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AT A MEETING of the Audit Committee of HAMPSHIRE COUNTY COUNCIL
held at the castle, Winchester on Tuesday, 23rd July, 2019

Chairman:
Councillor Keith Evans

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|----------------------------|-------------------------------|
| * Councillor Alexis McEvoy | Councillor Lance Quantrill |
| Councillor Dominic Hiscock | * Councillor Tom Thacker |
| * Councillor Keith House | * Councillor Zilliah Brooks |
| * Councillor Mark Kemp-Gee | * Councillor Stephen Philpott |
| * Councillor Derek Mellor | * Councillor Bruce Tennent |
| * Councillor Rob Mocatta | Councillor David Harrison |

*Present

121. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Keith Evans, Dominick Hiscock and Lance Quantrill. Councillors Zilliah Brooks and Stephen Phillpott were in attendance as Conservative substitutes, and Councillor Bruce Tennant as the Liberal Democrat substitute Member.

Members heard that, in the absence of the Chairman, the Vice-Chairman Councillor McEvoy would chair the meeting.

122. DECLARATIONS OF INTEREST

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Personal Interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 5 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

123. MINUTES OF PREVIOUS MEETING HELD ON 23 MAY 2019

Councillor House made Members aware that he had given apologies for the previous meeting, however these had not been received by the relevant officer in advance of the meeting commencing.

The minutes of the meeting held on 23 May 2019 were otherwise agreed as a correct record and signed by the Chairman.

124. **DEPUTATIONS**

There were no deputations.

125. **CHAIRMAN'S ANNOUNCEMENTS**

There were no announcements.

126. **EXTERNAL AUDIT REPORTS 2018/19 - HAMPSHIRE COUNTY COUNCIL AND HAMPSHIRE PENSION FUND**

The Committee received and noted the external auditors draft reports for both Hampshire County Council and the Hampshire Pension Fund for the year ending 31 March 2019.

The auditor highlighted the following:

- In line with previous years, the audit of the whole of government accounts had not yet been completed, however this was expected to be completed prior to the August deadline.
- Resulting from the five-year asset valuation cycle, consideration of any changes to the expected value of the assets not valued in-year was required, in line with national indexing. Subsequently, an adjustment to the valuation of lands and buildings had been agreed.
- The 2018/19 Code of Practice requires an additional disclosure note relating to cash-flow financing activity. This has not been included, as it was agreed as not being material to the figures reported.
- Discussion regarding classification of Dedicated Schools Grant (DSG) reserves was ongoing at a national level, to determine best practice in how they should be presented.
- The Hampshire Pension Fund Audit was awaiting an audit review, but otherwise was complete and resolved.

RESOLVED:

The Audit Committee notes the Hampshire County Council and Hampshire Pension Fund Audit Reports for year ending 31 March 2019. The finalised versions of these reports are appended to the minutes.

127. **STATEMENT OF ACCOUNTS 2018/19**

The Committee considered the report of the Deputy Chief Executive and Director of Corporate Resources with the annual Statement of Accounts for 2018-19.

Members were grateful for the significant workload which had gone into producing the Statement of Accounts and recorded their thanks to all officers who had been involved.

RESOLVED:

That the Statement of Accounts for 2018/19 for Hampshire County Council and the Hampshire Pension Fund was approved.

Further:

- That the letters of representation for Hampshire County Council and the Hampshire Pension Fund were signed by the Chairman.
- That delegated authority be given to the Deputy Chief Executive and Director of Corporate Resources to approve any amendments to the Statement of Accounts prior to the issue of the final audit opinion and publication of the Statement of Accounts.

128. INFORMATION COMPLIANCE - USE OF REGULATED INVESTIGATORY POWERS

The Committee considered the report of the Directors of Culture, Communities and Business Services and Transformation and Governance– Corporate Services.

In response to Members questions it was heard that:

- The use of surveillance powers was entirely discretionary, but can be a powerful tool in gaining evidence needed in order to prove illegal activity. Generally over the past 10 years surveillance had been used in establishing the selling of counterfeit goods and of keeping animals in unacceptable conditions.
- All reports made to Trading Standards were investigated, however not all required surveillance, and powers were only used twice in the last year.
- The nature of reports had changed across the last 10 years, with marked change to increased illegal activity facilitated through online channels.

RESOLVED:

That the Audit Committee notes the contents of the report and that the County Council's surveillance powers continue to be exercised appropriately and proportionately.

The Audit Committee, in considering the County Council's use of surveillance powers for the previous financial year, provides the Executive Member for Policy and Resources with assurance that the County Council is operating its powers in a lawful and proportionate manner. Furthermore, the Audit Committee assures him of the continued use of surveillance powers by the County Council.

129. ANNUAL INTERNAL AUDIT REPORT & OPINION 2018/19

The Committee considered the report of the Deputy Chief Executive and Director of Corporate Resources outlining the annual report and opinion of the Chief

Internal Auditor regarding the County Council's framework of risk management, internal control and governance.

Members heard that 15 limited assurance provisions were identified across 86 review areas. It was confirmed that, for each of the services where risks had been identified, a comprehensive action plan was in place and the results from these were due to inform the next audit.

In response to Members questions it was heard that:

- Risk registers were a fundamental part of the risk management process. Confirmation would be provided to the Audit Committee that the process to enable reporting against the risk register to the Corporate Management Team (CMT) was in place.
- In 2019/20 Internal Audit plan to undertake a thematic review across all departments to identify any common themes where contract management could be improved.
- Members suggestion that any proven employee fraud cases be reported anonymously across the workforce, to act as a deterrent to others, would be considered.

RESOLVED:

That the Audit Committee approves the Internal Audit Annual Report & Opinion 2019-20.

130. INTERNAL AUDIT CHARTER 2019/20

The Committee considered the report of the Deputy Chief Executive and Director of Corporate Resources presenting the Internal Audit Charter 2019-20 in accordance with the requirements of the Public Sector Internal Audit Standards.

RESOLVED:

That the Audit Committee approves the Internal Audit Charter 2019-20.

131. INTERNAL AUDIT PLAN 2019/20

The Committee considered the report of the Deputy Chief Executive and Director of Corporate Resources with an overview of the County Council's Internal Audit Plan.

In response to Members questions it was heard that:

- The plan would remain fluid through the year to meet the needs of the organisation but any changes will be reported to the Audit Committee as part of the update report, for transparency.
- The matrix approach to resourcing had been devised to meet the needs of the wider partnership, a benefit of which was to maximise the amount of available resource.

