

Hampshire Pension Fund Indicative audit results report

Year ended 31 March 2023

14 December 2023 (Draft)





Hampshire County Council
The Castle
Winchester
SO23 8UJ

14 December 2023

Dear Audit Committee Members

2022/23 Indicative Audit results report

We are pleased to attach our indicative audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. The audit results report can only be indicative at this stage due to the following:

- 1) Ongoing audit work outlined in "status of the audit"
- 2) Quality review of audit work
- 3) Awaiting DHLUC guidance on the audit of the Administering Authority's 22/23 accounts prior to concluding the Pension Fund audit

We will update the Committee at its meeting scheduled for 14th December 2023 on these matters and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2022/23 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Hampshire Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. This report is intended solely for the information and use of the Audit Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 14th December 2023.

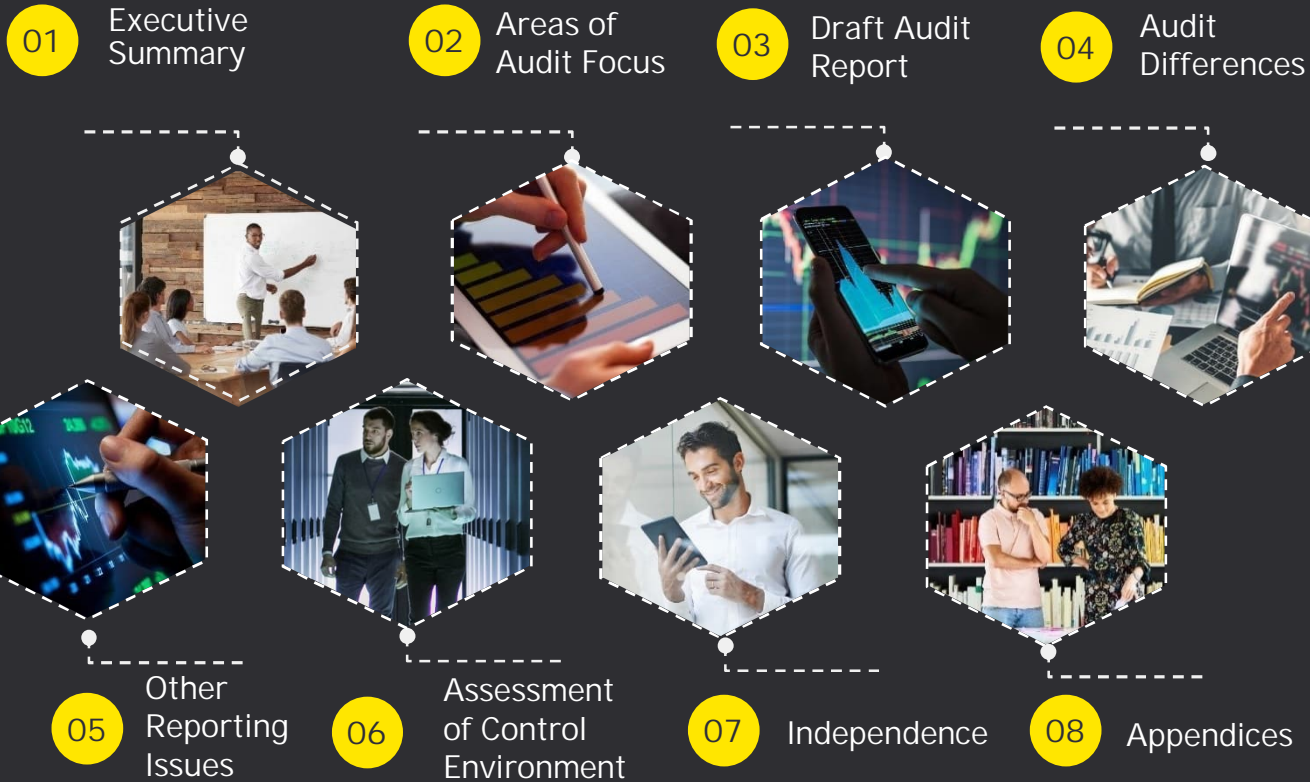
Yours faithfully

Ben Lazarus, Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/psaa-statement-of-responsibilities-of-auditors-and-audited-bodies-up-to-2022-23/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This report is made solely to the Audit Committee and management of Hampshire Pension Fund in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit Committee and management of 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 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 Executive Summary



Executive Summary

Scope update

In our audit planning report presented at the 27 September 2023 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.

