

Public Document Pack



NOTICE OF MEETING

Meeting	Audit Committee
Date and Time	Wednesday, 30th September, 2020 at 11.45am
Place	Virtual Teams Meeting - Microsoft Teams
Enquiries to	members.services@hants.gov.uk

John Coughlan CBE
Chief Executive
The Castle, Winchester SO23 8UJ

FILMING AND BROADCAST NOTIFICATION

This meeting is being held remotely and will be recorded and broadcast live via the County Council's website.

AGENDA

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

All Members who believe they have a Disclosable Pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to Part 3 Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore all Members with a Personal Interest in a matter being considered at the meeting should consider, having regard to Part 5, Paragraph 4 of the Code, whether such interest should be declared, and having regard to Part 5, Paragraph 5 of the Code, consider whether it is appropriate to leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with the Code.

3. MINUTES OF PREVIOUS MEETING HELD ON 23 JULY 2020 (Pages 5 - 12)

To confirm the minutes of the previous meeting.

4. DEPUTATIONS

To receive any deputations notified under Standing Order 12.

5. CHAIRMAN'S ANNOUNCEMENTS

To receive any announcements the Chairman may wish to make.

6. INFORMATION COMPLIANCE - USE OF REGULATED INVESTIGATORY POWERS (Pages 13 - 18)

To receive the quarterly update on the County Council's use of regulated investigatory powers.

7. EXTERNAL AUDIT REPORTS 2019/20 - HAMPSHIRE COUNTY COUNCIL AND HAMPSHIRE PENSION FUND (Pages 19 - 78)

To receive the external auditors report for both Hampshire County Council and the Hampshire Pension Fund for the year ending 31 March 2020.

8. STATEMENT OF ACCOUNTS 2019/20 (Pages 79 - 98)

To consider the report of the Deputy Chief Executive and Director of Corporate Resources presenting the annual Statement of Accounts.

9. INDEPENDENT REVIEW INTO THE OVERSIGHT OF LOCAL AUDIT AND THE TRANSPARENCY OF LOCAL AUTHORITY FINANCIAL REPORTING BY SIR TONY REDMOND (Pages 99 - 104)

To receive a report from the Deputy Chief Executive and Director of Corporate Resources highlighting key findings of the independent review by Sir Tony Redmond into the effectiveness of external audit and transparency of financial reporting in local authorities.

10. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 14 FEBRUARY 2020 (LESS EXEMPT) (Pages 105 - 112)

To receive the non-exempt minutes of the Hampshire Pension Fund Panel and Board meeting held on 14 February 2020.

11. EXCLUSION OF THE PRESS AND PUBLIC

To resolve that the public be excluded from the meeting during the following item of business, as it is 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 this item there would be 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 cases, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the exempt minutes.

12. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 14 FEBRUARY 2020 (EXEMPT) (Pages 113 - 120)

To receive the exempt minutes of the Hampshire Pension Fund Panel and Board meeting held on 14 February 2020.

ABOUT THIS AGENDA:

On request, this agenda can be provided in alternative versions (such as large print, Braille or audio) and in alternative languages.

ABOUT THIS MEETING:

The press and public are welcome to observe the public sessions of the meeting via the webcast.

This page is intentionally left blank

Agenda Item 3

AT A MEETING of the Audit Committee of HAMPSHIRE COUNTY COUNCIL
held virtually on Thursday, 23rd July, 2020

Chairman:
Councillor Keith Evans

- | | |
|------------------------------|-------------------------------|
| * Councillor Alexis McEvoy | * Councillor Rob Mocatta |
| * Councillor Dominic Hiscock | * Councillor Tom Thacker |
| * Councillor Keith House | * Councillor Stephen Philpott |
| * Councillor Mark Kemp-Gee | * Councillor Bruce Tennent |
| * Councillor Derek Mellor | |
| * Councillor Floss Mitchell | |

*Present

163. **APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Keith Evans. Councillor Stephen Philpott was in attendance as the Conservative substitute.

164. **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 circumstances described in 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 Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 2 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.

165. **MINUTES OF PREVIOUS MEETING HELD ON 20 FEBRUARY 2020**

The minutes of the meeting held on 20 February 2020 were agreed as a correct record.

166. **DEPUTATIONS**

No questions or deputations were received by the Committee on this occasion.

167. **CHAIRMAN'S ANNOUNCEMENTS**

There were no announcements.

168. INFORMATION COMPLIANCE - USE OF REGULATED INVESTIGATORY POWERS

Members received a report of the Director of Culture, Communities and Business Services and Director of Transformation and Governance – Corporate Services, outlining the County Council’s use of its investigatory powers during the previous financial year.

RESOLVED:

That:

- The Audit Committee notes the contents of this report and that the County Council’s surveillance powers continue to be exercised appropriately and proportionately.
- The Audit Committee considers the County Council’s use of surveillance powers for the previous financial year and 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.

169. EXTERNAL AUDIT PLANNING REPORT UPDATE 2019/20

Members received an update on the External Audit Planning Report for 2019/20, with changes to the audit plan and approach highlighted, resulting from risks arising from the Covid-19 pandemic. Members heard that:

- Additional risks had been identified as a result of the Covid-19 pandemic relating to the valuation of property, which included an expectation of a decrease in rental incomes and inclusion of a materiality uncertainty clause, which Members heard was in-line with national practice. Members further heard that that experts had been engaged in assessing property values as part of the audit plan. Whilst valuation of property was already noted as an inherent risk in the plan, as a result of the impact of Covid-19 this had been increased to a significant risk.
- No further increased risks had been identified by the external auditors.
- It was expected that volatility in markets, resulting from the Covid-19 pandemic would have an impact on the Pension Fund and this was noted within the report.
- Previously the adoption of the IFRS16 standard was reported as an increased risk, however with the deferral of this adoption to 2021/22 the risk would be moved to next year’s audit.
- Materiality was reconsidered and no changes to levels were identified resultant from the Covid-19 pandemic.
- A list of additional audit procedures to be performed was presented within the report. It was highlighted that the Audit was being undertaken fully remotely and it was considered that this approach was working well, with the external auditors able to watch the finance team running reports using video calling facilities. The auditors remarked that the finance team had been very responsive to questions.

- Other areas which were identified as potentially being impacted by the pandemic included increase in amounts written off, changes to staff working patterns, increased sickness and centralised government funding.
- In accordance with national audit timeframes, the external audit annual report was expected to be brought forth to the meeting of the Audit Committee in September for agreement.

In response to Member's questions it was heard that the colour coding used within the report highlighted new risks identified in year as red, risks which were unchanged in yellow and a reduction in risk as green.

RESOLVED:

That the Audit Committee receives and notes the update to the Hampshire County Council Audit Planning Report for 2019/20.

170. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2019/20

Members received a report from the Deputy Chief Executive and Director of Corporate Resources presenting the Internal Audit Annual Report and Opinion for 2019/20.

Members heard that:

- Reviews scheduled for Q4 had been delayed due to the impact of the Covid-19 pandemic, which had changed service availability and required moving to a virtual auditing model. Since publication of the report most of those reviews had now moved to draft status.
- Observations from the limited assurance reviews had identified areas for improvement in data quality and retention in the management of guardianships, use of agency staff and the approved mental health professional reviews.
- The outcome of the latest national fraud initiative exercise had identified £250k savings.
- The Head of Internal Audit considered the report to be a positive and demonstrated continued confidence in the governance framework.

In response to Members questions it was heard that:

- Managers operating across the County Council were encouraged to communicate regularly to discuss any identified common issues or risks identified. Such risks were a matter for discussion at regular internal audit management reviews with consistent messaging around risks co-ordinated across the organisation.
- £136,000 recoverable care payments were reported through the national fraud initiative, which had compared a number of systems to identify where residents may have deceased in a care setting but payments had continued to be paid by the County Council for a short period. Members heard there were existing controls and checks within the Council which test and identify such issues, and many of the payments would have

already been identified and recovered by the County before the outcome of the reporting from the national fraud initiative, however still need to be credited to the national audit.

RESOLVED:

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

171. INTERNAL AUDIT PLAN 2020/21

Members received a report from the Deputy Chief Executive and Director of Corporate Resources presenting the Internal Audit Plan for 2020/21.

Members heard that:

- The Internal Audit Plan had assigned a pool of days for assurance work in respect of the Covid-19 pandemic and had identified the most significant areas for consideration resulting from the outbreak. This would sit alongside the business as usual needs of the Council and would remain a fluid plan to react, as needed, to any future changes.

In response to Members questions it was heard that:

- The recovery of monies, for example from Covid-19 grants, was not an internal audit responsibility, however internal audit would assure that monies were properly accounted for. Concerns were raised by Members of the Committee as to potential shortfalls in central funding to meet all of the additional costs incurred to respond to the Covid-19 pandemic.

RESOLVED:

That the Audit Committee approves the Internal Audit Plan 2020-21 and the Fraud Plan 2020 – 2021.

172. INTERNAL AUDIT CHARTER 2020/21

Members received a report from the Deputy Chief Executive and Director of Corporate Resources presenting the Internal Audit Charter for 2020/21.