RESOLVED:

That the Audit Committee approves the Audit Plan for 2019–20.

132. ANNUAL GOVERNANCE STATEMENT

The Committee considered the report of the Directors of Transformation and Governance and Corporate Resources – Corporate Services (Item 11 in the Minute Book) presenting the Annual Governance Statement for 2017-18.

Discussion was held regarding the risk registers and the role of the Audit Committee in the process of developing and monitoring the risk register. It was agreed that ensuring the process behind the risk register was sufficiently robust sat with the Audit Committee, but that to consider the detail of the risk register itself may breach upon the responsibility of other scrutiny committees/processes.

RESOLVED:

That the Head of Legal Services would bring a report on the risk management process to the next meeting of the Audit Committee.

That the Audit Committee approves the draft 2018-19 Annual Governance Statement.

133. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 29 MARCH 2019 (LESS EXEMPT)

The Committee received and noted the non-exempt minutes of the Hampshire Pension Fund and Board meeting held on 29 March 2019.

134. EXCLUSION OF THE PRESS AND PUBLIC

The press and public were excluded from the meeting during the following items of business, as it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would have been disclosure to them of exempt information within Paragraphs 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, for the reasons set out in the minutes.

135. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 29 MARCH 2019

The Committee received and noted the exempt minutes of the Hampshire Pension Fund and Board meeting held on 29 March 2019.

Chairman, 3 October 2019

Hampshire County
Council
Audit results report
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Private and Confidential

23 July 2019

Dear Audit Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Hampshire County Council for 2018/19.

We have completed our audit of Hampshire County Council for the year ended 31 March 2019.

We confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3 before 31 July 2019. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting.

Yours faithfully

Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

This 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 (updated April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

Scope update

In our Audit Planning Report presented at the 21 February Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

- Changes in materiality: We updated our planning materiality assessment using the draft results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £39.2 million (Audit Planning Report – £38.2 million). This results in updated performance materiality, at 75% of overall materiality, of £29.4 million, and an updated threshold for reporting misstatements of £1.9 million.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

Status of the audit

We have completed our audit of Hampshire County Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Planning Report.

We expect to issue the audit certificate at a later date from the audit opinion on completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission.



Executive Summary

Audit differences

At this stage of the audit, there are no unadjusted or adjusted audit differences arising. However until work is complete, further amendments may arise. We have identified audit differences in respect of the disclosures in the financial statements. Details can be found in Section 4 Audit Differences

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Hampshire County Council's financial statements. We summarise below the latest findings.

| Significant Risk | Findings and Conclusions |
|---|--|
| Inappropriate capitalisation of revenue expenditure | We have completed our testing and found no indications that revenue expenditure has been inappropriately charged to capital. |
| Financial statements due to fraud or error | We have completed our testing and not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. |
| Area of Audit Focus | Findings and Conclusions |
| Valuation of Land and Buildings | We have completed our testing and noted one adjustment which has been processed by management |
| Pension Liability Valuation | We have completed our testing and are satisfied that McCloud judgement has been reflected in IAS 19 disclosures appropriately. |
| New Accounting Standards | We have concluded on our work in respect of IFRS 9 and noted one adjustment which has been processed by management. |

This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- You agree with the resolution of the issue; and
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.



Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

We have tested controls as set out in Appendix A. There were no control deficiencies noted in our testing.

During the audit we identified scope for improving management's financial processes and controls as noted in Section 7 of this report. We will discuss with management and follow up progress as part of next years audit

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

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Other reporting issues

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

We have not performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will issue the audit certificate after completion of this work.

We have no other matters to report.

Independence

Please refer to Section 10 for our update on Independence.

We have no matters to report.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Inappropriate capitalisation of revenue expenditure (risk of fraud in revenue and expenditure recognition)

What is the risk?

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.

The risk in local government is in areas where management make judgements that impact whether material items of expenditure are financed from capital or revenue resources.

As such we associate this risk with capital additions.

What judgements are we focused on?

There is a risk that management will inappropriately capitalise revenue expenditure to improve the financial position of the general fund. Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges hitting the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.

Due to the environment the Authority operates in there could be incentive to improve the general fund balance.

As such we have focussed on significant additions to PPE and management's judgement as to what they recognise as capital and what they recognise as revenue spend.

What did we do?

We have extended our testing of items capitalised in the year by raising our combined risk assessment. This means we will identify a larger sample of key items, as our testing threshold will be lowered, and select a large representative sample through the use of our audit risk tables.

For significant additions (including capitalised labour (staff costs), borrowing costs and other acceptable costs) we examined invoices, capital expenditure authorisations, leases and other data that supported these additions and ensured that the items are capital in nature, and did not include revenue items.

We have designed additional journal tests to identify high risk journals that may be an indication of management override. We reviewed journals where management have capitalised expenditure outside the normal process. Specifically

- where management have posted to additions from outside the capital codes; and
- where management have manually posted to the capital codes from another expenditure code.

What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition specific to inappropriate capitalisation.

Overall our audit work did not identify any issues or unusual transactions to indicate any misreporting of the Authority's financial position.



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

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

As identified in ISA (UK and Ireland) 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 judgements are we focused on?

The risk of management override at the Authority is mainly through the possibility that management could override controls and manipulate in-year financial transactions that have an impact on the General Fund's medium to longer-term projected financial position.

The risk is focused in non-routine transactions as they are not protected by system controls and the robust segregation of duties in routine transactions. These non-routine and estimation transactions are also more subjective and therefore more susceptible to management override. We are specific that at the Authority, this risk only manifests itself in any estimates and judgements that impact the General Fund.

What did we do?

We enquired of management about risks of fraud and the controls put in place to address those risks.

We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.

We performed mandatory procedures, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Assessing accounting estimates for evidence of management bias, and
- Evaluating the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work, including carrying out testing on the Income and Expenditure accounts, and journal entry testing. We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

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 did not identify any other transactions during our audit which appeared unusual or outside of the Authority's normal course of business



Areas of Audit Focus



Valuation methods applied

What is the risk/area of focus?

Valuation of Land and Buildings

Land and buildings is one of the most significant balances in the Authority's Balance Sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.

Pension Liability Valuation

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 Hampshire County 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. At 31 March 2019 this totalled £1,284 million.

The information disclosed is based on the IAS 19 report issued by the actuary to the County Council. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

We have:

- Reviewed the instructions sent to, data used, and the report produced by, the in-house valuer;
- Challenged the assumptions used by the valuer by reference to external evidence;
- Reviewed managements assessment of assets not revalued in the year; and
- Tested the journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.

