

Basingstoke and Deane Borough  
Council

Draft Audit Results Report

Year ended 31 March 2024

February 2025



Building a Better  
working world



Audit and Accounts Committee (the 'Committee')  
Basingstoke and Deane Borough Council (the 'Council')  
Civic Offices, London Road  
Basingstoke  
Hampshire  
RG21 4AH

February 2025

Dear Audit and Accounts Committee Members

2023/24 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit and Accounts Committee at its meeting scheduled for 10 February 2025 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Basingstoke and Deane Borough Council (the Council) accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit and Accounts Committee, as the (Council's) body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our November 2024 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under the arrangements to reset and recover local government audit. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and therefore some closing balances. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we have not obtained sufficient evidence to be able to conclude that the 23/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Audit and Accounts Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

Andrew Brittain

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the **Audit and Accounts Committee and management of Basingstoke and Deane Borough Council** in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the **Audit and Accounts Committee and management of Basingstoke and Deane Borough Council** those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the **Audit and Accounts Committee and management of Basingstoke and Deane Borough Council** for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary

# Executive Summary – Context for the audit

## Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting profession
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ▶ Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 13 November 2024 Audit Completion Report to the Audit Committee, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit (Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", Local Authority Reset and Recovery Implementation Guidance). The reasons for the 2022/23 disclaimed audit report were set out in the aforementioned 2022/23 Audit Completion Report.

As set out within this report we have been able to complete our planned programme of work, obtaining the planned assurances over closing balances and in-year transactions.

However, as a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and therefore some closing balances (particularly Reserves). We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. We did not plan to rebuild this assurance in our 2023/24 audit.

Taken together with the requirement to conclude our work by the legislative back stop date of the 28 February 2025, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

This is in line with the Government's legislative arrangements set out above and specifically the 'Recovery phase' of those arrangements and with guidance issued by the Financial Reporting Council (FRC) within their 'Accessible Guide' which sets out a minimum 3-year timeline to re-build audit assurances to gain full assurance over opening, closing balances and in year movements.

We will reflect on the impact of the areas where we did not gain our planned assurances in 2023/24, through our 2024/25 audit planning and set out our timeline for re-building audit assurance within our Audit Plan.