Members heard that there had been no changes to the charter from the previous financial year.

RESOLVED:

That the Audit Committee approves the Internal Audit Charter 2020 – 2021.

173. **ANNUAL GOVERNANCE REPORT**

The Committee considered the report of the Deputy Chief Executive and Director of Corporate Resources and Director of Transformation and Governance and presenting the Annual Governance Statement.

Members were made aware of a recommendation made by the Committee on Standards in Public Life, as requested by the Conduct Advisory Panel, to provide details of joint ventures operated by the County Council, two of which were noted within the report. It was also observed that the action plan for the coming year had reflected requirements in response to the Covid-19 pandemic.

In response to questions from Members it was heard that:

- The County Council had made significant changes to its governance arrangements, for example to enable the holding of meetings remotely, and that the success of these changes and the governance response to the pandemic would be reported to the committee in the next annual governance statement.
- Whilst the report hadn't identified any actions which wouldn't have otherwise happened as a matter of good governance and control, the annual reporting process was considered good practice and a valuable aid in setting and meeting objectives for the year.
- Generally, whole staff surveys were undertaken once annually, with an additional survey recently regarding working arrangements since the outbreak of Covid-19. Surveys were managed internally at a very low cost as the necessary expertise to do so already existed within the organisation.

RESOLVED

That the Audit Committee approve the 2019-20 Annual Governance Statement.

174. **ANNUAL TREASURY OUTTURN REPORT 2019/20**

The Committee received the report of the Deputy Chief Executive and Director of Corporate Resources giving details on treasury activity during 2019/20.

Members heard that:

- Low interest rates had continued throughout the year with economic challenges brought forth through uncertainty relating to Brexit and the Covid-19 outbreak, resulting in significant impact to financial markets in March 2020.
- The Council's balance sheet position showed an overall fall in net investment of £25m. It was noted that in year there had been a small increase in the capital financing requirement, maturing of some borrowing and a planned decrease in reserves to fund transformation activity.
- Hampshire had responded to the Treasury's consultation on the future of PWLB.

- With interest rates remaining low, Arlingclose had advised continuation of the internal borrowing strategy.
- A saving of £9m over 3 years was expected to be made as a result of the early payment of pension fund contributions.
- Internally managed investments had delivered positive performance in comparison with other authorities, although the rate of return had fallen in year due to the impact of the bank rate cuts in March in response to the coronavirus.
- There had been a fall in year of approximately £22m (12.8%) in capital values, however the financial loss would only be realised if assets were sold.
- Income returns from pooled funds had continued to demonstrate strong performance, delivering an £8.2m contribution to the revenue budget.

RESOLVED:

The Audit Committee note the recommendations reported to Cabinet and Full Council.

That the outturn review of treasury management activities is noted.

Cllr Mocatta left the meeting at this point.

175. HIGHER YIELDING STRATEGY UPDATE

Members received a report of the Deputy Chief Executive and Director of Corporate Resources providing an update on performance against the higher yielding strategy and ongoing review and scrutiny of these investments, as requested at the previous meeting of the Audit Committee.

Members heard that the Council had sought to build up a diversified portfolio of investments, as recommended by Arlingclose, targeting a yield of 4% while complying with the CIPFA Code and without taking undue risk. It was further heard that:

- Total investments to date in higher yielding investments had been £201m.
- Whilst the Schroders Income Maximiser fund was identified as a relatively poor performer over one, three and five years in terms of capital returns, the income return had been strong and benefited the Council's revenue budget.
- The capital position for the Council's pooled fund investments was also noted to have improved since March and the average 4.57% per annum income return since purchase was much greater than the return on cash investments over the same period.
- The Council anticipated short term performance to fluctuate but had invested in pooled funds with the intention of holding these investments for at least the medium term to negate any falls in value. The Council's pooled funds were delivering significantly higher yields than cash and continued to be recommended by the Council's treasury management advisors Arlingclose.

In response to Members questions it was heard that:

- Although £235m was earmarked for higher yielding investment in 2019, the full amount had not yet been invested due to the consideration of the appropriate time to do so and the future earmarked investment in the Manydown project.
- Dividends from UK companies were expected to be significantly down during 2020 following the Covid-19 outbreak and property valuations were also likely to be affected. The Council's yield from pooled funds was expected to be lower than in previous years and it was difficult to predict when yields would return to their previous levels, as it would depend upon the wider economic recovery.

176. **RELATED PARTY TRANSACTIONS DISCLOSURE 2019/20 UPDATE**

The Committee considered the report of the Deputy Chief Executive and Director of Corporate Resources regarding the return of related party declarations by elected members.

The Committee discussed the procedure followed in seeking declarations from the two Councillors, as outlined within the report, who had yet to return their 2019/20 related party declaration. It was highlighted that the annual process was both an audit requirement and an important part of the overall governance in ensuring decisions were made appropriately and transparently.

In response to Members questions it was heard that:

- The related party transactions disclosure was an audit requirement which every County Councillor and Chief Officer was required to undertake. The Council had sought to make the process as efficient as possible and the vast proportion of Officers and Councillors had responded very quickly.
- Those who had not responded had been emailed on four occasions, twice on behalf of the Deputy Chief Executive and Director of Corporate Resources, once by the Council's Monitoring Officer and finally by the Chairman of the Audit Committee. It was also understood that Group Leaders had approached the two Members by phone.

RESOLVED:

For the current County Councillors who have not returned their 2019/20 Related party transactions declaration to the Deputy Chief Executive and Director of Corporate Resources, those Councillors will be referred to the Conduct Advisory Panel.

Cllr House left the meeting at this point. Cllr Tennant joined the meeting as the Liberal Democrat deputy.

177. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 13 DECEMBER 2019 (LESS EXEMPT)

The Committee received and noted the non-exempt minutes of the Hampshire Pension Fund and Board meeting held on 13 December 2019.

178. 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 Paragraph 3 of Part I 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.

179. MINUTES OF THE HAMPSHIRE PENSION FUND PANEL AND BOARD MEETING - 13 DECEMBER 2019 (EXEMPT)

The Committee received and noted the exempt minutes of the Hampshire Pension Fund and Board meeting held on 13 December 2019.

180. CORPORATE RISK REGISTER AND APPROACH TO COVID-19 RISK

The Committee considered the exempt report of the Director of Transformation and Governance providing an overview of and update against the key aspects of the County Council's risk management arrangements.

(Summary of an exempt minute)

Chairman, 30 September 2020

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Audit Committee
Date:	30 September 2020
Title:	Information Compliance – Use of Regulated Investigatory Powers
Report From:	Director of Transformation and Governance

Contact name: Peter Andrews

Tel: 0370 779 1365 **Email:** peter.andrews@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to present the data regarding the County Council's use of regulated investigatory powers.

Recommendation

2. That the Audit Committee receives and notes the data regarding the County Council's use of surveillance powers as attached.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

This report requests that the Audit Committee receive and note the data and therefore the recommended action will not impact on groups with protected characteristics in any way.

This page is intentionally left blank

Quarterly Reporting of Surveillance

Number of Authorisations by Quarter (1 April 2020 – 30 June 2020)

Direct Surveillance			
	Purpose of Surveillance		
2020-21 Quarter	C'feit Goods	Under Age Sales	Other
1	0	0	0
2			
3			
4			
Total -	0	0	0
Covert Human Intelligence Source (CHIS)			
	Purpose of Surveillance		
Quarter	C'feit Goods	Under Age Sales	Other
1	0	0	0
2			
3			
4			
Total -	0	0	0
Communications Data			
Quarter	Number of Applications	Number of Specific Notices	Offences related to:
1	0	0	N/A
2			
3			
4			
Total -	0	0	

The decision to deploy any of the surveillance techniques defined within RIPA is dependent upon many considerations. Where there are other investigative tools available, which are both overt in nature and more appropriate to be used, they will be deployed instead of reverting to any of the surveillance techniques referenced within RIPA.

This page is intentionally left blank

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Audit Committee
Date:	30 September 2020
Title:	Hampshire County Council and Hampshire Pension Fund Audit Report for year ending 31 March 2020
Report From:	Ernst and Young LLP (external auditors)

Contact name: Sarah Croft

Tel: 02380 382000

Email: scroft@uk.ey.com

Purpose of this Report

1. The purpose of this report is to present to the Audit Committee the preliminary audit conclusion in relation to the audit of Hampshire County Council and the Hampshire Pension Fund for the year ending 31 March 2020.

Recommendation

2. That the Audit Committee receives and notes the Hampshire County Council and Hampshire Pension Fund Audit Reports for year ending 31 March 2020.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

The recommended action will not impact on groups with protected characteristics in any way.

This page is intentionally left blank

Hampshire County Council Audit results report

Year ended 31 March 2020

21 September 2020

Page 23

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

Building a better
working world



Private and Confidential

21 September 2020

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 2019/20.

We have substantially completed our audit of Hampshire County Council (HCC) for the year ended 31 March 2020.