Conclusion: Our testing of assets not revalued in the year resulted in an adjustment that was processed by management.

We have:

- Liaised with the auditors of Hampshire Pension Fund and Hampshire County Council, to obtain assurances over the information supplied to the actuary in relation to HCC;
- Assessed the work of the LGPS Pension Fund actuary (AoN Hewitt) including the assumptions they used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and
- Reviewed and tested the accounting entries and disclosures made within HCC's financial statements in relation to IAS19.

Conclusion: We have considered the movement in PF asset values between the date of actuary estimate and year end - they are not material. We obtained revised figures as a result of the McCloud ruling and confirmed they had been calculated reasonably and processed correctly. No issues noted.



Areas of Audit Focus



New Accounting Standards

What is the risk/area of focus?

IFRS 9 financial instruments

This new accounting standard is applicable from the 2018/19 financial year and will change:

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial assets.

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There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of Practice on Local Authority accounting provides guidance on the application of IFRS 9

IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable from the 2018/19 financial year.

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The impact on Hampshire County Council accounting was deemed at planning to likely be limited as large revenue streams like council tax and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

What did we do?

We have:

- Assessed implementation arrangements on the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Considered whether relevant assets have been appropriately classified and valued;
- Reviewed new expected credit loss model impairment calculations for assets; and
- Ensured that additional disclosure requirements have been met.

Conclusion: There were conversations with management over the option to irrevocably elect to account for equity instruments at fair value through other comprehensive income (FVOCI) and specifically that the strategic pooled funds that HCC hold meet the definition of an equity instrument. This accepted EY's position and subsequently processed an adjustment to show these assets as FV through Profit & Loss.

We have:

- Assessed implementation arrangements on the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Considered the application to revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Ensured that additional disclosure requirements have been met.

Conclusion: We have reviewed the impact assessment prepared by the Authority and concluded that the impact of IFRS 15 is not material for HCC and that revenue has been fairly recognised in the Financial Statements.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAMPSHIRE COUNTY COUNCIL

Opinion

We have audited the financial statements of Hampshire County Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement; and
- The related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Hampshire County Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the [authority/group] in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, [name of body] put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



Audit Report

Our opinion on the financial statements

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer Responsibilities set out on page 30, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Hampshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Hampshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Hampshire County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

This report is made solely to the members of Hampshire County Council as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
23 July 2019

The maintenance and integrity of the Hampshire County Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit Differences





Audit Differences – to be updated on completion of our work

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

The following misstatements were identified during the course of the audit and adjusted by management:

- As a result of the discussions in respect of IFRS, an adjustment of £165m was made to reclassify equity assets elected as held at FV through OCI to FV through P&L.
- Our review of assets not revalued in the year resulted in an adjustment of £465.8m

In addition, the following post balance sheet event was identified during the course of the audit and adjusted by management:

- Update to pension liability as a result of the McCloud judgement, this increased the defined benefit liability by £43.6m

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23

Summary of unadjusted differences

We highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. Management have agreed to adjust these and we expect these to be updated upon receipt of the final draft of financial statements and will update the Joint Audit Committee on 23 July.

Uncorrected disclosure misstatements

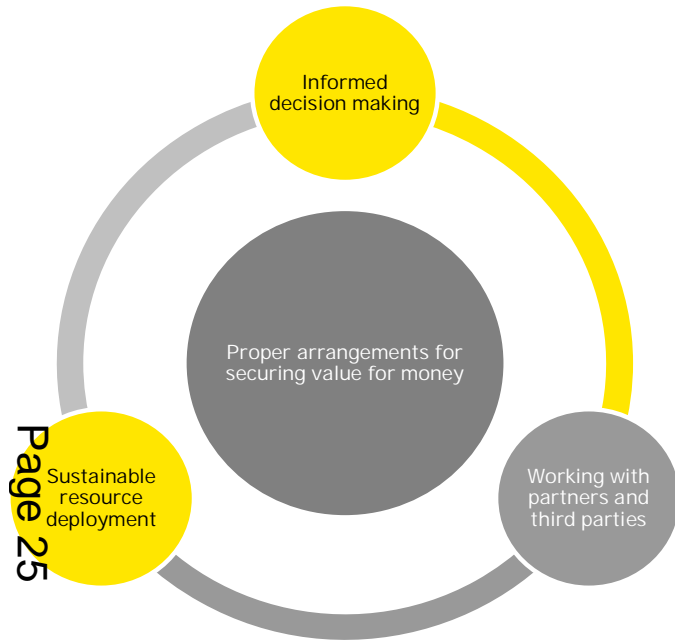
We identified that there is a new requirement in the 2018/19 CIPFA to present a reconciliation of liabilities arising from financing activities. The Council has not made this disclosure in as it is not material – we have therefore noted as an uncorrected disclosure misstatement.

We also noted an error in respect of classification of DSG reserves of £13.7m to separately disclose as a separate line item. The Council has not made this adjustment – we therefore note as an uncorrected disclosure misstatement.



05

Value for Money Risks



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Background

We are required to consider whether the HCC have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on their use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation 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"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We did not identify any significant risks around these criteria at the planning stage of the audit

We have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



06 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 Statement of Accounts 2018/19 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.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other 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 are yet to complete our work on Whole of Government Accounts and audit certificate will be issued on completion.

Other reporting issues

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 Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

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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

There are no significant issues to report



07

Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Authority 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 Authority have 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.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware but we do raise one recommendation in respect of journal authorisation as can be seen on the next slide.

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The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2018/19 audit (including IT controls). We will discuss with management and follow up as part of 2019/20 audit..

| | High | Moderate | Low | Total |
|---------------------------------------|------|----------|-----|-------|
| Open at 01 April 2018 | 0 | 0 | 0 | 0 |
| Closed during FY18/19 | 0 | 0 | 0 | 0 |
| New points raised in FY18/19 | 0 | 0 | 1 | 1 |
| Total open points as at 31 March 2019 | 0 | 0 | 1 | 1 |

- Key:
- A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
 - Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
 - Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Assessment of Control Environment

| | | | |
|------|----------|--------|-----|
| Area | Journals | Rating | Low |
|------|----------|--------|-----|

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Observation

We note that there is no 'official' authorisation process in place when processing journals within the system. We are aware that as a mitigating control, budget holders perform a review of their budgets on a regular basis however no evidence is kept on file of this review so there is no way to confirm that they have completed it. We recommend that HCC can improve the documentation of the process undertaken by budget holders to enhance this control by evidencing the review the budget holders complete in order to demonstrate it operates effectively.