We have made no changes to our assessment of materiality subsequent to presenting our Audit Planning Report to you in September.

Status of the audit

Our audit work in respect of the Pension Fund opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of circulating this report (6th December 2023).

- ▶ Assurance Letters - Management, Those Charged with Governance and Internal Audit to provide responses to our assurance letters
- ▶ Level 2 Investments - Directly Held Property - Management to provide additional evidence for 1 title. Audit team testing remaining to be completed on 5 of 16 sampled assets.
- ▶ Level 3 Investments - Private Equity - Audit team to completing testing on a sample of 30 Private Equity Funds
- ▶ Other finalisation procedures including internal quality assurance and final checks on key documents
- ▶ Update of our subsequent events procedures to the date of our opinion
- ▶ Receipt of a signed letter of representation

Although our work is substantially complete we are not yet able to issue our opinion on the Pension Fund financial statements. As a result of national backlogs in the delivery of local government audits we have not yet been able to complete the audit of the 2022/23 financial statements of Hampshire County Council as the administering authority for the Pension Fund. The Pension Fund accounts are consolidated into the audited accounts of Hampshire County Council. Given we have not yet audited the 2022/23 accounts of Hampshire County Council we are therefore unable to issue the audit opinion on the Pension Fund financial statements or certify that are consistent with the version ultimately consolidated into the 2022/23 accounts of Hampshire County Council. There is central work ongoing to help navigate this issue.

Audit differences

No uncorrected items greater than our triviality threshold to report at this stage. We consider this further in Section 04 of our report.

Executive Summary (cont'd)

Areas of audit focus

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

Fraud risk	Findings & Conclusions
Misstatements due to fraud or error	<p>We carried out procedures to address fraud risks as set out in our Audit Plan, including testing journal entries and considering estimates for evidence of management bias. Using data analytics is central to our approach.</p> <p>We also performed a reconciliation between the fund manager reports and the custodian reports to address the risk of manipulation of asset valuations.</p> <p>Based on all work finalised to date, we have no matters to bring to your attention.</p>
Significant risk	Findings & Conclusions
Valuation of level 3 investments	<p>We carried out procedures as set out in our Audit Plan to ensure that these investment valuations are supported and that estimation processes, including assumptions made, are materially accurate.</p> <p>Except for Investments in Private Equity, where testing remains ongoing, we have completed our work and have no significant matters to bring to your attention.</p>
Inherent risk	Findings & Conclusions
Valuation of directly held property investments	<p>We sample tested key inputs, and challenged key assumptions, used by the valuer in producing the property valuation.</p> <p>Testing remains ongoing in this area, with testing of 11 out of 16 property samples now completed and subject to final review. Management are due to provide additional evidence for 1 title.</p>
Valuation of non-exchange traded pooled funds (Level 2 Fair Value hierarchy)	<p>We carried out procedures as set out in our Audit Plan to ensure that these investment valuations are supported and that estimation processes, including assumptions made, are materially accurate.</p> <p>We have completed our work in this area and have no other matters to bring to your attention.</p>

Executive Summary (cont'd)

Areas of audit focus (Continued)

Inherent risk	Findings & Conclusions
IAS 26 – Actuarial present value of promised retirement benefits.	We carried out procedures as set out in our Audit Plan to gain assurance over the IAS 26 actuarial statement and the associated disclosure of the actuarial present value of promised retirement benefits as a note to the accounts. We have completed our work in this area and have no other matters to bring to your attention.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control based on procedures undertaken to date that might result in a material misstatement in your financial statements. We set out our detailed findings in Section 06 of this report.

Independence

Please refer to Section 07 for our update on Independence. We have no issues we need to bring to your attention subject to completion of our audit procedures.