As set out on pages 5 and 6 a number of issues have arisen as a result of covid-19 which will impact on our audit opinion

Subject to concluding the outstanding matters listed in this report, we confirm that we expect to issue an unqualified audit opinion on the financial statements.

As part of those concluding procedures may contain emphasis of matter paragraphs relating to Property, Plant & Equipment and Investment Property Valuation and Going Concern, in the form at section 4 before the accounts publication date.

We 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 Council, 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 on 30 September 2020.

Kevin Suter

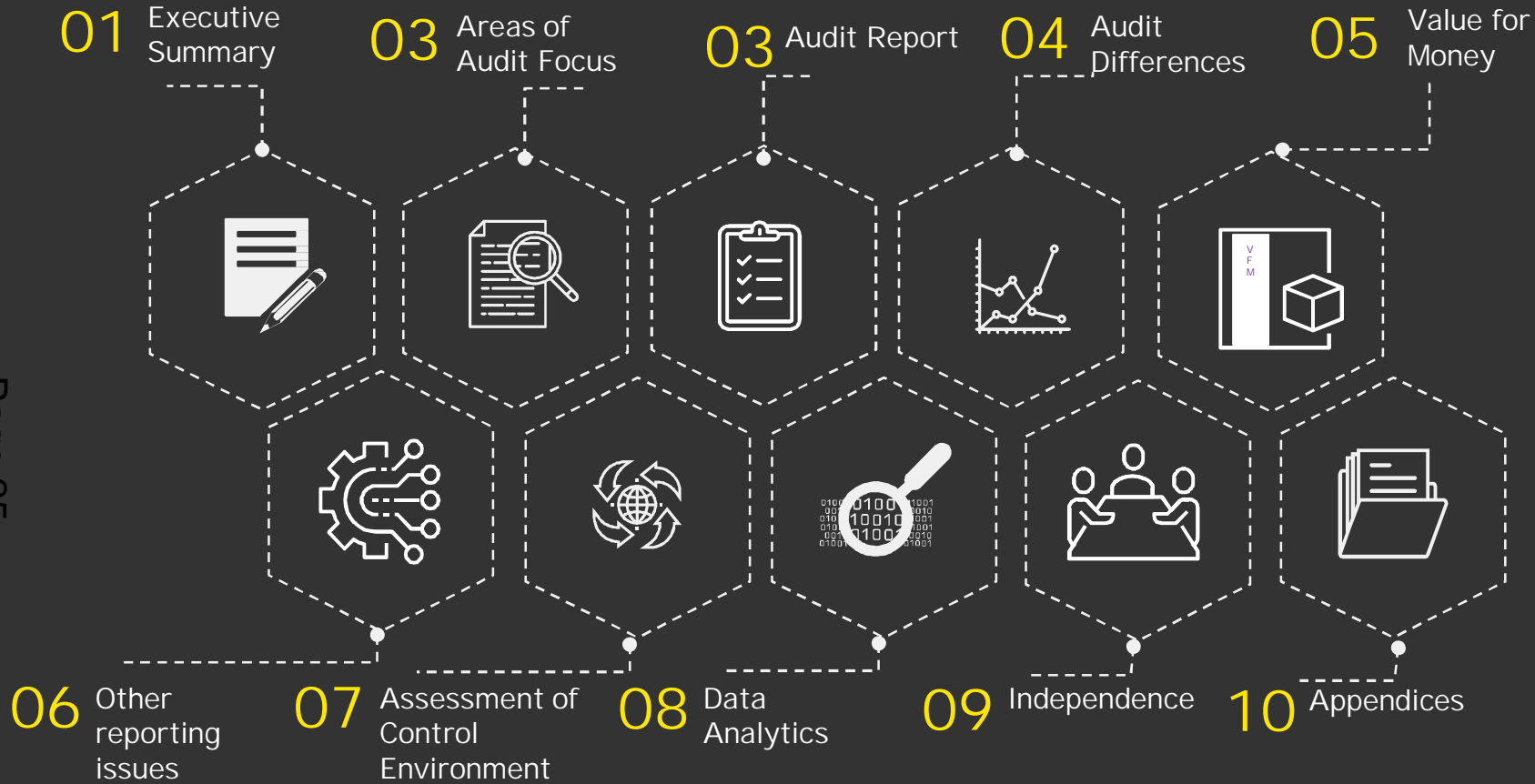
Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

Page 25



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

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 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, with the following exceptions:

Changes to reporting timescales

As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

As set out in our Progress Report presented to the July Audit Committee there were a number of changes to our risk assessment as a result of Covid-19 including:

- Valuation of Land & Buildings & Investment Property- The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment. We also considered the impact of Covid-19 on the investment property market and as such identified this as a separate significant risk.
- Disclosures on Going Concern – Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance.
- Events after the balance sheet date – We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic may need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Authority.
- Adoption of IFRS16 – The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.

Changes in materiality: In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £39.9 million, with performance materiality, at 75% of overall materiality, of £29.9 million, and a threshold for reporting misstatements (nominal amount) of £1.9 million. We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

The basis of our assessment has remained consistent with prior years at 1.8% of gross expenditure on services.

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.



Executive Summary

Scope update

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The continued impact of the Covid-19 pandemic increases the risks to the material accuracy of financial statements and disclosures. To ensure we are providing the right assurances to the Authority and its stakeholders the firm has introduced a rigorous consultation process for all auditor reports to ensure that they include the appropriate narrative

Due to the changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We have set out the impact on our audit approach on page 36.

Page 28

Audit differences

We identified two audit differences identified by EY that management has not adjusted in relation to valuation of land and buildings. The net impact of unadjusted audit difference is a debit of £4.3 million to the Balance Sheet. We agree with management that this is not material. We noted one prior year adjustment that has been processed by management due to a typographical error in the prior year. See page 28 for further detail.



Executive Summary

Status of the audit

We have substantially completed our audit of HCC's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise.

The outstanding items are:

- Review of final sample documentation that has provided by the finance team this week.
 - Receipt and review of going concern assessment covering 12 months from the anticipated date of the auditor report
 - Receipt and review of final report from EY Valuation experts on investment property
 - Receipt and review of final report from internal PFI expert on streetlighting model
 - Completion of mandatory internal consultation on going concern
 - Receipt of results of work performed on IAS 19 by Pension Fund Auditor
 - Receipt and review of the final version of the financial statements
- Completion of subsequent events review
- Receipt of the signed management representation letter – template to be provided by EY
- Final review procedures by senior manager and associate partner
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

EY are currently delaying signing audit opinions for authorities with material Dedicated Schools Grant balances. We understand either further guidance may be produced by CIPFA, or a statutory override by MHCLG. Either of these is expected to change the accounting requirements for the 2019/20 accounts.

Our audit opinion may emphasise the following:

Property Plant & Equipment (“PPE”) and Investment Property valuation – including an emphasis of matter paragraph on valuation material uncertainty to draw the reader of the account's attention to HCC's disclosures on the 'material uncertainty' caveat included in its year end asset valuation report and disclosed by management in the estimation uncertainty disclosure note.

Going concern – including an emphasis of matter paragraph on going concern as a result of COVID-19 drawing the attention of a reader to the authority's going concern disclosure which will explain why HCC consider it likely that they will continue as a going concern in light of the impacts of C-19.

We will not be issuing the audit certificate at the same time as the audit report due to the timing of the Whole of Government Accounts (“WGA”) submission and assurance work.

Executive Summary

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of HCC's financial statements. 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 "Key Audit Issues" section of this report.

Audit findings and conclusions: Misstatements due to fraud or error

- We have no findings to report to the Audit Committee

Audit findings and conclusions: Inappropriate capitalisation of revenue expenditure

- We have no findings to report to the Audit Committee.

Audit findings and conclusions: Investment property valuation

In line with guidance by RICS, valuers have included a material uncertainty clause in their valuation report. We have engaged EY Valuation experts to assist in the testing of investment properties given this material uncertainty due to the fact that more valuer judgement is required as there is less transactional evidence to support market assumptions. We are still awaiting the final report on their results.

We have ensured that this material uncertainty is appropriately disclosed in the financial statements. We may include an emphasis of matter paragraph in our audit report which draws the readers attention to these disclosures given it is a material item on the Balance Sheet.

Audit findings and conclusions: PPE valuation

- We have noted two audit differences in respect of valuation of land and buildings which have not been corrected by management. The net impact of the proposed misstatement increases the value of assets by £4.3 million.
- In line with guidance by RICS, internal valuers have included a material uncertainty clause in their valuation report. We have engaged EY Valuation experts to assist in the testing of assets valued using the Existing Use Value (EUV) valuation method given they are more susceptible in fluctuations in the market. No issues were noted in their testing.
- We have ensured that this material uncertainty is appropriately disclosed in the financial statements. We may include an emphasis of matter paragraph in our audit report which draws the readers attention to these disclosures given it is a material item on the Balance Sheet.

Audit findings and conclusions: IAS 19 Pension Accounting

- We are awaiting the final results of the work performed by the Pension Fund Auditor.
- We are satisfied that the actuary has taken into consideration the impacts of McCloud and that the impacts of 'Goodwin' would not be material for HCC.
- Our procedures to date have not noted any issues to be brought to the attention of the Audit Committee.