Management comment

As part of the implementation of the shared services self service model a conscious decision was taken not to build in separate authorisation of journals. This was to ensure that processes were as efficient and streamlined as possible and built on the premise that all employees and budget managers were accountable for their actions. Review of budgets, spend and financial management tasks around transactions are an inherent part of a budget managers responsibilities and they work with the Finance teams throughout the year to achieve this, whilst this may not be specifically evidenced in writing, previous internal audit reviews have shown compliance in this area to be adequate. The fact that no erroneous or fraudulent journals were identified during audit testing adds further assurance to this position, however, Finance Teams will ensure that appropriate review of material journal entries is included as a key part of a budget managers role in the training that is currently being developed to support the changes in the finance operating model.

Reliance on internal audit

We have reviewed Internal Audit reports issued to management during the period to July 2019 and selected working papers to ensure that any financial statement risks identified are considered in determining the extent of our audit procedures.



08 Data Analytics



Use of Data Analytics in the Audit

▶ Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the authority's audit included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

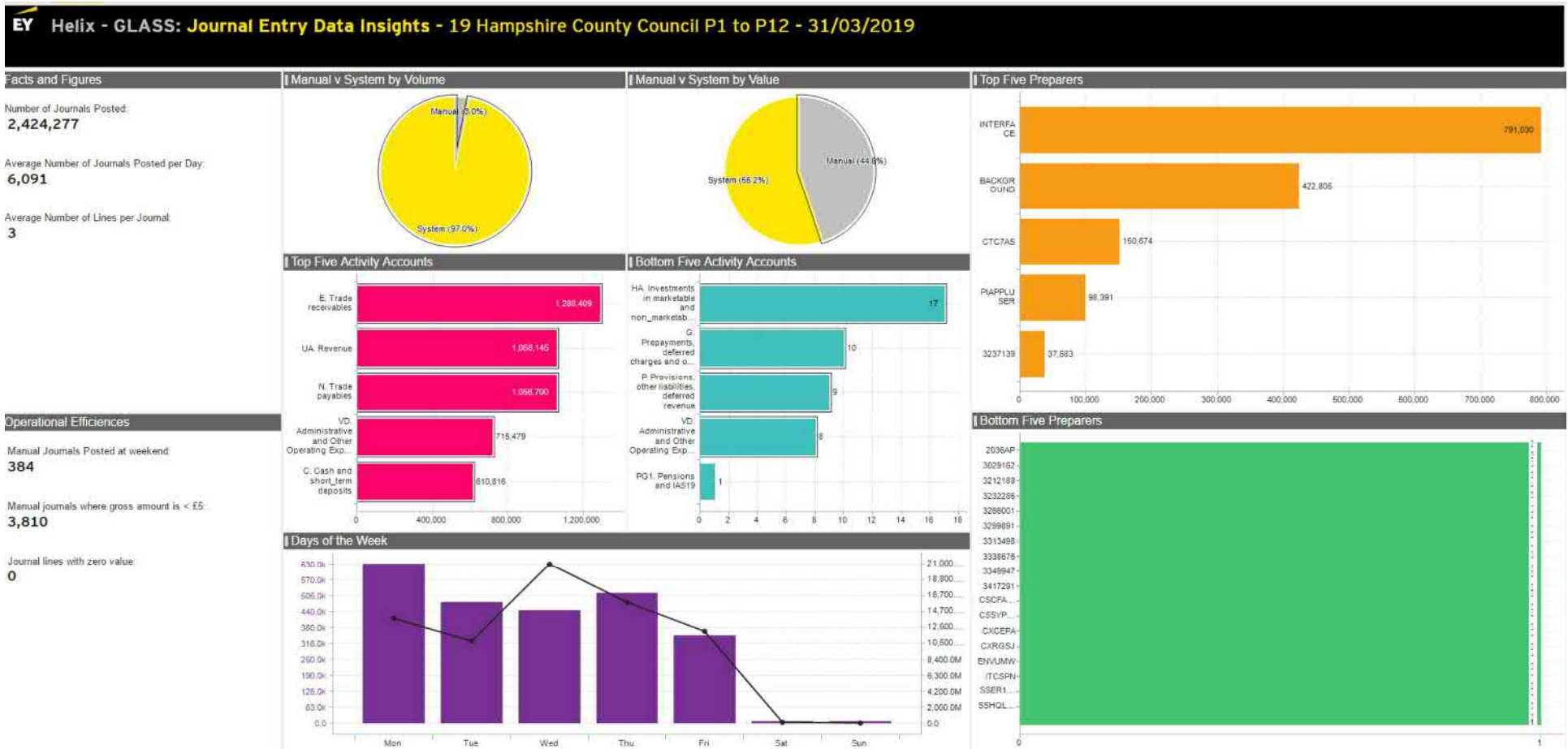
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.



Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.





Journal Entry Testing

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Journal entry data criteria – 31 March 2019

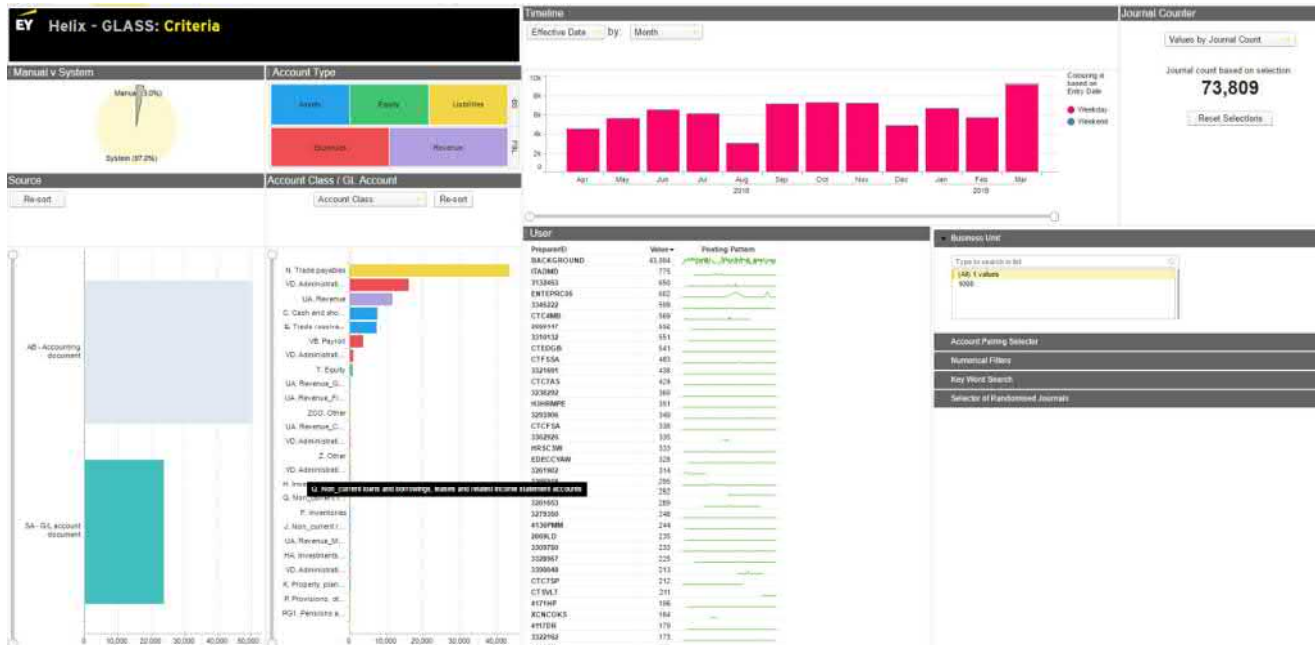
What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.



