

A photograph showing a white table with several documents spread across it. Several hands are visible, pointing at different parts of the documents, suggesting a collaborative meeting or review process. A smartphone is also visible on the table. The background is slightly blurred, focusing attention on the documents and hands.

Hampshire County  
Council  
and  
Hampshire Pension  
Fund  
Year ended 31 March 2019  
Audit progress report



Private and Confidential  
Audit Committee  
Hampshire County Council and Hampshire Pension Fund  
The Castle  
Winchester  
Hampshire  
SO23 8UJ

April 2019

Dear Audit Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Committee with an overview of our progress against our 2018/19 audit plan, reported to you in January 2019. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley  
For and on behalf of Ernst & Young LLP  
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Hampshire County Council and Hampshire Pension Fund. in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Hampshire County Council and Hampshire Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Hampshire County Council and Hampshire Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





01

# Progress Update





# Progress on 2018/19 Audit – Hampshire County Council

The following 'dashboard' summarises the progress of the 2018/19 audit after our interim audit visit. It seeks to provide the Audit and Risk Assurance Committee with an overview of the progress of the audit to date, and any issues arising.

Audit Area	Status	Details
Walkthroughs of key systems	Completed	<ul style="list-style-type: none"> <li>- Accounts Payable</li> <li>- Accounts Receivable</li> <li>- Cash &amp; Bank</li> <li>- Financial Statement Close Process</li> <li>- Payroll</li> <li>- Property, Plant &amp; Equipment</li> <li>- Treasury Management</li> <li>- CONTROL</li> <li>- SWIFT</li> </ul>
Testing of controls over key systems	In progress	<p>Our testing of controls in the following areas is ongoing:</p> <ul style="list-style-type: none"> <li>- Accounts Payable</li> <li>- Accounts Receivable</li> </ul> <p>Progress to date has not identified any control deficiencies.</p>
Testing of controls over key systems	Completed	<p>Our testing of controls over the following key system has been completed with no control deficiencies noted:</p> <ul style="list-style-type: none"> <li>- Cash &amp; Bank</li> <li>- CONFIRM</li> <li>- SWIFT</li> </ul>
Interim testing of Property, Plant & Equipment -	In progress	<p>We have completed testing on the following areas and note no issues:</p> <ul style="list-style-type: none"> <li>- Depreciation</li> <li>- Additions</li> <li>- Disposals</li> <li>- Existence</li> </ul> <p>We have also started work on PPE Valuation which is ongoing but good progress has been made.</p>
Interim testing of payroll	Completed	<ul style="list-style-type: none"> <li>- We have completed period 1-9 testing on payroll, and have noted no issues</li> </ul>
Interim testing of income and expenditure	Completed	<ul style="list-style-type: none"> <li>- We have completed period 1-9 testing on income and expenditure and have noted no issues</li> </ul>
Other procedures	Completed	<p>We have completed interim testing on the following procedures and have encountered no issues –</p> <ul style="list-style-type: none"> <li>- Related Party Transactions</li> <li>- Contract Review</li> </ul>

## Progress on 2018/19 Audit – Hampshire Pension Fund

The following 'dashboard' summarises the progress of the 2018/19 audit after our interim audit visit. It seeks to provide the Audit and Risk Assurance Committee with an overview of the progress of the audit to date, and any issues arising.

Audit Area	Status	Details
Walkthroughs of key systems	Completed	<ul style="list-style-type: none"><li>- Benefits payable</li><li>- Cash &amp; bank</li><li>- Contributions receivable</li><li>- Investments</li></ul>
Other procedures	Completed	<p>We have completed interim testing on the following procedures and have encountered no issues –</p> <ul style="list-style-type: none"><li>- Journal entry testing</li><li>- Contract Review</li></ul>



02

Areas to highlight





## Areas to highlight

Issue	Points to note
Pension Fund – members contributions information	<p>We requested members contributions &amp; IAS19 membership info for the pension fund, along with members contributions for the police pension and firefighter pension, however due to the key contact being on maternity leave and HPF becoming the new pension administrator partner for West Sussex County Council Pension Fund on 01 March 2019, the team were unable to provide this.</p> <p>Whilst we were able to re-prioritize tasks and pull other tasks forward, we have emphasised to management the need to provide this information as soon as possible, and no later than the start of the year end site visit.</p>
IFRS 9 – classification of puttable instruments	<p>Discussions are ongoing in regards to the classification of puttable instruments under IFRS 9. We understand an election is being proposed to treat puttable instruments (pooled funds) as equity because the issuer can suspend redemption. However from our review of the code and conversation with our experts, suspension would need to be permanent and not temporary.</p> <p>We are awaiting copies of the contracts for these pooled funds so we can determine if redemption can be suspended permanently or just deferred temporarily.</p>