Audit findings and conclusions: New Accounting Standard

- As noted on page 5, the implementation of IFRS 16 has been deferred to 1 April 2021 and therefore no further procedures are required by EY for 2019/20.

Audit findings and conclusions: Private Finance Initiatives

We have engaged internal experts to perform a review of the streetlighting PFI Model – this work has not yet concluded.

Audit findings and conclusions: Going Concern Disclosure

- We are awaiting final cashflows from management covering a minimum of 12 months from anticipated date of signing statement of accounts
- We may include an emphasis of matter paragraph in our audit report which draws the readers attention to these disclosures in light of Covid-19.

Audit findings and conclusions: post balance sheet events (PBSE)

- We have reviewed the disclosures in the Statement of Accounts for HCC to ensure they sufficiently disclose the impact of Covid-19. As at the date of this report, no events have been identified that required disclosure as a PBSE.



Executive Summary

Areas of audit focus, continued

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.

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.

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. In our Audit Planning Report we reported that we had not identified any specific significant risks, this remains unchanged.

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

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of HCC, including whether it adequately reflects the impact of COVID-19. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. However Treasury has extended the reporting timetable for WGA so we may not certify completion of the audit at the same time as issuing the audit opinion.

We have no other matters to report.

Independence

Please refer to Section 10 for our update on Independence.



02 Areas of Audit Focus



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 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 authorities, 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 tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias; and
- We evaluated the business rationale for any significant unusual transactions
- We utilised our data analytics capabilities to assist with our work, including 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.

Our journal testing did not identify any journal entries without a valid business purpose.

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





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.

What judgements are we focused on?

There is a risk that management will inappropriately capitalize revenue expenditure to improve the financial position of the general fund. Capitalized revenue expenditure can be funded through borrowing with only minimal minimum revenue provision ("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 managements 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 capitalized 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 same through the use of our audit risk tables.

For significant additions (including capitalized labour (staff costs), borrowing costs and other acceptable costs) we examined invoices, capital expenditure authorizations, 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 capitalized 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 including ny PPE additions which have been inappropriately capitalised and should have been charged to revenue.

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





Areas of Audit Focus

Significant risk

Valuation of investment properties

What is the risk?

Covid-19 was declared a global pandemic on 11 March 2020 and since March, Covid-19 has had an impact on the investment property market. There has been an impact on the occupation of buildings due to forced closures and rental income is expected to fall as tenants default on their rents.

In addition, valuers are including 'material valuation uncertainty' clauses in their valuation reports which indicate that there is less certainty over the valuations, and more valuer judgement is required as there is less transactional evidence to support market assumptions.

What judgements are we focused on?

We have focussed our testing on the inputs into and assumptions made in the valuation method.

The valuation is calculated over the total property value using the income approach, specifically the Direct Capitalisation method.

This involves first making an assessment of Market Rent using the comparable or market approach, having regard to leasing transactions of similar assets.

The valuer then capitalizes the existing passing rent at an appropriate, risk adjusted 'yield' before reverting to the Market Rent at an appropriate point in the future – either lease renewal or rent review, or upon letting if the space is currently vacant.

Allowances are made for letting voids, tenant incentives, capex and non-recoverable costs as appropriate.

What did we do?

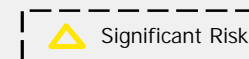
We have engaged EY Valuations Experts to provide assistance in determining that the methodology used in the valuation is appropriate and testing each of the significant assumptions used in the valuation. We also reviewed the disclosures made in relation to the material uncertainty caveat to ensure they were sufficient.

What are our conclusions?

We are awaiting the final report from EY Valuations Experts who are assisting in the valuation testing of investment properties.

We have reviewed the disclosures included in the estimation uncertainty disclosure note to ensure they adequately reflect the material uncertainty caveat noted by the valuer.

Due to the inclusion of material uncertainty paragraphs in the RICs valuers report, we may include an Emphasis of Matter paragraph in our audit report. This is not a qualification, but draws attention to your disclosures regarding this issue for the readers understanding of the accounts.





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 HCC'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.

What did we do?

We have:

- Considered the competence, capability and objectivity of the Authority's valuer;
- Considered the scope of the valuer's work;
- Ensured land and building assets have been revalued within a 5 year rolling programme as required by the Code;
- Considered if there are any specific changes to assets that should have been communicated to the valuer;
- Sample tested key inputs used by the valuer when producing valuations (for example cost, area, fees);
- Considered the results of the valuer's work and engaged EY Valuation experts to assist in testing the valuation of assets valued using the Existing Use Value (EUV) method;
- Challenged the assumptions used by the valuer by reference to external evidence;
- Tested journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements;
- Tested a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct; and
- Reviewed assets that are not subject to valuation in 2019/20 to confirm the remaining asset base is not materially misstated.
- Reviewed the disclosures to ensure they adequately disclose the material uncertainty caveat included in the valuers report as a result of Covid-19.

Conclusion: We noted a difference in our analysis of assets not revalued in the year and also a difference in our testing of assets that had been valued in the year that was above our nominal amount, therefore we have recorded a misstatement. Having considered the impact on the full population, the net difference of these adjustments is £4.3 million that has not been adjusted.

No issues were noted in testing of EUV assets.

Due to the inclusion of material uncertainty paragraphs in the RICs valuers report, we may include an Emphasis of Matter paragraph in our audit report. This is not a qualification, but draws attention to your disclosures regarding this issue for the readers understanding of the accounts.

We have reviewed the disclosures included in the estimation uncertainty disclosure note to ensure they adequately reflect the material uncertainty caveat noted by the valuer.



Areas of Audit Focus



Valuation methods applied

What is the risk/area of focus?	What did we do?
<p>Pension liability valuation The Local Authority Accounting Code of Practice and IAS19 require the CC 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 balance sheet. At 31 March 2020 this totalled £1.5 billion. 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. SFAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Hampshire Constabulary (note this has not yet concluded); • Assessed the work of the Hampshire 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 of this report by the EY actuarial team; and • Reviewed and tested the accounting entries and disclosures made within HCC's financial statements in relation to IAS19. • Reviewed the adjustments in respect of the McCloud ruling and determined the calculation was reasonable. • Reviewed the assessment by management that the latest rulings in relation to 'Goodwin' and confirmed that the impact is not material to HCC. <p>Conclusion: We have no issues to raise in respect of the pension liability valuation.</p>
<p>Private Finance Initiatives The Council has 2 PFI contracts in place, in respect of waste and street lighting, with liabilities amounting to £170 million in 2019/20. These were both operational and recognised in the Council's balance sheet as at 31 March 2020.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Involved EY specialists in this area to ensure accounting treatment proposed by the Council is appropriate. <p>This work will include analysis of the contracts and review and consideration of the financial model.</p> <p>Conclusion: The work being conducted by EY specialists has not yet concluded as management have had difficulty identifying historic papers due to remote working rules. All queries have now been responded to and we expect to provide a verbal update to the Audit Committee. We have no issues to raise at this stage of our testing.</p>



Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<p>Going Concern ISA 570 was revised in September 2019. The revised standard increases the work we are required to perform when assessing whether an entity is a going concern and means UK auditors will follow significantly stronger requirements than those required by current international standards. Whilst the standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, EY have revised current audit procedures, recognising the importance of the forthcoming revisions.</p> <p>Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance</p>	<p>Procedures we are performing:</p> <ul style="list-style-type: none"> • Obtaining Management's going concern assessment and reviewing for any evidence of bias and consistency with the accounts; • Reviewing the financial modelling and forecasts prepared by HCC. We considered and tested key assumptions, focusing on the reasonableness of the liquidity forecasts up to a date of 12 months after the signing date of the accounts and opinion. This assessment therefore needs to extend beyond the 2020/21 financial year, and into 2021/22; • Ensuring that an appropriate going concern disclosure has been made within the financial statements; • Reviewing the HCC's approach to identifying and disclosing events after the balance sheet date; and • Considering the impact on our audit report and complying with EY consultation requirements. <p>Conclusion: Our work on going concern has not yet concluded - we will provide a verbal update at the Audit Committee on our progress in this area.</p> <p>We note the Cabinet report in July 2020 raises significant issues regarding the financial resilience of the Council in the medium term financial period. Therefore, when completed we will consider whether it is necessary to include an Emphasis of Matter paragraph in our audit report relating to the financial and operational impacts of Covid-19.</p>

Page 39



03 Audit Report



Audit Report

Draft audit report – example only

Note this is an illustrative draft of the audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO HAMPSHIRE COUNTY COUNCIL

Opinion

We have audited the financial statements of Hampshire County Council for the year ended 31 March 2020 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;
- Hampshire Pension Fund Account Statements; and
- 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 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Hampshire County Council as at 31 March 2020 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 2019/20.

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 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.

Emphasis of matter – Disclosures in relation to the effects of Covid-19

We draw attention to Note X of the financial statements, which describes the financial and operational consequences the Authority is facing as a result of Covid-19. Our opinion is not modified in respect of this matter.