A close-up photograph of a person's hand holding a silver pen, pointing at a tablet. The tablet displays a bar chart with several bars of varying heights and colors (green, yellow, orange, red). The background is dark and out of focus.

02 Areas of Audit Focus

Areas of Audit Focus

Risk of misstatements due to fraud or error

Fraud risk

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

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

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

What are our findings and conclusions?

We have not identified any material evidence of material management override. Specifically:

- Our review of trends in general ledger data, and detailed consideration of unusual or unexpected journal postings, did not identify any journal entries that suggested the manipulation of accounting records or override or controls by management.
- We were able to reconcile fund manager, custodian and valuer reports to investments valuations disclosed in the financial statements with no material differences.
- We were able to agree the detailed investment note using reports directly from the custodian, valuer or fund managers.
- We checked the reconciliation of holdings included in the Net Assets Statement back to the source reports.
- Our review of accounting estimates, including estimates with a higher level of inherent risk, identified no evidence of management bias.

Our response to the key areas of challenge and professional judgement

We undertook our standard procedures to address fraud risk, which included:

- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.

We also performed mandatory procedures regardless of specifically identified fraud risks, including:

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

We utilised our data analytics capabilities to assist with our work.

We focused on ensuring that the investment valuations provided through the custodian and fund managers were appropriately journaled into the financial statements, where we have identified the opportunity and incentive for override to occur. We also:

- Undertook a review of reconciliations to the fund manager, custodian and valuer reports and investigated any reconciling differences;
- Re-performed the detailed investment note using the reports we have acquired directly from the custodian, valuer or fund managers; and
- Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports.

Areas of Audit Focus

Valuation of Level 3 Investments

Significant risk

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

We consider the valuation of Level 3 investments to be of a higher degree of inherent risk due to the unobservable inputs making up the valuations.

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

The Fund's private equity, private debt and infrastructure investments are categorised as being at level 3 in the fair value hierarchy. This is due to the uncertainty associated with the valuation of such investments and the absence of a liquid market, meaning that the valuations are not based on observable inputs.

What are our findings and conclusions?

Subject to completion of testing of Private Equity Assets and final review, we are satisfied that the valuation of the Fund's level 3 investments is materially correct in the financial statements. From the work completed on Private Debt and Infrastructure Assets, there were no significant reporting points or areas of concern arising from the procedures undertaken to draw to your attention.

Our response to the key areas of challenge and professional judgement

We:

- Agreed the population of investment assets accounted for in the financial statements to individual underlying fund manager valuation reports to 31/3/2023.
- Agreed the net asset value (NAV) of the level 3 investments appearing in the Fund's financial statements to underpinning audited financial statements supporting the investments as at 31/3/2023 where financial statements supporting valuation at this date were available. Where audited financial statements supporting the investments were not available at the net asset statement date we agreed the NAV in fund manager reports at 31/12/2022 to audited financial statements at that date. Further assurance was obtained as set out below.
- Obtained controls assurance reports from fund managers. Where these were not to 31/3/2023 we obtained bridging confirmations to 31/3/2023. We evaluated the overall assurance given and any specific control failures. We specifically considered controls that relate to valuation for exceptions or issues that may caveat the assurance given.
- Evaluated the underpinning audited fund financial statements for each fund at either 31/12/2022 or 31/3/2023 to ensure they were unqualified, had no other potentially relevant reporting points and were issued by a reputable auditor. Where relevant, we agreed the NAV of investments to underpinning audited financial statements as at 31/12/2022 by applying the Fund's share-holder percentage to the value within the statements. Where audited financial statements were not available at 31/3/2023 we adjusted the 31/12/2022 (quarter 3) valuation for known cash flow movements in the final quarter of the year, assuming they occurred at the start of quarter 4. We then obtained quarter 3 to 4 indices relevant to the type of investment to create a high/low range of movements for quarter 4 and applied that to the valuation derived for each investment at 31/12/2022. We confirmed that the range established was not greater than our performance materiality.
- Compared the valuation in the financial statements to the range established above to gain assurance they were within range to a tolerance of performance materiality.