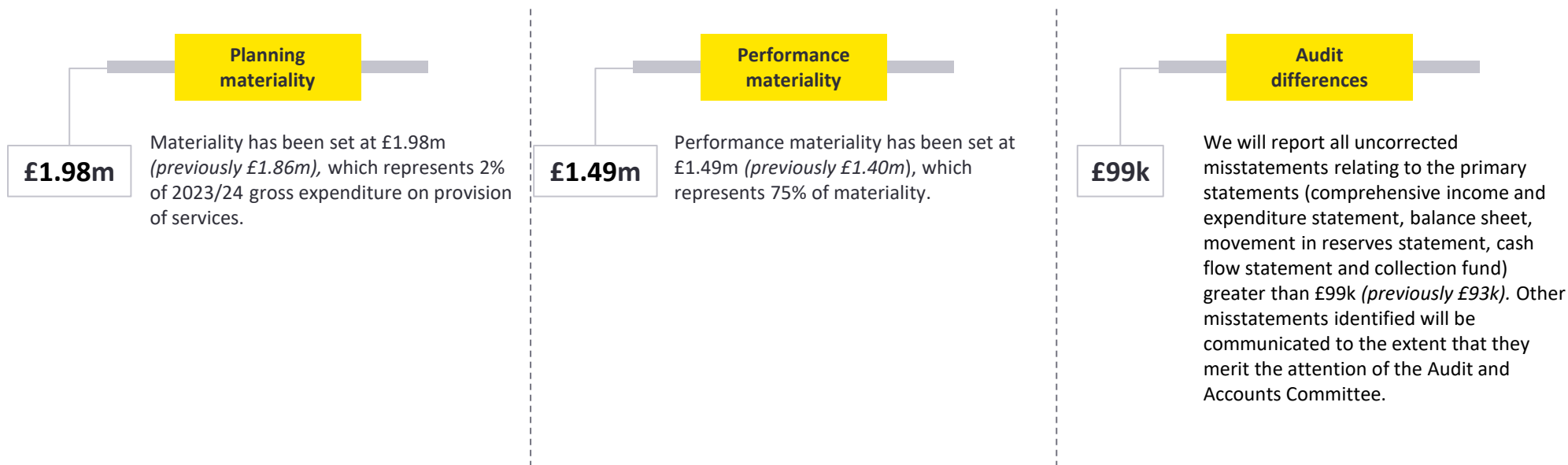
# Executive Summary

## Scope update

In our Audit Planning Report presented at the 24 June 2024 Audit and Accounts Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We are continuing to carry our audit in accordance with this plan, with no significant changes to bring to your attention.

There is one matter to bring to your attention:

- Changes in materiality: We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment.





# Executive Summary (cont'd)

## Status of the audit

As at the date of this report our audit work in respect of the Council opinion remains in progress (as expected at this point) but, with thanks to management, we have made good progress to date and estimate being able to issue a final Audit Results Report in February 2025, subject to satisfactory resolution of all outstanding matters. Whilst our audit testing is substantially complete, some areas continue to be reviewed as part of our audit quality assurance process.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit opinion. We anticipate that the current year audit report will be disclaimed with respect to opening balances and prior period comparatives within the current year financial statements. Further information on the impact of the audit report will be reported subsequently to the Committee in the final Audit Results Report.

## Value for Money

In our Audit Planning Report dated 7 June 2024, we reported that we had not completed our value for money (VFM) risk assessment and we had identified no risks of significant weaknesses in arrangements. Having updated and completed the planned procedures in these areas we did not identify any significant weaknesses. See Section 03 of the report for further details.

## Audit differences

### Audit findings leading to audit differences

We wish to bring to the attention of this committee the current findings of the audit which will result in audit differences. However, we are yet to fully conclude as review is still ongoing. Refer to Section 05 for the disclosure adjustments.

#### ➤ **Uncorrected Audit differences**

- Investment Property: £365k overstatement of the McDonalds drive-thru. This is a judgemental difference in valuation assumptions.
- Judgmental difference for pension liability increase arising from Goodwin case of £225k; Our audit procedures are partially completed and the amount of the reported difference is subject to change.
- Amortisation across the life of an extended lease of upfront payment received from the tenant of SITE000192 Basing View, Belvedere House, for a lease restructuring. This audit difference relates to the 21/22 uncorrected item that has been rolled forward.

#### ➤ **Corrected Audit differences:**

- Relating to Investment Property, management corrected 3 amendments resulting in a £2.36m reduction to Investment Property.
- Within Property, Plant & Equipment Additions, one item that was incorrectly treated as additions when it should have been classified as REFCUS of £284k.
- Incorrect accounting of a sinking fund, management has performed a thorough exercise to rectify this and will be making an adjustment of c.£300k
- Correction of a GRN (Goods Received Note) error related to cut-off of £160k.
- A net decrease of £6.1m to Pension Liability due to incorrect change in demographic assumptions and inflation experience used by the Actuaries (Hymans Robertson)

# Executive Summary (cont'd)

## Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Basingstoke & Deane Borough Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