What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated 22 January 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 23 July 2019.

Independence



Relationships, services and related threats and safeguards



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

There are no relationships from 01 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed has been provided on a contingent fee basis.

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.

Non audit services relate the Readiness Assessment and independent Service Organisation Controls Type 1 Assurance Report for the Hampshire Integrated Business Centre (IBC) only. The fee is being funded by the Shared Services Partnership not directly by Hampshire County Council

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| | Final Fee 2018/19 | Scale Fee/ Planned Fee 2018/19 | Final Fee 2017/18 |
|--------------------------|----------------------|--------------------------------------|----------------------|
| | £ | £ | £ |
| Total Audit Fee | 89,720 | 89,720 | 116,519 |
| Total Non-Audit Services | 43,000 | 43,000 | 0 |
| Total Fees | 132,720 | 132,720 | 116,519 |



10 Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet/s and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:




- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded

Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

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| Balance sheet category  | Audit Approach in current year  | Audit Approach in prior year  | Explanation for change  |
|--|--|--|--|
| Trade receivables | We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards | We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards | No change |
| Trade payables | We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards | We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards | No change |
| Tangible fixed assets | Substantively tested all relevant assertions | Substantively tested all relevant assertions | No change |
| Cash | Substantively tested all relevant assertions | Substantively tested all relevant assertions | No change |




Summary of communications

| Date  | Nature  | Summary  |
|--|--|--|
| January 2019 | Report | The audit planning report, including confirmation of independence, was issued to the Audit Committee. |
| January 2019 | Meeting | The Associate Partner and Manager met with the Audit Committee and senior members of the management team to discuss the audit planning report. |
| May 2019 | Meeting | The Manager met with the Audit Committee and senior members of the management team to discuss the progress of the audit. |
| July 2019 | Meeting | Audit close meeting with the management team to discuss the preliminary findings of the audit. |
| July 2019 | Management letter | The management team and the audit committee were provided details of internal control observations made in respect of the current year. |
| July 2019 | Report | The audit results report, including confirmation of independence, was issued to the Audit Committee. |
| July 2019 | Meeting | The Associate Partner and Manager, met with the Audit Committee and senior members of the management team to discuss the audit results report. |

In addition to the above specific meetings and letters the audit team including the partner in charge of the audit met with the management team multiple times throughout the audit and held calls to discuss audit findings and specific technical issues around IFRS9, McCloud, PPE etc.

Required communications with the Audit Committee





There are certain communications that we must provide to the Audit Committees of UK clients. 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. | Audit planning report presented at the Audit Committee 21 February 2019 | |
| Planning and audit approach | Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. | Audit planning report presented at the Audit Committee 21 February 2019 | |
| Significant findings from the audit | <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process • Findings and issues regarding the opening balance on initial audits | Audit results report presented at the Audit Committee 23 July 2019 | |

Appendix C

| | | 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"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements | No conditions or events were identified, either individually or together to raise any doubt about Hampshire County Council's ability to continue for the 12 months from the date of our report |
| Misstatements | <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management | Audit results report presented at the Audit Committee 23 July 2019 |
| Subsequent events | <ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. | |
| Fraud | <ul style="list-style-type: none"> • Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility. | Audit results report presented at the Audit Committee 23 July 2019 |





Appendix C

| | |  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 Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority | Audit results report presented at the Audit Committee 23 July 2019 |
| Independence | <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, 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"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> | <p>Audit planning report presented at the Audit Committee 21 February 2019 and</p> <p>Audit results report presented at the Audit Committee 23 July 2019</p> |

Appendix C

| | | Our Reporting to you |
|---|---|---|
| Required communications | What is reported? | When and where |
| External confirmations | <ul style="list-style-type: none"> Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. | We have received all requested confirmations |
| Consideration of laws and regulations | <ul style="list-style-type: none"> 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 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 | We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations |
| Significant deficiencies in internal controls identified during the audit | <ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. | Audit results report presented at the Audit Committee 23 July 2019 |

Appendix C

| | |  Our Reporting to you |
|--|--|--|
| Required communications |  What is reported? |   When and where |
| Written representations we are requesting from management and/or those charged with governance | <ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance | Audit results report presented at the Audit Committee 23 July 2019 |
| Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | <ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | Audit results report presented at the Audit Committee 23 July 2019 |
| Auditors report | <ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report | Audit results report presented at the Audit Committee 23 July 2019 |
| Fee Reporting | <ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work | Audit planning report presented at the Joint Audit Committee 21 February 2019 Audit results report presented at the Audit Committee 23 July 2019 |

Management representation letter

Management Rep Letter

This letter of representations is provided in connection with your audit of the financial statements of Hampshire County Council (“the Council”) for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Hampshire County Council as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date].

Management representation letter

Management Rep Letter

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4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- D. Liabilities and Contingencies
1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
- E. Subsequent Events
1. Other than the events described in Note [X] to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.
- F. Other information
1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative statement.
 2. We confirm that the content contained within the other information is consistent with the financial statements.
- G. Ownership of Assets
1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
 2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
 4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.
- H. Reserves
1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.
- I. Use of the Work of a Specialist
1. We agree with the findings of the specialists that we engaged to evaluate the fair value of property, plant and equipment and the IAS 19 actuarial valuations of pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
- J. Estimates
- Pensions Liability and PPE Valuations Estimate
1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
 2. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
 3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
 4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.
- K. Retirement benefits
1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Chief Financial Officer

Chairman of the Audit Committee

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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Hampshire Pension
Fund
Audit results report
Year ended 31 March 2019

23 July 2019

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Private and Confidential

23 July 2019

Dear Audit Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Hampshire Pension Fund for 2018/19.