Emphasis of matter – Material uncertainty regarding the valuation of Property

We draw attention to Note X of the financial statements, which describes the valuation uncertainty the Authority is facing as a result of Covid-19 in relation to property valuations. Our opinion is not modified in respect of this matter.

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 Finance Officer use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance 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 are independent of the authority in accordance with the ethical requirements for issue.

Other information

The other information comprises the information included in the narrative report set out on pages 3 to 31, other than the financial statements and our auditor's report thereon. The Chief Finance 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



Audit Report

Draft audit report - example only

Our opinion on the financial statements

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.

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

Responsibility of the Director of Chief Finance Officer

As explained more fully in the Statement of the Chief Finance Officer Responsibilities set out on page 32, the Chief Finance 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 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing Hampshire County Council'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.

Hampshire County Council 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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Hampshire County Council, put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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 Authority;
- 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



Audit Report

Draft audit report - example only

Our opinion on the financial statements

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 Authority'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 C&AG in November 2017, as to whether the Authority 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 C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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, 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.



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 audit differences

We highlight the following misstatements greater than £2.1 million were identified during the course of our audit that have not been adjusted by management:

- We noted a difference in our analysis of assets not revalued in the year that was above our nominal amount therefore we have recorded as a misstatement for £7 million. The difference arises due to management performing an indexation exercise as at 1 April 2019. Our view is that this should be done as at the year end date, 31 March 2020. We also noted a difference in our testing of assets that had been valued in the year, which would reduce the value of PPE by £3 million. We have considered the impact of these over the full population, as appropriate. The net impact of these adjustments is £4.3 million and as such management have chosen not to adjust due to materiality. This is highlighted on page 15.

Page 15
There were also a number of disclosure misstatements that were identified by EY and updated by management.

As we have not concluded on our audit procedures there may be further differences identified. We will communicate any further findings to the Audit Committee.



05

Value for Money



Background

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

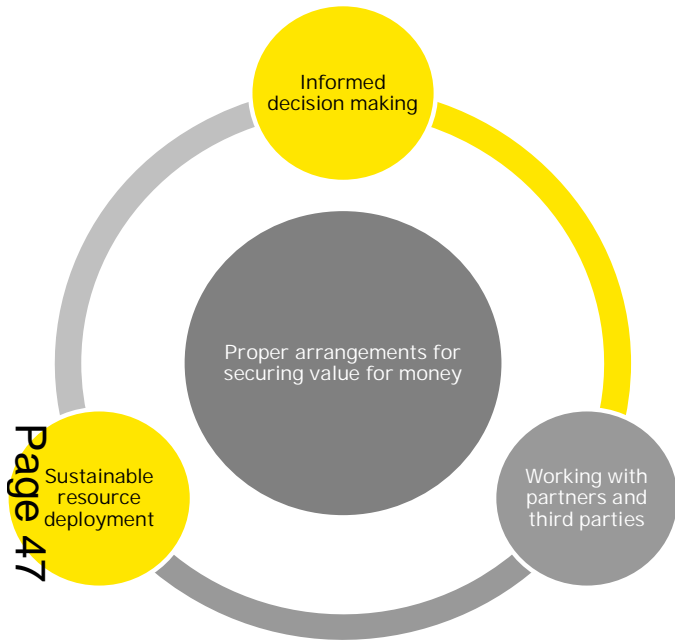
For 2019/20 this is based on the overall evaluation criterion:

"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.



Impact of Covid-19 on our Value for Money assessment

On 16 April 2020, the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019/20 Value for Money arrangements conclusion.

Overall conclusion

We did not identify any significant risks around these criteria
We therefore expect to have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

As noted on page 17, we are aware of the report to the Council's Cabinet in July 2020 raising concerns over the financial resilience of the Council over the medium term period as a result of the Covid-19 challenges. We consider this pressure came after the year-end, and the arrangements during the 2019/20 year were appropriate. We expect that the arrangements to address this challenge will form part of our audit considerations during 2020/21.



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 2019/20 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 2019/20 [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. However, instructions are yet to be received.

Treasury has extended the reporting timetable for WGA so we may not certify completion of the audit at the same time as issuing the audit opinion.

We will report any matters arising to the Audit Committee.

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 reporting 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 HCC'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;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Consideration of laws and regulations; and
- Group audits

We have no significant findings to communicate.

Prior year adjustments

In the course of the audit we identified the following prior year adjustment:

HCC recognised £51.3m in their Grants Credited to Service note in the 2018/19 accounts. However there was a typographical error on inputting this figure into the financial statements, whereby this figure was entered as a positive figure when it should have been a negative. The total for Grants Credited to Services in the 2018/19 Accounts is £866.5m. This figure should have been £1,008m.

We are in the process of ensuring that the disclosures around the adjustment are sufficient in the 2019/20 accounts.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of HCC 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 HCC has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a substantive approach (with some reliance on the ISAE 3402 report on the Hampshire IBC), we have therefore not tested the operation of any controls.

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.

We have considered whether circumstances arising from C-19 resulted in a change to the overall control environment or effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention/details of issues noted.

Page 52



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 2019/20 our use of these analysers in HCC'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.

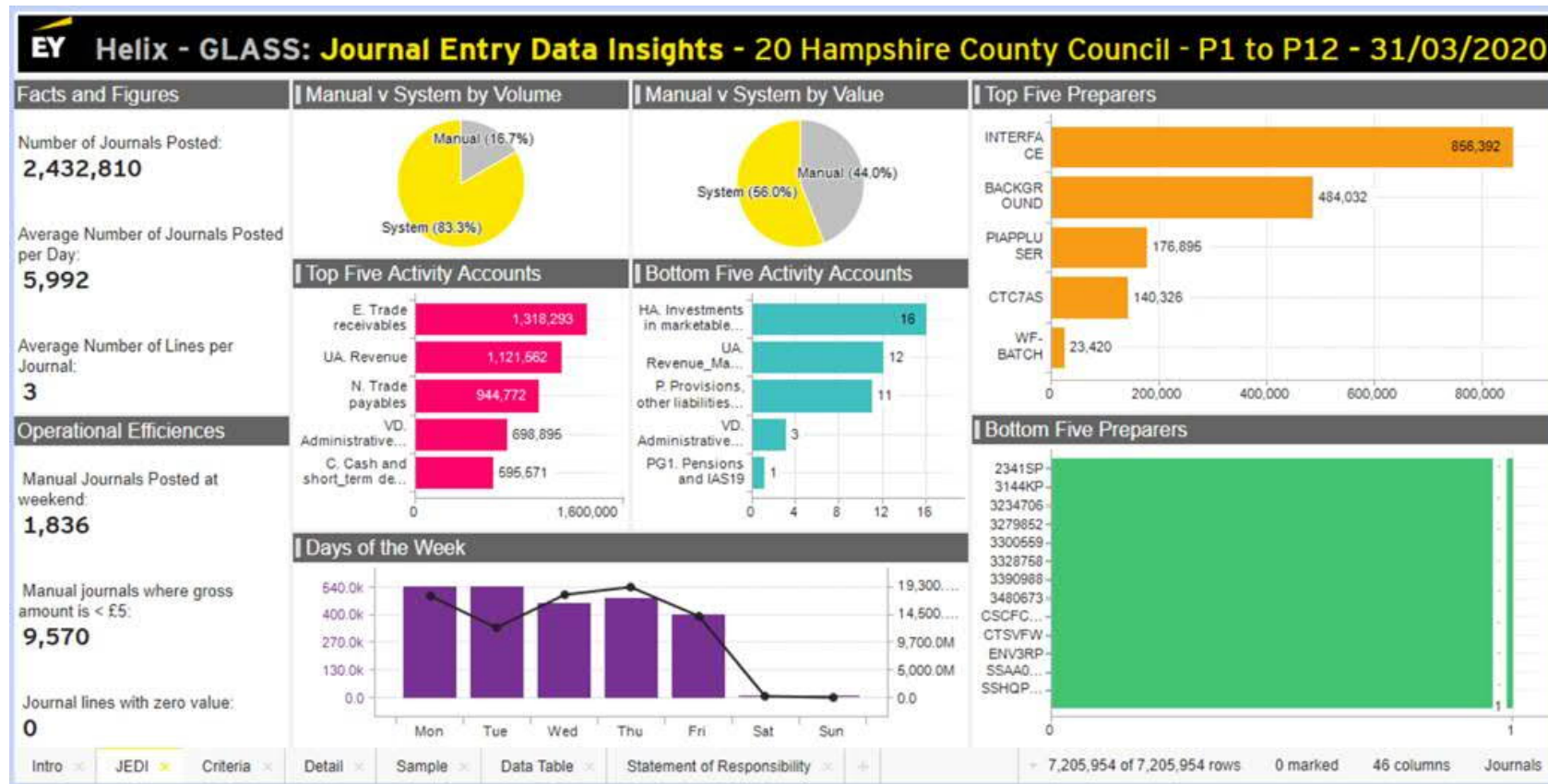


Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2019/20. 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.

Page 55





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 2020

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.