	Area of audit focus	Risk type	Status	Summary of findings/Comments
1	Misstatements due to fraud and error: Management override of controls	Fraud risk	In Review	No significant matters have been identified in the completion of our work at this stage.
2	Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	Complete	We identified one error when testing PPE additions of £284k which should have been classified as REFCUS – we discussed this with management who have made the agreed adjustments.
3	Risk of fraud in revenue and expenditure recognition, through inappropriate recognition of rental income	Fraud risk	Complete	No significant matters have been identified in the completion of our work.
4	Valuation of Property, Plant and Equipment (PPE) and Investment Properties	Significant risk	Complete	During the completion of our procedures, we identified 4 amendments to the properties we sampled – Management corrected 3 of these amendments resulting in a £2.36m reduction to Investment Property. 1 amendment remains uncorrected overstating Investment Property by 365k.
5	Pension Liability Valuation	Area of audit focus	In Progress	We have not yet received a response from the auditors of Hampshire Pension Fund to provide assurance over the information provided to the actuary and considerations of any issues that may arise from the 23/24 Hampshire Pension Fund audit which may impact on the Basingstoke & Deane Borough Council audit. We also noted a misstatement amounting to £6.1m to 23-24 Pension Liability due to incorrect change in demographic assumptions and inflation experience used by the Actuaries
6	IFRS 16- Leases	Area of audit focus	Complete	Management approach to adopting IFRS16 is appropriate.
7	Group Boundary Assessment	Area of audit focus	Complete	Management's assessment of the Group Boundary is appropriate.  Note that Management have updated the related parties note and subsequent events note to reflect the purchase of the freehold of Manydown North.



# Executive Summary (cont'd)

## Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission for 2023/24. However, we do not expect any issues in performing this work as the Council falls below the threshold set within the guidance from HM Treasury and the group audit instructions for 2023/24 on which our work is based.

We have no other matters to report.

## Areas of audit focus

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit & Accounts Committee or the Board.

## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

There are no matters we wish to report at this time.

## Independence

Please refer to Section 07 for our update on Independence.

A close-up photograph of a person's hand holding a white marker, pointing at a bar chart displayed on a tablet. The chart features several bars of varying heights, with the top portion of the bars colored in shades of green and yellow, and the bottom portion in shades of orange and red. The background is dark and out of focus.

## 02 Areas of Audit Focus

# Areas of Audit Focus

## Significant risk- Misstatements due to fraud or error\*

### △ Fraud Risk

#### What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

#### What is the status of our work?

No significant matters have been identified in the completion of our work at this stage.

We obtained the responses we requested from management, those charged with governance, monitoring officer and Internal audit and used these to inform our understanding of fraud risks. We noted the key elements of the entity level control framework that we would expect to see were in place.

- Our walkthrough testing included considering what controls are in place to address significant risks. We concluded that these are largely part year end processes including management review of the draft financial statements. We confirmed that these controls were in place, although our approach was not to rely on controls.
- We have not identified any material weaknesses in controls or evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied.
- We have not identified any transactions during our audit which appeared unusual or outside of the normal course of business.
- Our work on journals testing did not identify any issues.
- Overall, our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicate that there has been any misreporting of the financial position, or that management has overridden controls.

#### Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Identified fraud risks during the planning stage of the audit.
- Enquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud and consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Assessed accounting estimates for evidence of management bias.
- Performed procedures to identify and evaluate the business rationale for any significant unusual transactions outside the normal course of business.

# Areas of Audit Focus

## Significant risk- Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure

### △ Fraud Risk

#### What is the risk, and the key judgements and estimates?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

#### What is the status of our work?

- We selected a sample of PPE additions to test and confirm the item was appropriate to capitalise as per IAS 16 through agreement to evidence such as invoices and capital expenditure authorisations.
- Based on our sample testing of Property, Plant and Equipment additions we did not identify any instances where costs were not capital in nature, i.e. addition costs were directly attributable to the assets.
- We selected a sample of expenditure from Revenue Expenditure Funded from Capital Under Statute (REFCUS), to confirm it met the appropriate classification.
- We have not identified any instances of inappropriate journal entry postings in relation to capitalisation of revenue expenditure.

We identified one error when testing PPE additions of £284k which should have been classified as REFCUS – we discussed this with management who have made the agreed adjustment.


#### Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Tested Property, Plant and Equipment (PPE) additions using a low testing threshold to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assessed whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- Substantially tested REFCUS expenditure to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

# Areas of Audit Focus

## Significant risk- Risk of fraud in revenue recognition - inappropriate recognition of rental income

 Fraud Risk

### What is the risk, and the key judgements and estimates?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate revenue recognition of rental income as this is a non-standard income stream for local government and the Council has incentive to overstate rental income, in order to improve the general fund position.

### Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Understood the Council's approach recognising rental income;
- Challenged the assumptions made by management in their recognition approach;
- Tested revenue from rental properties using lowered testing thresholds, to ensure they are appropriately supported by documentary evidence, and that the revenue recognised is appropriate;
- Tested cut-off of revenue from rental properties at to ensure income from rental agreements straddling the financial year end is recognised in the correct accounting period.

### What is the status of our work?

No significant matters have been identified in the completion of our work.

- We selected a sample of rental income items to test and confirm the item was appropriate to recognise revenue through agreement to third party evidence including contracts and bank statements.
- We have not identified any instances of inappropriate journal entry postings in relation to recognition of rental income.

# Areas of Audit Focus

## Significant risk- Valuation of Property, Plant and Equipment (PPE) and Investment Properties



### What is the risk, and the key judgements and estimates?

The current value of Land and Buildings (PPE) and the fair value of Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet which triggers the use of experts by management and EY likewise.

Valuation of these assets involves higher risk estimates due to the significant assumptions and judgments involved in their valuation, which triggers the use of experts by management and EY likewise. These estimates give scope for material errors, thus we identified a significant risk on the valuation of these assets.

### What is the status of our work?

We have completed our planned procedures and noted as follows:

- The scope of the work performed by the valuer's was appropriate.
- During the completion of our procedures, we identified the following amendments:

#### Corrected:

- **Investment Property: £3.06m understatement** due to error in formula in PP&E register
- **Investment Property: £5.83m understatement** of Manydown South, this is due to the erroneous calculation of Fair Value by Montague Evans
- **Investment Property: £11.25m overstatement** of Manydown North – we identified that the appropriate treatment was to assess the value of the leasehold (with an option to acquire the freehold), rather than the freehold, as that was the position as at 31 March 2024.

#### Uncorrected:

- **Investment Property: £365k overstatement** of the McDonalds drive-thru. This is a judgemental difference in valuation assumptions.

## Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre, or assessing comparative market information);
- ▶ Challenged key assumptions used by the valuers;
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We will also have considered any specific changes to assets that have occurred and whether these have been communicated to the valuers;
- ▶ Reviewed PPE assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered the potential impact of current economic environment on valuation uncertainties while also evaluating the need to involve our internal specialist valuations team;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

# Areas of Audit Focus

## Area of audit focus: Pension Liability Valuation

### What is the risk, and the key judgements and estimates?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### What is the status of our work?

Our procedures to respond to this area of focus are in review.

We have not yet received a response from the auditors of Hampshire Pension Fund to be able to provide assurance over the information provided to the actuary and considerations of any issues that may arise from the 23/24 Hampshire Pension Fund audit which may impact on the Basingstoke & Deane Borough Council audit.

We engaged the services of an EY pensions specialist to review the Council's IAS 19 reports and run a parallel actuarial model which was compared to that produced by Hymans Robertson.

This work, has identified errors in some of the assumptions adopted by the actuary and, as a result, a further IAS 19 report was requested by the Council. Based on the revised report, management have agreed to reduce the net liability by £6.1m and update related disclosures. We are satisfied this revised valuation is accurate within a reasonable tolerance.

We have no other findings to draw to your attention at this stage.

### Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council
- Assessed the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

# Areas of Audit Focus

## Area of audit focus: IFRS 16- Leases

### What is the risk, and the key judgements and estimates?

IFRS 16 Leases is being implemented in Local Government from 01 April 2024.

