28,000	£32,000

Planning materiality of £1.63 million was based on 2% of gross expenditure, using the average outturn for the prior two financial years.

We revised our materiality because final expenditure for 2015/16 was significantly lower than in the previous years due to council dwellings impairment reversals.

APPENDIX V: INDEPENDENCE

INDEPENDENCE ENGAGEMENT TEAM ROTATION		
SENIOR TEAM MEMBERS	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE IN YEAR ENDED
JANINE COMBRINCK - Engagement lead	3	31 March 2018
JODY ETHERINGTON - Engagement manager	2	31 March 2024

INDEPENDENCE - THREATS TO INDEPENDENCE AND APPROPRIATE SAFEGUARDS

We have provided services other than audit to the Council as set out in Appendix VI.

We have not identified any potential threats to our independence as auditors. We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Council.

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

APPENDIX VI: FEES SCHEDULE

	2015/16	2014/15	THREATS TO INDEPENDENCE ARISING	SAFEGUARDS APPLIED AND WHY THEY ARE EFFECTIVE
	£	£		
Code audit fee	50,888 ⁽¹⁾	61,890	N/A	N/A
Certification fee (Housing benefits subsidy claim)	14,960	15,598	N/A	N/A
TOTAL AUDIT FEE	65,848	77,488		
Reporting on other government grants:				
Pooling of Housing Capital Receipts return	1,500	1,500	The threat to auditor independence from Audit Related Services is clearly insignificant	No safeguards required
TOTAL ASSURANCE SERVICES	67,348	78,988		

⁽¹⁾ Includes £4,470 in respect of additional work carried out on our review of governance around the New Homes project following concerns raised with us by a local elector, subject to agreement with PSAA Ltd

APPENDIX VII: DRAFT REPRESENTATION LETTER

TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP
55 Baker Street
London
W1U 7EU

XX September 2016

Dear Sirs

Financial statements of Lewes District Council for the year ended 31 March 2016

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2016 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Director of Corporate Services has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2016 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with the Code and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving members, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

We have disclosed to you all allegations of fraud or suspected fraud affecting the financial statements that have been communicated by members, employees, former employees, analysts, regulators or any other party.

APPENDIX VII: DRAFT REPRESENTATION LETTER

Continued

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

(a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

Rate of inflation (CPI): 2.2%

Rate of increase in salaries: 4.2%

Rate of increase in pensions: 2.2%

Rate of discounting scheme liabilities: 3.5%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

(b) Valuation of housing stock, other land and buildings and investment properties

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to council dwellings and other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

We are satisfied that investment properties have been appropriately valued at fair value, based on highest and best use.

We are satisfied that the carrying value of all property, plant and equipment assets is not materially different from their current values as calculated in accordance with the requirements of the Code.

(c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for housing benefit overpayments and housing rent arrears are reasonable, based on write-off rates or collection rate data.

We consider that the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

We confirm that the above representations are made on the basis of enquiries of members, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

APPENDIX VII: DRAFT REPRESENTATION LETTER

Continued

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Alan Osborne
Director of Corporate Services
XX September 2016

Cllr Mike Chartier
Chairman
Signed on behalf of the Audit and Standards Committee
XX September 2016

APPENDIX VIII: AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review, and as a member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

We seek to make improvements and address weaknesses identified from both external and internal quality reviews. Where issues have been identified an action plan is put in place. These plans may relate to individual assignments, individual offices, or be firm-wide, and in each instance the outcome of these actions is subject to monitoring and have been the subject of our analysis of root causes. The actions may include, but are not necessarily limited to, one or more of the following:

- The implementation, where appropriate, of relevant training for the engagement team where the issue is team specific;
- The revision and production of additional guidance in connection with the firm's audit approach where we identify that an issue is more wide-spread;
- The development and delivery of firm-wide training;
- Amendments and/or enhancements to stream policies and procedures.



FOR MORE INFORMATION:

JANINE COMBRINCK

Engagement lead

T: (020) 7893 2631

E: janine.combrinck@bdo.co.uk

JODY ETHERINGTON

Project manager

T: (01473) 320790

E: jody.etherington@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the Council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

Copyright ©2016 BDO LLP. All rights reserved.

www.bdo.co.uk