Areas of Audit Focus

Valuation of directly held property investments

Inherent risk

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

We consider the valuation of property investments to be of a higher degree of inherent risk because of the level of estimation uncertainty. As the pension fund asset base is significant, and the outputs from the valuers are subject to estimation, there is a higher inherent risk that directly held property may be under/overstated.

Management is required to make material judgemental inputs and apply estimation techniques, supported by a professional valuer, to arrive at the year value of property investments carried in the Net Assets Statement.

What are our findings and conclusions?

Our work in this area remains ongoing, with testing of 11 out of 16 property samples now completed and subject to final review. Management are due to provide additional evidence for 1 title.

Our response to the key areas of challenge and professional judgement

We:

- Agreed the population of investment assets accounted for in the population to the Fund's property valuer's year end valuation report.
- Reviewed the scope of the valuers work and their professional capabilities as a basis to rely on management's specialist and obtained the detailed valuation report directly from the valuer independently of Fund management.
- Confirmed the information from the valuer had been correctly accounted for in the financial statements.
- Undertook detailed procedures for a sample of 16 assets selected on a judgmental basis to gain assurance over the valuer's report, including assumptions and methodology used to determine the fair value of the property investments. This resulted in us testing a value of £297m, which is 60% of the total value of directly held property investments in the financial statements.
- Used relevant indices to perform a reasonableness over the valuation change of the remaining assets compared to the prior year. The difference between the actual carrying value of the remaining assets and our estimated valuation based on the application of indices was below our performance materiality.
- Considered whether our work in this area needed to be supported by our EY Real Estate valuation professionals, but ultimately concluded this was not necessary based on our assessment of risk.
- Agreed viewed deeds for any new property and a sample of existing property deeds.

Areas of Audit Focus

Valuation of non-exchange traded pooled funds (Level 2 Fair Value hierarchy)

Inherent risk

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

Hampshire Pension Fund hold a significant balance of non-exchange traded pooled funds which are classified as Level 2.

Assets at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

We consider the valuation of non-quoted pooled investments to be of a higher degree of inherent risk because of the extent of estimation uncertainty.

What are our findings and conclusions?

Our work in this area is complete, we are satisfied that the valuation of the Fund's non-exchange traded pooled funds are materially correct in the financial statements. There were no significant reporting points or areas of concern arising from the procedures undertaken to draw to your attention.

Our response to the key areas of challenge and professional judgement

We:

- Reconciled the valuation of the non-quoted assets provided by the custodian and fund manager;
- Verified the fund manager unit valuation to recent unit sales using externally available market information;
- Reviewed the latest available audited accounts for the relevant fund and ensure there are no matters arising that highlight weaknesses in the fund's valuation;
- Performed an analytical review of the pooled funds movement in year against the specific market movements the fund is invested in.

Areas of Audit Focus

IAS 26 – Actuarial present value of promised retirement benefits

Inherent risk

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

We consider the valuation of IAS 26 to be of a higher degree of inherent risk because of the level of estimation uncertainty resulting from the calculation using a number of underlying assumptions. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables. While IAS 26 does not inform the primary statements, there is stakeholder interest in this disclosure due to its nature.

What are our findings and conclusions?

We have completed our work in this area and subject to final review have no matters to bring to your attention. We note that our testing of membership data used to inform the 2022 triennial valuation of the Fund showed an improvement in the quality of supporting records compared to the results of our testing of membership data used to inform the 2019 triennial valuation of the Fund. There remains some work to further improve the quality of membership data held which is recognised by the Fund, but progress is being made based on the results of our testing.

Our response to the key areas of challenge and professional judgement

We:

- Agreed the disclosure to the IAS 26 actuarial statement and reporting requirements.
- Engaged an auditor's specialist to review the IAS 26 calculation approach and comment on the underlying assumptions.
- Reviewed the work of the management specialist (Aon, the actuary) and auditor's specialist.
- Considered the controls used by Aon in undertaking the calculation.
- Performed IAS 19 liability roll-forward procedures for the largest scheduled body of the Fund, which give us assurance the assumptions have been correctly applied by the actuary. In 2022/23 we have been required to test membership data informing the 2022 triennial valuation of the Fund which will provide IAS19 assurance for scheduled body audits across a number of years.