IFRS 16 eliminates the operating/finance lease distinction and imposes a single model geared towards the recognition of all but low-value or short term leases. The proposals arise partly from the IASB's view that:

- disclosures around operating lease commitments have lacked prominence and tended towards understatement; and
- even in leases where the underlying asset is not acquired for its whole useful life, the lessee nevertheless acquires an economic right to its use, along with obligations to make good on minimum lease payments.

These will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability.

As such, the Council is required to prepare readiness assessment disclosing known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.

### Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Evaluated the reasonableness assessment carried out by the Council
- Reviewed the disclosures made within the Council's financial statements in relation to IFRS 16 - Leases.
- Reviewed the disclosures made by management reflecting the anticipated impact of the adoption of the standard

### What is the status of our work?

Our procedures to respond to this area of focus are complete.

Based on our review of management's approach and the processes in place to adopting IFRS16 management's approach was reasonable and compliant with the CIPFA Code.

We reviewed the disclosures made by management in the Financial Statements and concluded these were appropriate – management have made reference to the adoption of the new standard.

# Areas of Audit Focus

## Area of audit focus: Group Boundary Assessment

### What is the risk, and the key judgements and estimates?

IFRS 10, 11 and 12 set out the requirements which must be followed when assessing and disclosing group and joint arrangements. Where the Council has interests in other entities, it needs to undertake qualitative and quantitative assessments to inform its decisions as to whether group accounts are required. This is an area of potential complexity and judgement requiring regular review.

The Council's relationship with Manydown Garden Communities LLP (MCG LLP) is currently classified as a joint venture, and therefore under IFRS11, equity accounting is expected.

For 2023/24, it has been determined that the interest in MCG LLP is not material both qualitatively and quantitatively and therefore group accounts are not required.

### Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Understood the Council's qualitative and quantitative group accounts assessment and application of the standard; and
- Assessed the developments in the transaction regarding the drawdown and purchase of the freehold of the Manydown North land;
- Undertaken our own assessment and compare this with the Council's review, to identify any areas where additional work may be required to form a conclusion on the application of the accounting standards, and;
- Review the disclosures in the 2023/24 financial statements in relation to Manydown investment.

### What is the status of our work?

Our procedures to respond to this area of focus are complete.

Based on our review of management's approach and the processes in place to assess the group boundary was reasonable and compliant with the CIPFA Code.

We note that management have updated the related parties note and subsequent events note to reflect the purchase of the freehold of Manydown North.

For further details around the valuation of Manydown, refer to the PPE & IP valuation summary.



# 03 Value for Money

# Value for Money

## The Authority's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Risk assessment and status of our work

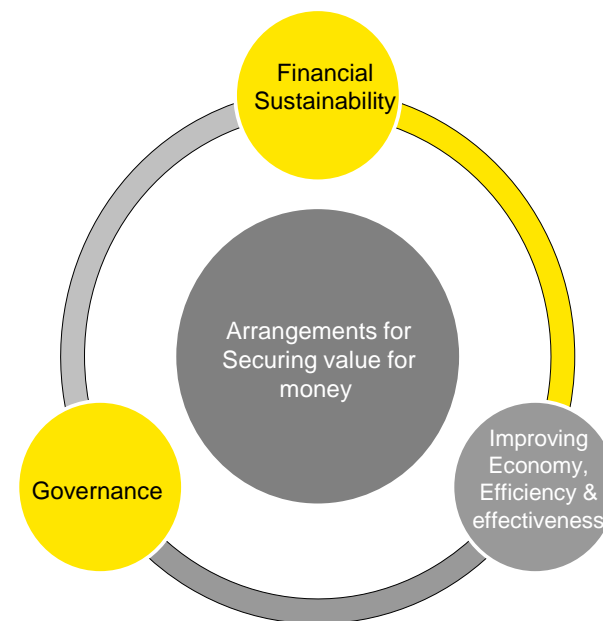
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council arrangements against three reporting criteria:

- ▶ **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- ▶ **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- ▶ **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

In our Audit Planning Report dated 7th June 2024, we reported that our value for money (VFM) risk assessment was in progress, and we had identified no risks of significant weaknesses in arrangements. Our work in this area is still ongoing however, we did not identify any significant weaknesses from our work completed to date. We will issue our VFM narrative commentary in our 2023/24 Auditor's Annual Report when we have concluded our audit.