Page 57

09

Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 28 January 2020.

We complied with the APB Ethical Standards. 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 that should be reviewed by both you and ourselves. It is therefore important that you and your Audit Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 30 September 2020.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2020.

We confirm that we have undertaken non-audit work to provide an ISAE 3402 Report on the IBC. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

Description	Final Fee 2018/19 £	Planned Fee 2019/20 £	Final Fee 2019/20 £
Total Audit Fee – Code work	91,570*	89,720	TBC
Non-audit Fee	43,000		56,500

* the variation to 18/19 scale fee is still subject to approval by PSAA

2019/20 Fees:

We are not yet able to provide a final fee for the 2019/20 audit. This is for two reasons:


- The audit as not fully complete, as noted in the list of outstanding procedures set out on page 7 of this report.
- We have not been able to conclude our fee discussions with PSAA regarding the rebasing of the scale fee, as we discussed at the previous Audit Committee, and previously with management on 19 May 2020.

The areas in which we have completed additional work and as such we will be proposing a fee variation to the base scale fee are:

- Land & Buildings & Investment Property – including additional work required on RICS related material uncertainty related to Covid-19
- Going concern assessment and disclosure
- EY consultation on auditor's report on the statements involving EY professional practice directorate to ensure the auditor's report is appropriate.

Once we have completed the audit will we assess the final fee, discuss with management and provide an update to the Audit Committee.

Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its 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 insert start of financial year to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Page 60

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales. We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf



10 Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet 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 69

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Trade receivables	We relied on the ISAE 3402 report on the IBC to rely on controls 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	The ISAE 3402 report was commissioned by the IBC for the first time for the year 31 March 2020.
Tangible Fixed Assets	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Trade payables	We relied on the ISAE 3402 report on the IBC to rely on controls 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	The ISAE 3402 report was commissioned by the IBC for the first time for the year 31 March 2020.
Cash, borrowings and investments	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Pension Liability	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change

Appendix A

Audit approach update - continued

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
PFI	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Developers Contributions	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Grants Received in Advance	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change

Appendix B

Summary of communications

Date 	Nature 	Summary 
January 2020	Report	The Audit Planning Report, including confirmation of independence, was issued to the Audit Committee.
February 2020	Meeting	The Associate Partner and Senior Manager met with the Audit Committee and senior members of the management team to discuss the Audit Planning Report.
July 2020	Report	An Audit Progress report was issued to the Audit Committee
July 2020	Meeting	The Associate Partner met with the Audit Committee and senior members of the management team to discuss the progress of the audit and implications of Covid-19 on proposed audit strategy.
September 2020	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit Committee.
September 2020	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit Committee and senior members of the management team to discuss the audit results report.




Page 65

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.



Appendix C

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 dated 28 January 2020	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report dated 28 January 2020	
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 	This Audit results report	

Appendix C

Required communications	 What is reported?	 When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the audit committee include:</p> <ul style="list-style-type: none"> • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The identification of any non-EY component teams used in the group audit • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant 	<p>Audit planning report dated 28 January 2020 And This Audit results report</p>




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 	<p>This Audit results report</p> <p>No conditions or events were identified, either individually or together to raise any doubt about HCC’s ability to continue for the 12 months from the date of our report</p>
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 	<p>This Audit results report</p>
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. 	<p>Attending Audit Committee – 30 September 2020</p>
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. 	<p>Formal enquiry letter sent and response received from Chair of Audit Committee. and This Audit results report</p>

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 	This Audit results report
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>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	<p>Audit planning report dated 28 January 2020 and</p> <p>This Audit results report</p>

Appendix C

Required communications	 What is reported?	  When and where
	<ul style="list-style-type: none"> • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Details of any contingent fee arrangements for non-audit services • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
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. 	This Audit results report

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 	This Audit results report
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 	This Audit results report
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	This Audit results report
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 dated 28 January 2020 This Audit results report
Certification work	<ul style="list-style-type: none"> Summary of certification work 	Certification Report

Management representation letter

Management Representation Letter – to be finalised on completion of all outstanding audit procedures

Ernst & Young LLP
Grosvenor House,
Grosvenor Square,
Southampton SO15 2BE,
United Kingdom

This letter of representations is provided in connection with your audit of the financial statements of Hampshire County Council for the year ended 31 March 2020. 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 Authority financial position of Hampshire County Council as of 31 March 2020 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 2019/20.

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 2019/20.

2. We acknowledge, as members of management of the Authority, 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 Authority in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. 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 authority, we believe that the Authority 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 2019/20, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and have therefore not adjusted them.

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

1. We acknowledge that we are responsible to determine that the Authority'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 disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Authority (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance

Management representation letter

Management Rep Letter

matters:

- involving financial statements;
- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority'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 Authority'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 all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic
3. have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committees held through the period to the most recent meeting on the following date: [list date].
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority'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 year 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 Authority 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. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

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.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 25 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no events subsequent to period end, including events related to the COVID-19 pandemic, which require adjustment of or disclosure in the financial statements or notes thereto.

Management representation letter

Management Rep Letter

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment properties and in generating the IAS19 pension disclosures 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.

H. 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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making valuation of assets and IAS19 disclosure 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, including the effects of the COVID-19 pandemic on the valuation of assets and IAS19 disclosure and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic

I. 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.

Signed on behalf of Hampshire County Council

I confirm that this letter has been discussed and agreed by the Audit Committee

Signed:

Position: Chief Finance Officer

Date:



Position: Chairman of the Audit Committee

Date:

Accounting and regulatory update

Accounting update



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

Name	Summary of key measures 	Impact on HCC 
IFRS 7/IFRS 9 – Financial Instruments [hedge accounting]	<ul style="list-style-type: none"> Amendments regarding pre-replacement issues in the context of the Interest Rate Benchmark (IBOR) reform 	<ul style="list-style-type: none"> Effective for periods beginning on or after 1 January 2020

Page 75

Future accounting developments



Since the date of our last report to the Audit Committee, there have been a number of exposure drafts, discussion papers and other projects issues. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on HCC 
IFRS 16	<ul style="list-style-type: none"> The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. 	<ul style="list-style-type: none"> Management should resume impact assessment for year ended 31 March 2021 ahead of adoption on 01 April 2021.

Appendix H

Regulatory update

Since the date of our last report to the Audit Committee, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on HCC 
Code of Audit Practice 2020	<ul style="list-style-type: none"> The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21. 	<ul style="list-style-type: none"> The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed. Further updates will be provided when possible.
Going Concern - ISA (UK) 570 (Revised September 2019)	<ul style="list-style-type: none"> The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, however EY expects to early-adopt the revised standard for all of our audits of periods ending on or after 30 June 2020. This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. 	<ul style="list-style-type: none"> Practice Note 10, which sets out how the auditing standards are applied in a public sector context, is currently being revised, including in light of the updated standard for Going Concern. As such, the impact is not clear at this stage. Further updates will be provided when possible.

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.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited.
All Rights Reserved.

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.

ey.com

This page is intentionally left blank

HAMPSHIRE COUNTY COUNCIL

Decision Maker	Audit Committee
Date:	30 September 2020
Title:	Statement of Accounts 2019/20
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Anne Hibbert – Corporate Accounting Manager

Tel: 0370 7797883

Email: Anne.hibbert@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to seek approval for the Statement of Accounts for Hampshire County Council and the Hampshire Pension Fund for the period ending 31 March 2020.

Recommendation(s)

2. That the Statement of Accounts for 2019/20 for Hampshire County Council and the Hampshire Pension Fund be approved subject to the anticipated announcement by CIPFA or the Government regarding the accounting presentation for the deficit on Dedicated Schools Grant (DSG).
3. That the letters of representation for Hampshire County Council and the Hampshire Pension Fund exemplified in Appendix 1 be signed.
4. That delegated authority be given to the Deputy Chief Executive and Director of Corporate Resources to approve any minor amendments to the Statement of Accounts, including any change required to the accounting presentation of DSG, prior to the issue of the final audit opinion and publication of the Statement of Accounts.

Executive Summary

5. The Accounts and Audit (coronavirus) amendment Regulations 2020 require the County Council's Statement of Accounts, including the Accounts of the Hampshire Pension Fund, to be approved by the Chief Financial Officer by 31 August and by members by 30 November following the year end. The County Council has delegated responsibility for the approval of the Statement of Accounts to the Audit Committee.

6. The external audit of the Statements is largely due to be completed by 30 September 2020 and the conclusions of the audit are contained within the external auditor's report, which is also on this agenda.
7. The end of year financial report for 2019/20 was considered by Cabinet on 14 July 2020 and the Statement of Accounts is consistent with that report.
8. This report presents for the Committee's approval the Statement of Accounts 2019/20 together with letters to the auditor containing representations by the Chief Financial Officer and members of the Committee regarding information and systems of internal control to confirm that the accounts present a true and fair view. The report also recommends that the Deputy Chief Executive and Director of Corporate Resources be given delegated authority to make amendments if required by the external auditor prior to the issue of the audit opinion.