03 Draft Audit Report

Draft Audit Report

Draft audit report

Our opinion on the financial statements

► As at the time of writing we intend to issue an unqualified opinion on the 2022/23 Pension Fund financial statements. This remains subject to change as we have not yet issued an opinion on the 2022/23 financial statements of the administering authority accounts of Hampshire County Council in which the Fund's accounts are consolidated. We therefore cannot fully conclude the Pension Fund audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAMPSHIRE COUNTY COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Local Government Pension Scheme Fund Account, the Net Assets Statement and the related notes 1 to 22.

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 2022/23.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Corporate Operations' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Corporate Operations with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2022/23, other than the financial statements and our auditor's report thereon. Director of Corporate Operations is responsible for the other information contained within the Statement of Accounts 2022/23.

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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 themselves. 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.

Draft Audit Report

Draft audit report

Our opinion on the financial statements

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Director of Corporate Operations

As explained more fully in the Statement of Responsibilities set out on page 42, the Director of Corporate Operations is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Director of Corporate Operations is also responsible for such internal control as the Director of Corporate Operations determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Director of Corporate Operations.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.

Draft Audit Report

Draft audit report

Our opinion on the financial statements

- We understood how Hampshire Pension Fund is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, and those charged with governance and whether they are aware of instances of non-compliance, and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, We corroborated this through our reading of the Pension Panel and Board minutes.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we:
 - Undertook a review of reconciliations to the fund manager, custodian and valuer reports and investigated any reconciling differences;

- Re-performed the detailed investment note using the reports we have acquired directly from the custodian, valuer or fund managers;
- Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- Reviewed accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

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

Use of our report

This report is made solely to the members of Hampshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) 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 Hampshire County Council and its 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 adjusted differences

We are required to highlight misstatements greater than our tolerable error of £67m which have been corrected by management that were identified during the course of our audit. There were no misstatements of this nature to draw to your attention, subject to completion of our final audit procedures.

Uncorrected misstatements

We are required to highlight uncorrected misstatements above our reporting threshold of £4.5 million. The Audit Committee should consider management's reasons for not adjusting the financial statements. There are no misstatements of this nature to draw to your attention, subject to completion of our final audit procedures.

If uncorrected misstatements are identified post the date of this Audit Results Report, we will share these with the Audit Committee for their consideration. Any reasons for not adjusting uncorrected misstatements above our reporting threshold would require recording in the letter of management representation, to be signed by the Director of Corporate Operations and Chair of the Committee. Draft text for the letter of management representation is included at Appendix C.



05

Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Hampshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. We are not yet able to do this as we have not completed the audit of Hampshire County Council's 2022/23 financial statements.

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 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 had no reason to exercise these duties subject to completion of our final audit procedures.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process. We had no matters to report subject to completion of our final audit procedures.

Other Reporting Issues

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

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

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

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

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

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

Audit Procedures

We performed the following procedures:

We obtained an understanding of the IT processes related to the IT applications of the Fund. The Fund has two relevant IT applications for the purposes of ISA 315 risk assessment.

- We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.
- When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.
- We reviewed the following processes for all five relevant IT applications:
 - Manage vendor supplied changes
 - Manage security settings
 - Manage user access
 - Manage entity-programmed changes
 - Job scheduling and managing IT process

Audit findings and conclusions

No significant issues were identified in our review of the various processes, including the design and implementation effectiveness of relevant controls around the financial statement close process. We have not tested the operation of any controls through this review.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

Our Responsibilities

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

Findings

We have not identified any significant deficiencies in internal control.



08

Independence

Relationships, services and related threats and safeguards

Relationships

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on 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 1 April 2022 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table below sets out a summary of the fees that are due to us in relation to the year ended 31 March 2023 in line with the disclosures set out in FRC Ethical Standard and in statute.