# 04 Audit Report

## Expected modification to the audit report

As reported in our 2022/23 Audit Completion Report to Those Charged with Governance (dated 11 November 2024), we issued a disclaimed audit report on the Council's financial statements for 2022/23 under the arrangements to reset and recover Local Government audit.

We anticipate completing our planned programme of work for 2023/24, but because of the gaps in assurance from 2022/23 we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement. We did not plan to rebuild this assurance in our 2023/24 audit.

Taken together with the requirement to conclude our work by the 2023/24 backstop date set by legislation, the lack of evidence over these movements and balances mean we are unable to conclude that the Authority's 2023/24 financial statements are free from material and pervasive misstatements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion. The form and content of the Audit Report will be shared with the Chair of the Audit and Accounts Committee to support the approval of the accounts and the Section 151 officer to enable the formal authorisation of the 2023/24 financial statements for issue.



# 05 Audit Differences



# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of adjusted differences

We highlight the following misstatements which have been corrected by management that were identified during the course of our audit and audit differences which are uncorrected by management above £99.2k.

### Audit findings leading to audit differences

We wish to bring to the attention of this committee the current findings of the audit which will result in audit differences. However, we are yet to fully conclude as review is still ongoing.

#### ➤ **Uncorrected Audit differences**

- Investment Property: £365k overstatement of the McDonalds drive-thru. This is a judgemental difference in valuation assumptions.
- Judgmental difference for pension liability increase arising from Goodwin case of £225k; Our audit procedures are partially completed and the amount of the reported difference is subject to change.
- Amortisation across the life of an extended lease of upfront payment received from the tenant of SITE000192 Basing View, Belvedere House, for a lease restructuring. This audit difference relates to the 21/22 uncorrected item that has been rolled forward.

#### ➤ **Corrected Audit differences:**

- Investment Property: £3.06m understatement due to error in formula in PP&E register
- Investment Property: £5.83m understatement of Manydown South, this is due to the erroneous calculation of Fair Value by Montague Evans
- Investment Property: £11.25m overstatement of Manydown North – we identified that the appropriate treatment was to assess the value of the leasehold (with an option to acquire the freehold), rather than the freehold, as that was the position as at 31 March 2024.
- One item that was incorrectly treated as additions when it should have been classified as REFUS of £284k.
- Incorrect accounting of a sinking fund, management has performed a thorough exercise to rectify this and will be making an adjustment of c.£300k
- Correction of a GRN (Goods Received Note) error related to cut-off of £160k.
- A net decrease of £6.1m to Pension Liability due to incorrect change in demographic assumptions and inflation experience used by the Actuaries (Hymans Robertson)

Throughout the course of our audit, we identified small number of disclosure adjustments:

- Related Party Note and the Subsequent Events note have been updated following the completion of the purchase of the freehold of the Manydown land.
- Pension Scheme Liability note to be updated to reflect the split of pension fund assets.
- Short-term debtors (Note 8) and Uncertainties relating to assumptions and estimates used (Note 28) – allowance for doubtful debt to be updated to reflect reduced position.



**06**

# Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control including group-wide.

To date, we have not identified any significant control deficiencies during the audit of Basingstoke and Deane Borough Council.

In the 21/22 Audit Results Report, we made reference to an observation we had with regards to the quality of documentation provided to us. The quality of working papers provided to us has generally been of high quality in the 23/24 audit. However, with listings for various classes of debtors and creditors, the level of detail was insufficient to enable us to select samples efficiently because multiple items were not provided at transaction level, thus we needed to obtain a new population and re-sample a number of times, which leads to an increase in audit time and cost.