We have completed our audit of Hampshire Pension Fund for the year ended 31 March 2019.

We confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3 before 31 July 2019.

This report is intended solely for the use of the Pension Fund Committee, Audit Committee, other members of the Pension Fund, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting.

Yours faithfully

Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

This 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 (updated April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01 Executive Summary



Executive Summary

Scope update

In our Audit Planning Report tabled at the 21 February Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

- Changes in materiality: We updated our planning materiality assessment using the draft accounts and have also reconsidered our risk assessment. Based on our materiality measure of net assets, we have updated our overall materiality assessment to £72 million (Audit Planning Report – £66 million). This results in updated performance materiality, at 75% of overall materiality, of £54 million, and an updated threshold for reporting misstatements of £3.6 million.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

Status of the audit

We have completed our audit of Hampshire Pension Fund's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Planning Report.

Executive Summary

Audit differences

At this stage of the audit, there are no unadjusted or adjusted audit differences arising. However until work is complete, further adjustments may arise.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Hampshire Pension Fund's financial statements. We summarise below the latest findings.

| Significant Risk | Findings and Conclusions |
|--|--|
| Risk of manipulation of investment valuation | We have completed our testing and not noted any issues |
| Financial statements due to fraud or error | We have completed our testing and not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. |
| Valuation of complex investments | We have completed our testing and not noted any issues |
| Area of Audit Focus | Findings and Conclusions |
| Valuation of property investments | We have completed our testing and not noted any issues |

This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.



Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

We have undertaken a fully substantive audit and as such have not tested any controls

During the audit we identified scope for improving management's financial processes and controls as noted on page 29. We will discuss with management and follow up as part of our 2019/20 audit.

Other reporting issues

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

We have no other matters to report.

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Independence

Please refer to Section 08 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Risk of manipulation of investment valuation

What is the risk?

Under ISA 240, management is in a unique position to perpetrate fraud through the override of controls. We have considered the main areas where management may have the incentive and opportunity to do this.

What judgements are we focused on?

At the Pension Fund, we have assessed that the risk of misstatement of investment valuation through management override of controls as the most likely areas of manipulation, and that this would occur specifically through journal postings.

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What did we do?

In addition to journal testing, as noted on page 10, and our standard procedures on investments, we performed the following procedures:

- Reviewed reconciliations to the fund manager, custodian and valuer reports and investigating any reconciling differences; and
- Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports.

What are our conclusions?

Our testing completed has not identified any material misstatements from manipulation of investment valuation

Authority

Overall our audit work did not identify any issues or unusual transactions to indicate any misreporting of the Pension Fund's financial position.



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

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

As identified in ISA (UK and Ireland) 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 judgements are we focused on?

The risk of management override at the HCC is mainly through the possibility that management could override controls and manipulate in-year journal entries which tend to adjust the entity's reported Fund Account

This could be done through manipulation of estimates including investment valuation, investment income and change in market value of investments.

What did we do?

We enquired of management about risks of fraud and the controls put in place to address those risks.

We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.

We performed mandatory procedures, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Assessing accounting estimates for evidence of management bias, and
- Evaluating the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work, including carrying out testing on the Income and Expenditure accounts, and journal entry testing. We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

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 did not identify any other transactions during our audit which appeared unusual or outside of the HPF's normal course of business



Areas of Audit Focus

Significant risk

Valuation of complex Investments (Level 3 Fair Value hierarchy)

What is the risk?

Investments at Level 3 are those where at least one input that could have a significant effect on the asset's valuation is not based on observable market data.

Significant judgements are made by the Investment Managers or administrators to value these investments whose prices are not publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error.

What judgements are we focused on?

Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

The judgements we are focussed on are the date of the data and prices used when not information not publicly available. For these we have performed analytical procedures and obtained third party confirmations to verify.

What did we do?

We reviewed the latest available audited accounts for the relevant funds and ensured there are no matters arising that highlight weaknesses in the fund's valuation;

Where the latest audited accounts were not as at 31st March 2019, we performed rollforward procedures to 31 March 2019 to ensure there wasn't a material variance; and

We tested accounting entries had been correctly processed in the financial statements.

What are our conclusions?

We have completed our testing and have not noted any issues with the judgements used in the valuation of level 3 investments.



Areas of Audit Focus



Valuation methods applied

What is the risk/area of focus?

Valuation of Property Investments (Level 2 Fair Value Hierarchy)

We consider the valuation of property investments to be of a higher degree of inherent risk because of the extent of estimation uncertainty. Management is required to make material judgemental inputs and apply estimation techniques, supported by a professional valuer, to arrive at the year value of property investments carried in the Net Assets Statement

What did we do?

We have:

- Considered the work performed by the Fund's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Reviewed the key assumptions used by the valuer; and
- Tested accounting entries have been correctly processed in the financial statements.

Conclusion: We have completed our testing and have not noted any issues with the judgements used in the valuation of level 2 investment



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAMPSHIRE PENSION FUND

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Corporate Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Corporate Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



Audit Report

Our opinion on the financial statements

Responsibility of the Director of Corporate Resources

As explained more fully in the Statement of the Responsibilities set out on pages 83, the Director of Corporate Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Corporate Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Hampshire Pension Fund as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
23 July 2019

The maintenance and integrity of the Hampshire Pension Fund web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 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

Apart from minor typographical errors, there were no misstatements above our nominal amount that required adjustment by management.

Summary of unadjusted differences

There are no unadjusted audit differences.



05 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 Statement of Accounts 2018/19 with the audited financial statements

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

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

We have no matters to report on the above.

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 Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

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; and
- Consideration of laws and regulations.

To date there are no significant issues to report. We will update this on completion of our work.



06

Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Authority 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 Authority have 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.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware but we do raise one recommendation in respect of journal authorisation as can be seen on the next slide.