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

	Current Year 2022/23	Prior Year 2021/22
	Proposed fee £	£
Scale Fee – Code work	30,673	24,442
Scale Fee Variation – Rebasing - see Note 1	40,347	40,347
Scale Fee Variation – In Year – See Note 2	TBC	2,946
Scale fee variation – In year use of EY specialist - see Note 3	0	4,935
Total fees	TBC	72,670

Note 1 – In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we assessed that the recurrent cost of additional requirements to carry out our 2021/22 audit should increase by £39,699. PSAA will determine the final figure based on our submissions for 2021/22. We expect similar recurrent costs to our assessment in 2022/23 and subsequent years. However, PSAA has stated that this will need to be determined each year. We will charge additional fee for work to comply with the enhanced requirements of ISA (UK) 315 (Revised). We will report our final proposed scale fee variation on full completion of our work.

Note 2 – An in year scale fee variation will be submitted in relation to the work to comply with the enhanced requirements of ISA (UK) 315 (Revised). We will report our final proposed scale fee variation on full completion of our work.

Note 3 - Fees in 21/22 relate to our use of an EY specialist to conclude on the valuation of L3 investments in 2021/22. As per Note 1, the Scale fee variation has not yet been determined by PSAA. Based on our current findings in 22/23 we have not needed to re-engage with a specialist for L3 investments.

Independence

EY Transparency Report 2023

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 2023:

[EY UK 2023 Transparency Report | EY UK](#)



10 Appendices

Appendix A – Summary of communications

Summary of communications

Date	Nature	Summary
Throughout the year	Meetings, calls and emails.	<p>The Partner and Manager have held meetings with the Assistant Director Pensions and the Head of Investments and Borrowings throughout the year.</p> <p>The audit team has met with the Pension Fund team in respect of the Fund's risks, accounts closedown and the audit approach regularly throughout the audit.</p>
September 2023 - Audit Committee	2022/23 Audit Planning Report	The Partner and/or Manager have attended those meetings of the Hampshire County Council Audit Committee noted opposite through the financial year and to the date of issue of this report.
December 2023 - Audit Committee	2022/23 Audit Results Report	

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

Appendix B - Required communications with the Audit Committee

Required communications with the Audit Committee

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

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report, September 2023 meeting of the Audit Committee.
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, December 2023 meeting of the Audit Committee.

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

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements 	This Audit Results Report, December 2023 meeting of the Audit Committee.
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	This Audit Results Report, December 2023 meeting of the Audit Committee.
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 entity • 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 entity, 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 • Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud • Any other matters related to fraud, relevant to Audit Committee responsibility. 	This Audit Results Report, December 2023 meeting of the Audit Committee.

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

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • 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 entity 	This Audit Results Report, December 2023 meeting of the Audit Committee.
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 judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	This Audit Results Report, December 2023 meeting of the Audit Committee.
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. 	This Audit Results Report, December 2023 meeting of the Audit Committee.

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

Our Reporting to you

Required communications	What is reported?	When and where
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 	This Audit Results Report, December 2023 meeting of the Audit Committee.
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, December 2023 meeting of Audit Committee.
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, December 2023 meeting of the Audit Committee.
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, December 2023 meeting of the Audit Committee.
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	This Audit Results Report, December 2023 meeting of the Audit Committee.

Appendix C – Draft management representation letter

Draft management representation letter

The draft letter below sets out the management representations received at the time of writing and remains subject to potential change.

Management Rep Letter

Ben Lazarus
Partner
Ernst & Young
1 More London Place
London
SE1 2AF

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 2023. 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 1 April 2022 to 31 March 2023 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2023, 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 2022/23.

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:

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 2022/23.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and are free of material misstatements, including omissions. We have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.

Appendix C – Draft management representation letter

Draft management representation letter

The draft letter below sets out the management representations received at the time of writing and remains subject to potential change.

Management Rep Letter

6. 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. We have not corrected these differences identified and brought to our attention by the auditor because *[specify reasons for not correcting misstatement]*

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty. We have drawn to your attention all correspondence and notes of meetings with regulators.