Contextual information

Code of Practice on Local Authority Accounting

9. The attached Statement of Accounts has been drawn up in the form prescribed by the 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom, which constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. In addition, the Accounts and Audit Regulations 2015 contain certain requirements for disclosure in the Statement of Accounts.
10. Whilst the Code of Practice on Local Authority Accounting is reviewed and updated each year, the 2019/20 Code requires no changes to the accounting policies adopted in the accounts.

Statement of Accounts 2019/20

11. Despite the revised statutory deadline for draft accounts to be approved by 31 August, having swiftly implemented effective home working for finance staff, it was agreed to work to the usual timescales, where practical to do so to prepare the draft statements. The draft accounts were approved on 5 June 2020.
12. Covid-19 was announced a global pandemic on 11 March 2020 and lockdown in Britain commenced on 23 March 2020. Consequently, the impact on the 2019/20 financial statements is minimal. In particular, the accounting policy relating to the going concern principle is unchanged: as local authorities cannot be created or dissolved without statutory prescription, the going

concern assumption in the Accounting Code of Practice assumes that a local authority's services will continue to operate for the foreseeable future. However, since March, given the impact of Covid-19 on public finances, additional commentary is included in the Narrative Report and Note 29 for the County Council and Note 2 for the Pension Fund. Since the draft accounts were approved, the County Council has considered an update on the medium-term financial prospects for the County Council to 2022/23, in particular regarding the impact of the Covid-19 pandemic. Consequently, the commentary in the Statement of Accounts will be updated during September to ensure it presents the most up to date position when the accounts are approved.

13. The external audit commenced in June and although the revised statutory deadline is 30 November, the auditors are working towards a completion in late September. The accounts remain draft until conclusion of the audit.
14. The auditor has communicated an anticipated announcement either by CIPFA or the Government to change the presentation of the deficit on DSG. Currently, the accumulated DSG deficit of £22.754 million (as shown on page 28 of the draft accounts), is included on the balance sheet by reducing the usable reserves of the County Council. However, as the County Council is not responsible for funding this deficit, an alternative presentation is expected to be announced. Until this matter is resolved, the auditor has advised they will not be able to conclude the audit.
15. In other respects, we await the auditor's conclusion following their review of investment property valuations and the streetlighting PFI accounting model. Any changes to the draft accounts for these two items, if required, will be highlighted at the meeting of the Audit Committee.
16. The draft accounts will be updated to reflect final information from billing authorities that was received in July regarding the actual surplus or deficit on their collection funds for council tax and business rates as at the balance sheet date. One further matter requiring adjustment is the analysis of expenses in disclosure Note 11.
17. Notwithstanding the comments above we are not currently aware of any other substantive issues or changes being required to the draft statement of accounts. Audit testing of property, plant and equipment identified some differences in value estimates, but the net impact of these is not material and so the accounts will not be adjusted.
18. The format of the 2019/20 accounts is consistent with 2018/19 and comprises the sections set out below.

Narrative report

19. The narrative report provides information about the key issues affecting the Authority, and reports on the Authority's financial and non-financial performance, risks and future prospects.
20. The narrative statement is designed to help readers understand the Authority, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts.

Statement of Responsibilities for the Statement of Accounts

21. This statement records the responsibility:
 - of the local authority to appoint an officer with responsibility for the proper administration of its financial affairs. Within the County Council, this is the Deputy Chief Executive and Director of Corporate Resources
 - of the Director to prepare the accounts in accordance with proper practices as set out in the Code of Practice, and to certify that the accounts present a true and fair view of the authority
 - of the Chairman of the audit Committee to confirm that the accounts have been considered and approved by the committee.

Movement in Reserves Statement

22. This statement sets out the movement in the year on the different reserves held by the County Council, analysed into 'useable reserves' (cash-backed reserves which can be applied to fund expenditure or reduce council tax) and 'unusable reserves' (not cash-backed which are mainly used for accounting adjustments).
23. Total usable reserves were £643 million as at 31 March 2020, a net reduction on the previous year resulting from the planned use of reserves and the application of capital grants to fund capital expenditure.

Balance Sheet

24. This shows the value of the assets and liabilities recognised by the County Council. The net assets of the County Council are matched by reserves; either usable (£643 million) or unusable (£2.3 billion).
25. The majority of the County Council's net worth is tied up in the value of its property, plant and equipment, primarily the replacement value of land and buildings, which to the extent that it exceeds outstanding borrowing is reflected in the value of the Revaluation Reserve and the Capital Adjustment

account. This value would only become usable if the County Council was to dispose of all its fixed assets at their balance sheet value.

26. Unusable reserves are reduced by the pension reserve. This reserve provides a mechanism for recognising in the balance sheet the County Council's actuarially assessed pension liability as measured under IAS19 without requiring the liability to be recognised in setting council tax. The County Council's pension net liability has increased as at March 2020, from £1,327 million to £1,501 million. This results from a reduction in the value of the County Council's share of pension fund assets, and an increase in the pension liability, partly resulting from a reduction in the actuarial assumed discount rate.

Cash Flow Statement

27. The Cash Flow Statement is designed to demonstrate the changes that have taken place in the Authority's cash position over the year and to highlight the causes of that change: provision of services; investment in assets; treasury management.

Comprehensive Income and Expenditure Statement

28. This Statement shows the accounting cost of providing services rather than the amount funded from taxation. The taxation position is shown in the Movement of Reserves Statement and the difference between them is summarised in the Expenditure and Funding Analysis note 1 and itemised in note 2 of the Statement of Accounts.
29. These disclosure notes set out the accounting adjustments which explain the difference between the accounting deficit of nearly £200 million and the real impact on the general fund and earmarked reserves which was an excess of expenditure over income of £17.7 million that is funded by reserves.
30. The inclusion of other comprehensive income and expenditure such as net gains on the revaluation of assets and the actuarial gain or loss on pension fund assets and liabilities creates a bottom line figure on the Comprehensive Income and Expenditure Statement equal to the change in net worth on the Balance Sheet.

Notes to the Accounts

31. These comprehensive notes incorporate information to give the reader information to support the accounts. The accounting policies are incorporated within the relevant disclosure note with the general policies included towards the end of the notes.

Hampshire Pension Fund

32. The accounts of the Hampshire Pension Fund show that there was a surplus of contributions over benefits payable in the year of £72 million, that net investment income was £104 million, and that the market value of investments decreased by £397 million as at 31 March. Overall, there was a net decrease in the net assets of the fund of £271 million from £7.18 billion to £6.9 billion, which reflects the impact of the Coronavirus pandemic on financial markets in February and March 2020. Since the financial year-end, the value of the Pension Fund has improved as markets have recovered. The latest value of the Fund, as at 31 July 2020, is £8.3 billion, which includes £347m of pension contributions paid in advance by the Fund's employers received on 1 April 2020.

Annual Governance Statement

33. In accordance with regulations, the Annual Governance Statement, which was approved by the committee in July 2020, must accompany the Statement of Accounts.

Period of Public Inspection of the Accounts

34. In accordance with legislation, the County Council published a notice of public rights to inspect the accounting records for the financial year ended 31 March 2020, make copies of all or any books, deeds, contracts, bills, vouchers, receipts and other documents relating to the accounting records and question the external auditor about the accounts. The specified period was from 10 June to 21 July 2020. No requests or questions were received in this respect.

Letters of Representation

35. In order to conclude the audit opinion, the external auditor requires written representations by the Chief Financial Officer and members of the Audit Committee confirming their confidence in and reliance on information and systems of internal control thus enabling them to confirm that the accounts for the County Council and the Hampshire pension Fund present a true and fair view. Draft letters are attached at Appendix 1.

Conclusions

35.1. The Statement of Accounts for 2019/20 for Hampshire County Council and the Hampshire Pension Fund have been prepared in accordance with legislative and regulatory requirements. The external audit is nearing completion and it is anticipated that an unqualified audit opinion will be issued. The County Council is required to publish the Statement of Accounts as soon as the audit certificate is released and by 30 November 2020 at the latest. The Statement of Accounts and the audit opinion will be published on Hantsweb.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because:

It relates to the effective Governance of the County Council.

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

<https://documents.hants.gov.uk/finance/HC-C-DRAFT-Statementofaccounts2019-20.pdf>

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

There are no new proposals in this report requiring an assessment.

May be updated once this year's audit has been completed.

Mr K Suter
Associate Partner
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

xx September 2020

Dear Kevin

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 2020. 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 2020 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 2019/20.

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 2019/20.
2. We acknowledge, as members and 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 2019/20, 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 and 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 2019/20, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and have therefore not adjusted them.

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: *23 July 2020*.
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.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

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.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 25 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no events subsequent to period end, including events related to the COVID-19 pandemic, 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. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and in generating the IAS19 pension disclosures 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.

H. 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 2019/20.
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, including the effects of the COVID-19 pandemic on the valuation of assets and IAS19 disclosure and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

I. 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 sincerely,

Carolyn Williamson, Chief Financial Officer

Date:

Councillor Keith Evans, Chair, Audit Committee

Date:

Mr K Suter
Associate Partner
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

xx September 2020

Dear Kevin,

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 2020. 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 2019 to 31 March 2020 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2020, 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 2019/20.

