

## HAMPSHIRE COUNTY COUNCIL

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

**Contact name:** Anne Hibbert – Corporate Accounting Manager

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### 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,

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Carolyn Williamson, Chief Financial Officer

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

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Cllr Keith Evans

Chair, Audit Committee