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The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2018/19 audit (including IT controls). We will discuss with management and follow up as part of 2019/20 audit.

| | High | Moderate | Low | Total |
|---------------------------------------|------|----------|-----|-------|
| Open at 01 April 2018 | 0 | 0 | 0 | 0 |
| Closed during FY18/19 | 0 | 0 | 0 | 0 |
| New points raised in FY18/19 | 0 | 0 | 1 | 1 |
| Total open points as at 31 March 2019 | 0 | 0 | 1 | 1 |

- Key:
- A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
 - Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
 - Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Assessment of Control Environment

| Area | Journals | Rating | Low |
|--------------------|---|--------|-----|
| Observation | <p>We note that there is no 'official' authorisation process in place when processing journals within the system. We are aware that as a mitigating control, budget holders perform a review of their budgets on a regular basis however no evidence is kept on file of this review so there is no way to confirm that they have completed it. We recommend that HPF can improve the documentation of the process undertaken by budget holders to enhance this control by evidencing the review the budget holders complete in order to demonstrate it operates effectively.</p> | | |
| Management comment | <p>The Pension Fund operates within the same control framework as the County Council. As such the same conscious decision not to build in separate authorisation of journals applies, which ensures that processes are as efficient and streamlined as possible and built on the premise that all employees are accountable for their actions. The fact that no erroneous or fraudulent journals were identified during audit testing adds further assurance to this position. The Pension Fund's budget is confirmed as part of the annual report process, with controls on expenditure through the application of the County Council's corporate standards. The Pension Fund's expenditure is reported to the Pension Fund Panel and Board.</p> | | |



07 Data Analytics



Use of Data Analytics in the Audit

▶ Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the authority's audit included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

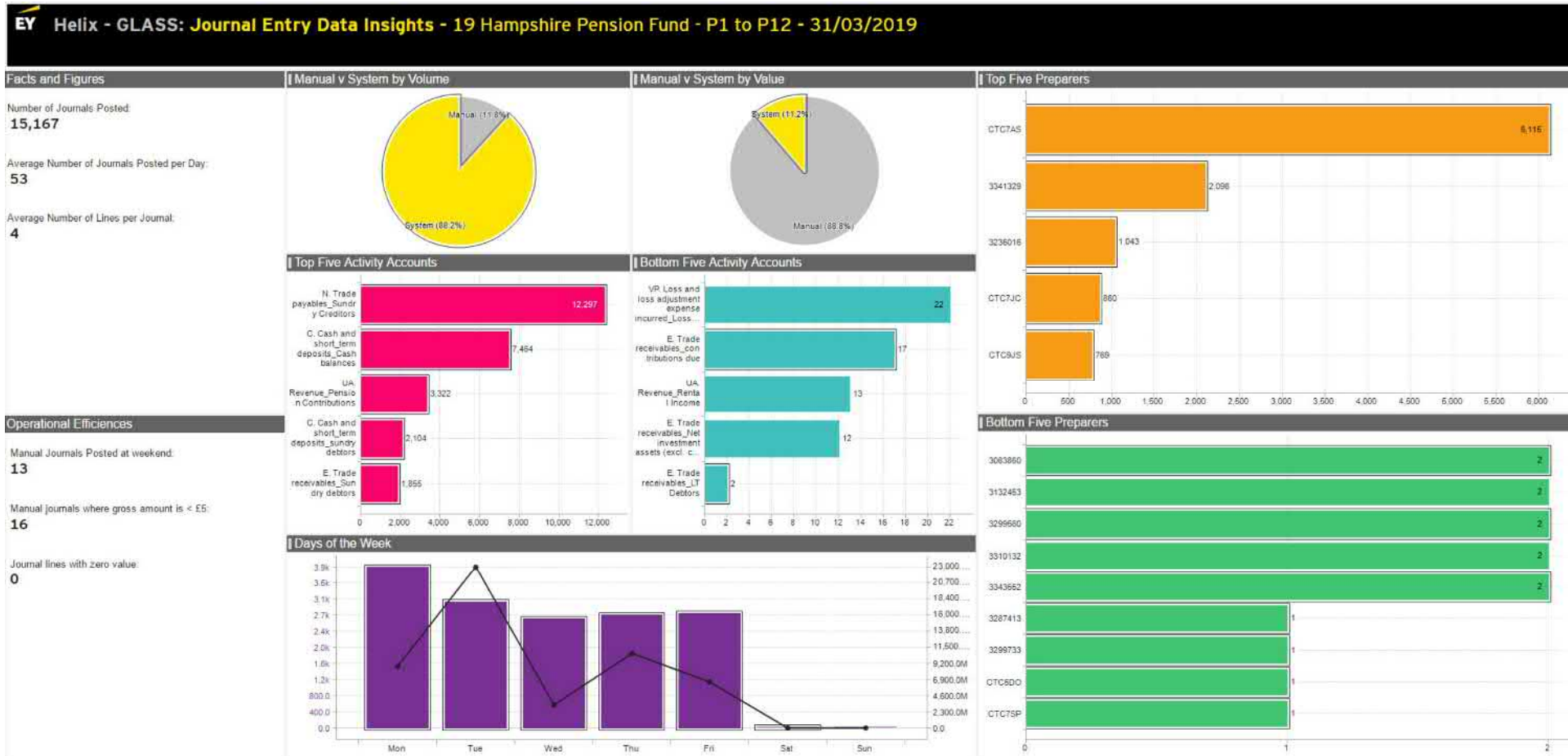
We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.



Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.





Journal Entry Testing

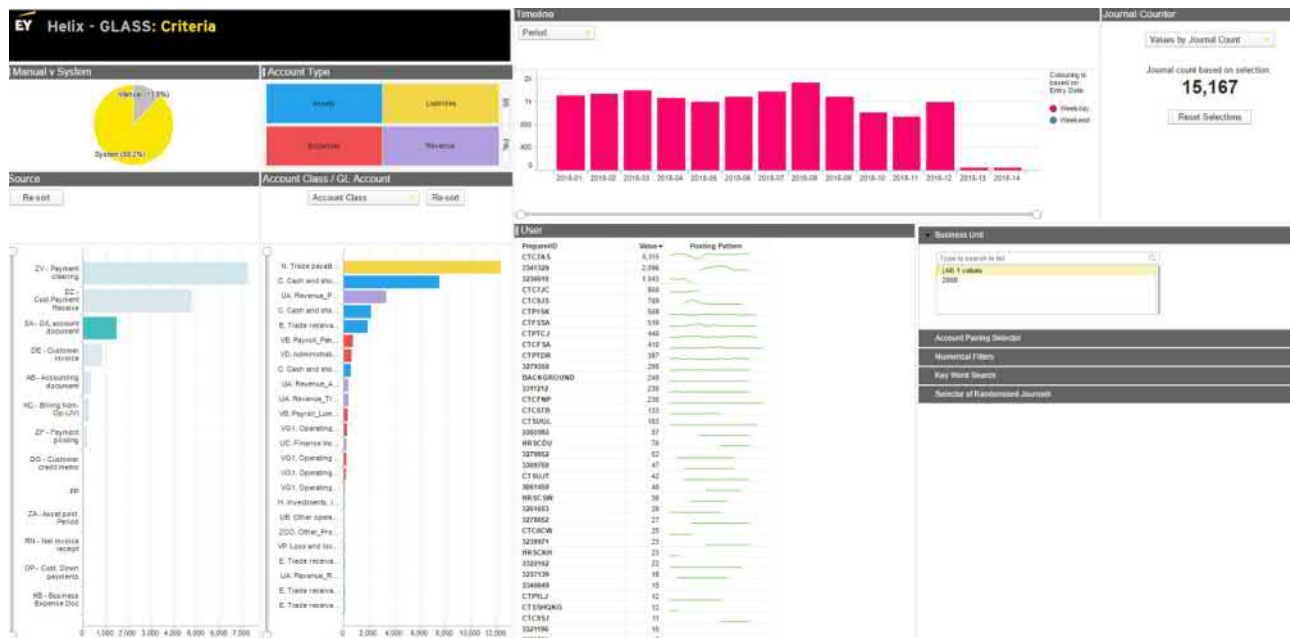
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Journal entry data criteria – 31 March 2019