6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties.
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements.
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties.
- Involving management, or employees who have significant roles in internal control, or others.
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

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

Appendix C – Draft management representation letter

Draft management representation letter

The draft letter below sets out the management representations received at the time of writing and remains subject to potential change.

Management Rep Letter

3. 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 and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund, or summaries of actions of recent meetings for which minutes have not yet been prepared, held throughout 2022/23 to the most recent meeting.

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

7. 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.

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

9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

10. From the date of our last management representation letter at 27 September 2023 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) 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, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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.

Appendix C – Draft management representation letter

Draft management representation letter

The draft letter below sets out the management representations received at the time of writing and remains subject to potential change.

Management Rep Letter

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

E. Going Concern

1. Based on our assessment of going concern, the details of which have been shared with you, we confirm that we are not aware of any material uncertainties related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. We do not intend to wind up the Fund. We are satisfied that the use of the going concern basis of accounting is appropriate in the preparation and presentation of the financial statements.

F. Subsequent Events

1. Other than as described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Hampshire Pension Fund Annual Report 1 April 2022 to 31 March 2023.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no member 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.

I. Derivative Financial Instruments

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

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.

Appendix C – Draft management representation letter

Draft management representation letter

The draft letter below sets out the management representations received at the time of writing and remains subject to potential change.

Management Rep Letter

K. Actuarial valuation

1. The latest report of the actuary Aon as at 31st March 2022 and dated 30th March 2023 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. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value:
a. The actuarial present value of promised retirement benefits (the Actuary).
b. The directly owned property investments of the Fund (the Property Valuer).

We 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.

M. Estimates

Valuation of directly owned property investments

1. We confirm that the significant judgements made in making the property valuation estimate have taken into account all relevant information and the effects of the COVID-19 pandemic on the valuation of directly owned property investments of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the directly own property investments valuation estimate.

3. We confirm that the significant assumptions used in making the directly owned property investments valuation estimate appropriately reflect our intent and ability to carry out the valuation on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic on the valuation of directly owned property investments, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

5. We confirm that appropriate specialized skills or expertise has been applied in making the directly owned property investments valuation estimate.

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

Valuation of Fair Value Hierarchy Level 3 Investment Assets (Investments in Private Equity, Private Debt and Infrastructure) Estimates

1. We confirm that the significant judgments made in making the fair value hierarchy level 3 investment assets valuation estimates have taken into account all relevant information and the effects of the COVID-19 pandemic on the valuation of fair value hierarchy level 3 investment assets of which we are aware.

Appendix C – Draft management representation letter

Draft management representation letter

The draft letter below sets out the management representations received at the time of writing and remains subject to potential change.

Management Rep Letter

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the fair value hierarchy level 3 investment assets valuation estimates.

3. We confirm that the significant assumptions used in making the fair value hierarchy level 3 investment assets valuation estimates appropriately reflect our intent and ability to carry out the valuations on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic on the valuation of fair value hierarchy level 3 investment assets, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of fair value hierarchy level 3 investment asset estimate.

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

Estimation of IAS26 present value of promised retirement benefits

1. We confirm that the significant judgments made in making the IAS26 estimate have taken into account all relevant information and the effects of the COVID-19 pandemic on the present value of promised retirement benefits of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the IAS26 estimate of the present value of promised retirement benefits.

3. We confirm that the significant assumptions used in making the IAS 26 estimate of the present value of promised retirement benefits appropriately reflect our intent and ability to carry out the valuation on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic on the valuation of the present value of promised retirement benefits are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of the present value of promised retirement benefits.

6. We confirm that no adjustments are required to the accounting estimate and disclosures in the financial statements, including due to the COVID-19 pandemic.

N. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.

Appendix C – Draft management representation letter

Draft management representation letter

The draft letter below sets out the management representations received at the time of writing and remains subject to potential change.

Management Rep Letter

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

Director of Corporate Operations

Chairman of the Audit Committee

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2022 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

UKC-024050 (UK) 07/22. Creative UK.

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com/uk