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

6. 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 2019/20.
7. 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.
8. 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 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.

9. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
10. 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 2019/20 that are free from material misstatement, whether due to fraud or error.
11. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and have therefore not adjusted them.

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 non-compliance 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

8. 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.

9. You have been informed of all changes to the Fund rules.

10. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

11. 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]**.

12. 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.

13. 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.

14. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

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

D. Liabilities and Contingencies

4. 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.

5. 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 6 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 2020 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.

L. 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 2019/20.

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 2019/20.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

M. Investment managers' control reports ISAE 3402

The latest reports available do not all cover the whole of the 2019/20 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 sincerely,

Carolyn Williamson, Chief Financial Officer

I confirm that this letter has been discussed and agreed at the Audit Committee on 30 September 2020

Cllr Keith Evans

Chair, Audit Committee

This page is intentionally left blank

HAMPSHIRE COUNTY COUNCIL

Decision Maker	Audit Committee
Date:	30 September 2020
Title:	Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting by Sir Tony Redmond
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Anne Hibbert – Corporate Accounting Manager

Tel: 0370 7797883

Email: Anne.hibbert@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to highlight some of the key findings of the [independent review](#) by Sir Tony Redmond into the effectiveness of external audit and transparency of financial reporting in local authorities.

Recommendation

2. To note the contents of the review and that officers will bring an update on action required to the next Council Audit Committee.

Executive Summary

3. In June 2019, The Secretary of State for Housing, Communities and Local Government asked Sir Tony Redmond to undertake an independent review of the effectiveness of local audit and the transparency of local authority financial reporting. The resulting report was published on 8 September 2020.
4. The review makes 23 recommendations and its findings can be summarised into three main topics:
 - Local audit arrangements
 - Governance arrangements
 - Financial reporting

The key elements of each are summarised below.

Local Audit arrangements

5. The report makes detailed proposals for a new regulatory body responsible for procurement, contract management, regulation, and oversight of local audit. The new body, The Office of Local Audit and Regulation (OLAR) will take on the current roles and responsibilities relating to local audit discharged by the:
 - Public Sector Audit Appointments (PSAA);
 - Institute of Chartered Accountants in England and Wales (ICAEW);
 - Financial Reporting Council (FRC) or its planned replacement: Audit, Reporting and Governance Authority (ARGA);
 - The Comptroller and Auditor General (C&AG).

It is envisaged that 30 – 35 staff will transfer from these organisations.

6. The OLAR will be supported by a Liaison Committee chaired by MHCLG comprising key stakeholders including FRC/ARGA, ICAEW, NAO, CIPFA, LGA and authority representatives, as well as Probation, HO and Audit Partners. Meeting quarterly, it will provide a link to the regulator and provide a facility for feedback and commentary in how the local audits are carried out. The OLAR could impose sanctions where there are significant issues in a local authority e.g. financial resilience issues where MHCLG are needed to intervene.
7. The report concludes that the local audit market is very fragile. The current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The report therefore recommends an increase in fees must be considered and a 30 September deadline for the audit completion, rather than 31 July.

Governance arrangements

8. The review questions whether Audit Committees understand the issues to question and challenge in an effective way? There are relatively low number of independent Audit Committee members and little communication between Audit Committee Members, external auditors and other inspectors and no formal exchange of views. The report comments that there seems to be no real relationship between Audit Committee and Full Council as very few reports go to Council.
9. The report recommends:
 - an annual report being submitted to Full Council by the external auditor;
 - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee;

- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually;
- Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's Annual Report.

Financial Reporting

10. The report concludes that current statutory accounts prepared by local authorities are impenetrable to the public. It is recommended that a simplified statement of service information and costs is prepared by each local authority in such a way as to enable comparison with the annual budget and council tax set for the year. This would enable Council taxpayers and service users to judge the performance of the local authority for each year of account. All means of communicating such information should be explored to achieve access to all communities.
11. The new statement would be prepared in addition to the statutory accounts and would be audited to give it credibility. An example statement is contained in an annex to the report. CIPFA LASSC will also be tasked with reviewing and simplifying the current accounting requirements. For example, the technical accounting adjustments for Property, Plant & Equipment and Pension Fund issues need to be reviewed.

Conclusions

12. The outcome of the Redmond Review is designed to deliver a new framework for effective local audit and an annual financial statement which enables all stakeholders to hold local authorities to account for their performance together with a robust and effective audit reporting regime. Implementation of recommendations contained in the Review would, in part, require regulatory or legislative change.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because:

It relates to the effective Governance of the County Council.

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

There are no new proposals in this report requiring an assessment.

This page is intentionally left blank

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Audit Committee
Date:	30 September 2020
Title:	Minutes of the Hampshire Pension Fund Panel and Board – 14 February 2020 (less exempt)
Report From:	Director of Transformation and Governance

Contact name: Caroline Roser

Tel: 0370 779 5280

Email: caroline.rosier@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to present the non-exempt minutes from the meeting of the Hampshire Pension Fund Panel and Board which took place on 14 February 2020.
2. That the Audit Committee receives and notes the minutes as attached to this report.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

This report requests that the Audit Committee receive and note the minutes of the Hampshire Pension Fund Panel and therefore the recommended action will not impact on groups with protected characteristics in any way.

This page is intentionally left blank

AT A MEETING of the Hampshire Pension Fund Panel and Board of HAMPSHIRE COUNTY COUNCIL held at Mitchell Room, EII Podium, Winchester on Friday, 14th February, 2020

PRESENT

Chairman:

* Councillor Mark Kemp-Gee

Vice-Chairman:

Councillor Tom Thacker

Elected members of the Administering Authority (Councillors)

* Councillor Christopher Carter	* Councillor Andrew Joy
* Councillor Alan Dowden	* Councillor Peter Latham
* Councillor Andrew Gibson	* Councillor Bruce Tennent
Councillor Jonathan Glen	

Employer Representatives (Co-opted members):

* Councillor Stephen Barnes-Andrews, Employer Representative - Southampton City Council
Cllr Cal Corkery, Employer Representative - Portsmouth City Council
* Cllr Paul Taylor, Employer Representative - HIOWLGA
* Liz Bartle, Employer Representative - Other Employer

Scheme Member Representatives (Co-opted members):

* Dr Clifford Allen, Scheme Member Representative - Pensioner Member
* Sarah Manchester, Scheme Member Representative Substitute
* Neil Wood, Scheme Member Representative - Active Member
* Lindsay Gowland, Scheme Member Representative - Deferred Member

Independent Adviser:

*Carolyn Dobson

*Present

BROADCASTING ANNOUNCEMENT

The Chairman announced that the press and members of the public were permitted to film and broadcast the meeting. Those remaining at the meeting were consenting to be filmed and recorded, and to the possible use of those images and recording for broadcasting purposes.

236. APOLOGIES FOR ABSENCE

Councillors Thacker and Glen sent their apologies.

237. 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 circumstances described in Part3, 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 Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared , and having regard to Part 5, Paragraph 2 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.

238. CONFIRMATION OF MINUTES (NON-EXEMPT)

The minutes of the Pension Fund Panel and Board held on 13 December 2019 were confirmed.

239. DEPUTATIONS

No deputations were received.

240. CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed Mrs Liz Bartle and Dr Lindsey Gowland and informed the Panel and Board they had replaced Mr David Robbins and Mrs Valerie Arrowsmith as the Other Employer representative and Deferred Member representative respectively. The Chairman told the committee he will be writing to Valerie and David to express the Panel and Board's thanks for their contribution to the committee

The Chairman also congratulated Neil Wood on being reappointed as the Active Member representative.

241. ACCESS BUSINESS PLAN

The Panel and Board considered the report from the Director of Corporate Resources (Item 6 in the Minute Book) including the ACCESS Business Plan for 2020/21, which had been agreed and recommended for approval to the member authorities by the ACCESS Joint Committee.

The budget for ACCESS for 2020/21 was £1.08m of which Hampshire's equal share would be £98,000.

RESOLVED:

(a) That the ACCESS Business Plan for 2020/21 was approved.

242. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED:

That the public be excluded from the meeting during the following items of business, as it is 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 be disclosure to them of exempt information within

Paragraphs 3 and 4 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 maintain the exemption outweighs the public interest in disclosing the information, for the reasons set out in the reports.

243. CONFIRMATION OF THE EXEMPT MINUTES OF THE PREVIOUS MEETING

The exempt minutes of the Pension Fund Panel and Board held on 13 December 2019 were confirmed.

244. INVESTMENT - INVESTMENT STRATEGY REVIEW

The Panel and board considered the exempt appendix from the Director of Corporate Resources (Item 9 in the Minute Book) supporting the review of the Investment Strategy. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT information]

245. INVESTMENTS - INVESTMENT REPORT

The Panel and Board received an exempt report from the Director of Corporate Resources (Item 10 in the Minute Book) updating the Panel and Board on the performance of the Pension fund's investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

Chairman,

This page is intentionally left blank

By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank