

PENSION FUND EXTERNAL AUDIT PLAN

To: **Audit and Accounts Committee**

Date: 28 March 2019

From: Tracy Pegram, LGSS Pensions

Electoral Division(s): **All**

Purpose: To present Ernst & Young's audit plan for the Cambridgeshire Pension Fund's Statement of Accounts for the year ended 31 March 2019

Key Issues: External auditors, Ernst & Young wish to present their audit plan for information purposes.

Recommendation: That the Committee note the presentation.

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1. Background

1.1 Ernst & Young (EY) have been appointed as Independent External Auditors to provide an audit opinion on:

1.1.1 whether the financial statements of Cambridgeshire Pension Fund (the Pension Fund) give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2019 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2019; and

1.1.2 the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.

1.2 EY have produced an audit plan, setting out identified audit risks, expected materiality levels, the scope of their audit and the planned delivery of the audit process. An Associate Partner from Ernst & Young, Mark Hodges, will attend this meeting to present the audit plan.

2. Report content

- 2.1 Page 5 of the accompanying report identifies the key risks and areas of auditor focus, and page 9 of the report details the Auditor's planned approach to these risk areas. These, along with the Fund's approach are summarised in the following table.

Risk/area of focus	Audit approach	Fund approach
Misstatements due to fraud or error	<ul style="list-style-type: none"> Identify fraud risks at planning stage Inquire of management how risks are mitigated by controls Understand the level of oversight within processes Consider effectiveness of controls Use appropriate audit strategy to address risks identified Perform mandatory procedures, including detailed testing 	<ul style="list-style-type: none"> Ensure process notes include identified risks Provide written process notes which detail controls
Investment income and asset valuations – investment journals	<ul style="list-style-type: none"> Test year end journals Review reconciliations of Investment Manager to Custodian reports Re-perform investment notes in Statement of Accounts Check reconciliation of holdings in Net Assets Statement to source reports Agree quoted investment income to source reports 	<ul style="list-style-type: none"> Make copy journals available Provide quarterly reconciliation reports Liaise with Investment Managers to provide information to auditors on a timely basis
Unusual Investments – Cambridge and Counties Bank and Cambridge Building Society	<ul style="list-style-type: none"> Review Grant Thornton's external valuation of the Bank and consider appropriateness of assumptions used Values used are in line with relevant accounting policies Value of the Bank is in line with Grant Thornton's valuation report 	<ul style="list-style-type: none"> Instruct Grant Thornton to provide a valuation report for the Bank and make this, and supporting information, available to the auditor Provide working papers demonstrating the value used at the year end and the valuation methodology

- 2.2 Page 15 of the accompanying report sets out the planned materiality levels for the audit, which are planned to be:

Audit Area	Materiality
Net Assets	£2.9bn
Planning Materiality	£29.69m
Performance Materiality	£14.8m
Audit Differences	£1.4m

- 2.3 Page 23 of the accompanying report sets out the proposed timeline for delivery of the audit. The key planned milestones are:

Milestone	Planned dates	Status
Planning	December 2018-January 2019	Completed
Walkthroughs/Interim Audit	February – April 2019	In progress
Report audit plan	28 March 2019	In progress
Substantive testing	May – July 2019	-
Audit Results Report	Mid July 2019	-

Source Documents	Location
Cambridge Pension Fund Audit Plan Year ended 31 March 2019, dated 13 February 2019. Author: Ernst & Young (EY)	Attached to this covering paper