In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.
Introduction

The purpose of this letter
This letter summarises the results of our 2014/15 audit work for members of the Authority.

We have already reported the detailed findings from our audit work to the Audit and Accounts Committee in the following reports:

- Audit opinion for the 2014/15 financial statements, incorporating conclusion on the proper arrangements to secure economy, efficiency and effectiveness in its use of resources;
- Report to those charged with Governance (ISA (UK&I) 260); and
- Annual Certification Report (to those charged with governance) for 2013/14. Our Annual Certification Report for 2014/15 will be issued in February 2016 following the completion of our work in November 2015.

The matters reported here are the most significant for the Authority.

Scope of Work
The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our 2014/15 audit work has been undertaken in accordance with the revised Audit Plan that we issued in July 2015 and is conducted in accordance with the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We met our responsibilities as follows:

<table>
<thead>
<tr>
<th>Audit Responsibility</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Perform an audit of the accounts in accordance with the Auditing Practice Board’s International Standards on Auditing (ISAs (UK&amp;I)).</strong></td>
<td>We reported our findings to the Audit and Accounts Committee on 21 September 2015 in our 2014/15 report to those charged with governance (ISA (UK&amp;I) 260). On 30 September 2015 we issued an unqualified audit opinion.</td>
</tr>
<tr>
<td><strong>Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.</strong></td>
<td>We confirmed to the National Audit Office that the Council was below the required threshold on 30 September 2015.</td>
</tr>
<tr>
<td><strong>Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.</strong></td>
<td>On 30 September 2015 we issued an unqualified value for money conclusion.</td>
</tr>
<tr>
<td><strong>Consider the completeness of disclosures in the Authority’s annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</strong></td>
<td>We undertook our work in accordance with our Audit Plan. There were no issues to report in this regard.</td>
</tr>
</tbody>
</table>

Basingstoke and Deane Borough Council
## Audit Responsibility

<table>
<thead>
<tr>
<th>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</th>
</tr>
</thead>
<tbody>
<tr>
<td>We undertook our work in accordance with our Audit Plan. There were no issues to report in this regard.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</th>
</tr>
</thead>
<tbody>
<tr>
<td>We undertook our work in accordance with our Audit Plan. There were no issues to report in this regard.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</th>
</tr>
</thead>
<tbody>
<tr>
<td>We issued our Audit Certificate on 30 September 2015 on completion of our work. There were no issues to report in this regard.</td>
</tr>
</tbody>
</table>
Audit Findings

Accounts
We audited the Authority’s accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 30 September 2015.

We reported our key findings arising from our audit within our Report to Those Charged with Governance (ISA (UK&I) 260). This report was presented in draft to the Audit and Accounts Committee on 21 September 2015, with the final report being issued on 30 September 2015. We wish to draw the following points, included in that report, to your attention in this letter.

Financial investments
The Authority has a total of £124m of long and short term investments (2013/14 £109m) of which £99m relates to investments held at market value and the value quoted is based on the market rates used by the Authority. As part of our testing, we obtained independent information on the market values for each of these investments to confirm that the market values were correct.

Our work identified a difference of £0.28m when we compared the Authority’s market value with other publically available information. As the differences identified were not considered material, we have concluded that the fair value of the financial investments in the Authority’s accounts are based on reasonable estimates and are therefore materially correct.

Property, plant and equipment (PPE) and investment property valuations
PPE and investment property represent the largest combined balance in the Authority’s balance sheet, with a total of £310m (2013/14 £305m). The Authority measures its properties at fair value involving a range of assumptions and the use of internal and external valuation expertise. The Authority has revalued all of its investment property balance and 66% of its land and buildings balance as at 31 March 2015.

Our review of the valuations has confirmed that an appropriate approach had been taken. Our valuations specialists accepted that the valuation basis for each of the sampled assets and concluded that the assumptions made were reasonable.

The Authority’s valuation team keep highly detailed records, which were found to support the values provided. We were also able to confirm that the valuations had been correctly recorded within the accounts, with the movements in values appropriately charged to reserves or the Comprehensive Income and Expenditure statement.

Income and expenditure cut off
The Authority, as required by the Local Government Code of Practice, applies accruals accounting to both income and expenditure. This follows the principle that a financial transaction should be recognised within the year it relates to, even if an invoice has not been raised or received. We have reported this in previous years and as a result the Authority has introduced a process of checking the largest accruals to ensure they have been correctly included.

For income, our sample testing identified one item that was posted in the incorrect period. This individual error, and the projected error based on our sampling methodology were below the triviality level.
For expenditure, our sample testing identified a number of items that were incorrectly treated. The errors identified were both over and under accruals/recognition of expenditure (i.e. some impact 2014/15 and some impact 2015/16).

We have assessed the errors individually and in aggregate and concluded the Authority’s expenditure/accruals are materially correct.

Pensions liability

The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Hampshire County Council pension fund. The Authority’s net pension liability at 31 March 2015 was £75m (2013/14 - £68m).

We reviewed the reasonableness of the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range. The report from the Pension Fund actuary was reviewed and the assumptions used were compared to the industry averages.

The assumption used for the future lifetime at 65 for male pensioners was 0.2 years above the expected maximum (0.1 years in 2013/14). The financial impact of this is at most a decrease of the liability of £1,174,000 (£525,000 in 2013/14). The impact of this assumption being above the average does not have a material impact on the pension liability and as such we have concluded it is reasonable but we do bring this to your attention.

We have also validated the data supplied to the actuary on which to base their calculations and did not identify any issues to report.

Use of Resources

We carried out sufficient, relevant work in line with the Audit Commission’s guidance, so that we could conclude on whether you had in place, for 2014/15, proper arrangements to secure economy, efficiency and effectiveness in your use of the Authority’s resources.

In line with Audit Commission requirements, our conclusion was based on two criteria:

- that the organisation has proper arrangements in place for securing financial resilience; and
- that the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

To reach our conclusion, we carried out a programme of work that was based on our risk assessment.

We issued an unqualified conclusion on the ability of the organisation to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.
We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the National Audit Office. The Authority was below the threshold for detailed testing and this was confirmed to the National Audit Office through the submission of the return on 30 September 2015.

We presented our most recent Annual Certification Report for 2013/14 to those charged with governance in February 2015. We certified one claim worth £48.8 million. For this claim a qualification letter was required to set out the issues arising from the certification of the claim. These details were also set out in our Annual Certification Report for 2013/14. We will issue the Annual Certification Report for 2014/15 in February 2016.
Final Fees

Final Fees for 2014/15

We reported our fee proposals in our audit plan.

Our actual fees were in line with our proposals and are set out in the table below.

<table>
<thead>
<tr>
<th>Services</th>
<th>2014/15 outturn</th>
<th>2014/15 fee proposal</th>
<th>2013/14 final outturn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit work performed under the Code of Audit Practice</td>
<td>71,835</td>
<td>71,835</td>
<td>73,795</td>
</tr>
<tr>
<td>- Statement of Accounts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Whole of Government Accounts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certification of Claims and Returns</td>
<td>See below</td>
<td>21,880</td>
<td>21,800</td>
</tr>
<tr>
<td>Non Audit Work</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>93,715</td>
<td>93,715</td>
<td>95,595</td>
</tr>
</tbody>
</table>

Our fee for certification of claims and returns is yet to be finalised for 2014/15 and will be reported to those charged with governance in February 2016 within the 2014/15 Annual Certification Report.
In the event that, pursuant to a request which Basingstoke and Deane Borough Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Basingstoke and Deane Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Basingstoke and Deane Borough Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Basingstoke and Deane Borough Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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