## Reliance on internal audit

Our review and evaluation of controls is performed in conjunction with Internal Audit to minimise duplication and to rely on their work where appropriate.

As part of our assessment of Basingstoke and Deane Council's control environment we have reviewed the internal audit reports that were issued during the year. We have also made enquiries to internal audit to understand their view on the risks of fraud at Basingstoke and Deane Council.

We have not placed direct reliance on the work of internal audit to support our audit report.



**07**

# Other Reporting Issues

# Other Reporting Issues

## Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Basingstoke and Deane Borough Council Statement of Accounts 2023/24 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Based on audit worked performed to date, we have not identified any matters to report.

## Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).

To date, we have not identified any issues which required us to issue a report in the public interest.

# Other Reporting Issues (cont'd)

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits

We wish to bring the following other matter to your attention; we anticipate that the current year audit report will be modified with respect to opening balances and prior period comparatives within the current year financial statements. This is because of the disclaimed prior period audit report. The form and content of the Audit Report will be shared with the Section 151 officer to enable the formal authorisation the 2023/24 financial statements for issue.

# Other Reporting Issues (cont'd)

## ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

Given that we have disclaimed the 2022/23 audit of the financial statements, we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
  - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
  - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

### Audit Procedures

We performed the following procedures:

- We enquired with the authority as to the relevant material IT systems that would impact the statement of accounts or the audit.
- We made subsequent enquiries to understand the key IT process for the relevant material IT systems. This included the manage access, manage change and manage operation processes for these IT systems.

### Audit findings and conclusions

We identified the following relevant material IT systems for the authority; Unit 4 ERP, Capita (Pay 360), Chris 21 and Civica Open Revenue. Our work on this area is in the review process – our understanding of the IT processes for the authority's material IT systems has not resulted in any additional audit risks for the audit thus far.



# 08 Independence

# Independence - Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

## Relationships

There are no relationships from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by EY

There are no services provided by EY from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

# Independence - Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our financial statements opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	Current Year	Scale fee	Prior Year
	£m	£m	£m
Fee – Code Work	£156,536	£156,536	Note 1
Proposed scale fee variation	Note 2	N/A	0
<b>Total audit</b>	<b>TBC</b>	<b>£156,536</b>	<b>TBC</b>
<b>Total other non-audit services</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total fees</b>	<b>TBC</b>	<b>£156,536</b>	<b>TBC</b>

All fees exclude VAT

(1) PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

(2) Following the completion of the 2023-24 work a final proposed fee will be determined. As explained in our Audit Planning Report, for 2023-24 the planned fee represents the base fee, i.e. not including any extended testing. We will estimate the impact of the additional audit procedures performed will include (i) to respond to the requirements of ISA315 (ii) to respond to the additional audit risks in relation to the IFRS 16, (iii) the Manydown transaction – both the valuation aspect and group boundary assessment, (iv) the new significant risk related to the recognition of rental income, and any other areas where the audit work required was additional to the scope planned within the scale fee.

All additional scale fee adjustments are subject to PSAA approval.



**09**

# Appendices

# Appendix A - Required communications with the Audit Committee

## Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>The planned scope and timing of the audit</li> <li>Any limitations on the planned work to be undertaken</li> <li>The planned use of internal audit</li> <li>The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Audit Planning Report at the Audit & Accounts Committee on 24 June 2024
Significant findings from the audit	<ul style="list-style-type: none"> <li>Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>Significant difficulties, if any, encountered during the audit</li> <li>Significant matters, if any, arising from the audit that were discussed with management</li> <li>Written representations that we are seeking</li> <li>Expected modifications to the audit report</li> <li>Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	<p>Interim Audit Results Report at the Audit &amp; Accounts Committee on 10 February 2025</p> <p>Final Audit Results Report – TBC</p>