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



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08

Independence

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Planning Report dated 22 January 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 23 July 2019.

Independence



Relationships, services and related threats and safeguards



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

There are no relationships from 01 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed has been provided on a contingent fee basis.

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.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements.

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| | Final Fee 2018/19 | Scale Fee/ Planned Fee 2018/19 | Final Fee 2017/18 |
|-----------------|----------------------|--------------------------------------|----------------------|
| | £ | £ | £ |
| Total Audit Fee | 24,442 | 24,442 | 31,743 |



09 Appendices





Audit approach update

We summarise below our approach to the audit of the balance sheet/s and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Page 8

| Balance sheet category  | Audit Approach in current year  | Audit Approach in prior year  | Explanation for change  |
|--|---|--|--|
| Investment Assets and Liabilities | Substantively tested all relevant assertions | Substantively tested all relevant assertions | N/A |
| Long term debtors | Immaterial - Substantively tested assertion for presentation and disclosure | Immaterial - Substantively tested assertion for presentation and disclosure | N/A |
| Debtors | Substantively tested assertion all relevant | Substantively tested assertion all relevant | N/A |
| Cash in hand | Substantively tested all relevant assertions | Substantively tested all relevant assertions | N/A |
| Creditors | Immaterial - Substantively tested assertion for presentation and disclosure | Immaterial - Substantively tested assertion for presentation and disclosure | N/A |





Summary of communications

| Date  | Nature  | Summary  |
|--|--|--|
| January 2019 | Report | The audit planning report, including confirmation of independence, was issued to the Audit Committee. |
| January 2019 | Meeting | The Associate Partner and Manager met with the Audit Committee and senior members of the management team to discuss the audit planning report. |
| May 2019 | Meeting | The Manager met with the Audit Committee and senior members of the management team to discuss the progress of the audit. |
| July 2019 | Meeting | Audit close meeting with the management team to discuss the preliminary findings of the audit. |
| July 2019 | Management letter | The management team and the audit committee were provided details of internal control observations made in respect of the current year. |
| July 2019 | Report | The audit results report, including confirmation of independence, was issued to the Audit Committee. |
| July 2019 | Meeting | The Associate Partner and Manager, met with the Audit Committee and senior members of the management team to discuss the audit results report. |

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. 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. | Audit planning report presented at the Joint Audit Committee 21 February 2019 |
| Planning and audit approach | Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. | Audit planning report presented at the Joint Audit Committee 21 February 2019 |
| Significant findings from the audit | <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process • Findings and issues regarding the opening balance on initial audits | Audit results report presented at the Audit Committee 23 July 2019 |





Appendix C

| | | 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"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements | No conditions or events were identified, either individually or together to raise any doubt about Hampshire County Council's ability to continue for the 12 months from the date of our report |
| Misstatements | <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management | Audit results report presented at the Audit Committee 23 July 2019 |
| Subsequent events | <ul style="list-style-type: none"> • Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. | |
| Fraud | <ul style="list-style-type: none"> • Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility. | Audit results report presented at the Audit Committee 23 July 2019 |

Appendix C

| | | 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 Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority | <p>Audit results report presented at the Audit Committee 23 July 2019</p> |
| Independence | <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, 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"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> | <p>Audit planning report presented at the Joint Audit Committee 21 February 2019 and Audit results report presented at the Audit Committee 23 July 2019</p> |
| External confirmations | <ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. | <p>We have received all requested confirmations</p> |
| Consideration of laws and regulations | <ul style="list-style-type: none"> • 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 • 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 | <p>We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations</p> |

Appendix C

| | |  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"> Significant deficiencies in internal controls identified during the audit. | Audit results report presented at the Audit Committee 23 July 2019 |
| Written representations we are requesting from management and/or those charged with governance | <ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance | Audit results report presented at the Audit Committee 23 July 2019 |
| Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | <ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | Audit results report presented at the Audit Committee 23 July 2019 |
| Auditors report | <ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report | Audit results report presented at the Audit Committee 23 July 2019 |
| Fee Reporting | <ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work | Audit planning report presented at the Joint Audit Committee 21 February 2019 Audit results report presented at the Audit Committee 23 July 2019 |

Management representation letter

Management Rep Letter

This letter of representations is provided in connection with your audit of the financial statements of Hampshire Pension Fund (“the Fund”) for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 01 April 2018 to 31 March 2019 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2019, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and are free of material misstatements, including omissions. We have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund’s activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.
6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund’s financial statements
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

Management representation letter

Management Rep Letter

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4. We have made available to you all minutes of the meetings of Audit Committee and Pension Fund Advisory Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date [list date].
 5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
 6. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
 7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
 8. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- D. Liabilities and Contingencies
1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
- E. Subsequent Events
1. Other than the events described in Note [X] to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.
- F. Other information
1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Pension Fund Annual Report.
 2. We confirm that the content contained within the other information is consistent with the financial statements.
- G. Independence
1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.

I. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

1. The latest report of the actuary AON Hewitt as at 31 March 2019 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

L. Investment managers' control reports ISAE 3402

1. The latest reports available do not all cover the whole of the 2018/19 audit year. We can confirm that we are not aware of any issues at the respective investment managers that indicate a reduction in control procedures.

Yours faithfully,

Chief Financial Officer

Chair

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