# Appendix A - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The appropriateness of related disclosures in the financial statements</li> </ul>	<p>Interim Audit Results Report at the Audit &amp; Accounts Committee on 10 February 2025</p> <p>Final Audit Results Report – TBC</p>
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	<p>Interim Audit Results Report at the Audit &amp; Accounts Committee on 10 February 2025</p> <p>Final Audit Results Report – TBC</p>
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:                             <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>• Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	<p>Interim Audit Results Report at the Audit &amp; Accounts Committee on 10 February 2025</p> <p>Final Audit Results Report – TBC</p>

# Appendix A - Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	<p>Interim Audit Results Report at the Audit &amp; Accounts Committee on 10 February 2025</p> <p>Final Audit Results Report – TBC</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Interim Audit Results Report at the Audit &amp; Accounts Committee on 10 February 2025</p> <p>Final Audit Results Report – TBC</p>
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	<p>Interim Audit Results Report at the Audit &amp; Accounts Committee on 10 February 2025</p> <p>Final Audit Results Report – TBC</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	<p>Interim Audit Results Report at the Audit &amp; Accounts Committee on 10 February 2025</p> <p>Final Audit Results Report – TBC</p>

# Appendix A - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	<p>Interim Audit Results Report at the Audit &amp; Accounts Committee on 10 February 2025</p> <p>Final Audit Results Report – TBC</p> <p>Management Representation Letter – TBC</p>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	<p>Interim Audit Results Report at the Audit &amp; Accounts Committee on 10 February 2025</p> <p>Final Audit Results Report – TBC</p>
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	<p>Interim Audit Results Report at the Audit &amp; Accounts Committee on 10 February 2025</p> <p>Final Audit Results Report – TBC</p>
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor’s report</li> <li>Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	<p>Interim Audit Results Report at the Audit &amp; Accounts Committee on 10 February 2025</p> <p>Final Audit Results Report – TBC</p>

# Appendix C - Accounting and regulatory update

## Accounting and regulatory update

### Accounting update

As mentioned in our last report to the Audit & Accounts Committee, a number of new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Basingstoke & Deane Borough Council
IFRS 16 Leases	<ul style="list-style-type: none"><li>• CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.</li><li>• Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.</li><li>• Lease liabilities and right of use assets will be subject to more frequent remeasurement.</li><li>• The standard must be adopted by 1 April 2024 at the latest</li></ul>	<ul style="list-style-type: none"><li>• We have assessed the Council's readiness to implement IFRS 16 as part of our 2023/24 programme of work. That assessment considered:<ul style="list-style-type: none"><li>• The Council's processes to collect the required data.</li><li>• Whether reasonable accounting policy choices had been made.</li><li>• Whether relevant finance staff are familiar with the requirements of the CIPFA Code in this area and training has been provided.</li><li>• The transitional and ongoing accounting arrangements that have been established.</li><li>• Systems and processes to establish and distinguish between lease remeasurements and modifications.</li></ul></li><li>• Based on this assessment we have concluded that the Council has reasonable arrangements in place to support the adoption of IFRS 16 in 2024/25.</li></ul>

# Appendix B – Outstanding matters

## Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Pension Liability	EY Audit team to resolve any follow up points highlighted by EY Pensions and cross reference to adjustments in the final set of Financial Statements.	EY
Journals testing	Testing complete. Currently in quality assurance process. This is conducted consistently throughout the examination of significant account balances. Subsequently, a focused review of predominantly P13/materially significant items is carried out toward the conclusion of the audit process. Consequently, this aspect of the audit remains active as concurrent testing in other areas progresses.	EY
Other accounts that do not have areas of audit focus attached to with them	Testing complete. Currently in quality assurance process.	EY
Other usual conclusion procedures including going concern, subsequent event, review of final version of accounts and receipt of signed letter of representation.	All of these relates to final close-down procedures which needs to be up-to-date at the point of signing of our audit report	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures remain to be finalised and audited.

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