

Cambridgeshire Pension Fund Audit Results Report

Year Ended 31 March 2023

17 November 2023





Audit and Accounts Committee / Pension Fund Committee
Cambridgeshire County Council
New Shire Hall
Emery Crescent Enterprise Campus
Alconbury Weald, Huntingdon
PE28 4YE

17 November 2023

Dear Audit and Accounts Committee / Pension Fund Committee Members,

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit and Accounts Committee. This report summarises our preliminary audit conclusion in relation to the audit of Cambridgeshire Pension Fund for 2022/23.

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 Cambridgeshire Pension Funds 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 and Accounts Committee and Pension Fund Committee, other members of the Pension Fund, and senior 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 and Accounts Committee meeting on 1 December 2023.

Yours faithfully

MARK HODGSON

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP
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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.psaa.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 and Accounts Committee, Pension Fund Committee, and management of Cambridgeshire Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Accounts Committee, Pension Fund Committee, and management of Cambridgeshire 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 and Accounts Committee, Pension Fund Committee, and management of Cambridgeshire 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 Plan presented to the 12 September 2023 Audit and Accounts 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 not made any revisions to the audit risks and planned audit procedures set out within the Audit Plan.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

Status of the audit

Our audit work in respect of the Pension Fund opinion is substantially complete. The following audit procedures were outstanding at the date of this report:

Closing Procedures

- Subsequent events review;
- Agreement of the final set of accounts;
- Receipt of signed management representation letter; and
- Final Manager and Engagement Partner reviews.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix D. Subject to satisfactory completion of the following outstanding items above, we expect to issue an unqualified opinion upon the Pension Fund's Financial Statements. We are currently unable to provide a definitive timeline for the formal conclusion and audit opinion for the audit, due to the need to first conclude on the ongoing 2021/22 audit as part of the closure of the Cambridgeshire County Council (the Pension Fund accounts form a part of the Council's financial statements) and the need to consider the audit arrangements for the 2022/23 audit of Cambridgeshire County Council. We will, provide an update on this matter as soon as we are practicably able to do so.

Audit differences

Uncorrected Differences

There are no uncorrected audit differences to report as a result of our audit.

Corrected Differences

There have been two corrected audit differences identified through our audit procedures. The first difference relates to the valuation of Cambridge & Counties Bank (CCB). This difference relates to an amendment made from the version of the draft financial statements originally published within the Cambridgeshire County Council accounts, which erroneously did not include the updated CCB valuation. The revised draft financial statements include the updated 2022/23 valuation for CCB of £69.7 million, which is £15.7 million lower than in the original version (£85.4 million). This change was made prior to the commencement of our audit.

The other difference relates to the level 3 Investment asset balance within the Net Asset Statement, which initially included a number of estimated asset valuations for the Level 3 assets. The value of these assets were based on December 2022 audited valuations adjusted for cash flows through to the 31 March 2023. Subsequent to the preparation of the Pension Fund's Draft Statement of Accounts, actual valuations for these Level 3 assets were received from fund managers for the Level 3 assets as at the 31 March 2023. This showed that the Investment asset balance was understated by £12.847 million.

Disclosure Differences

We also identified a limited number of minor audit disclosure differences in the financial statements, which have been adjustment by Management.



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 Cambridgeshire 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 Section 2 of this report and summarised below.

Misstatements due to fraud or error – management override and incorrect posting of investment journals

- We have completed our testing and found no material errors or indication of management override of controls.

Unusual Investments – Cambridge and Counties Bank (CCB)

- We identified an audit difference in the valuation of Cambridge & Counties Bank (CCB). This difference relates to the valuation of Cambridge & Counties Bank (CCB). This difference relates to an amendment made from the version of the draft financial statements originally published within the Cambridgeshire County Council accounts, which erroneously did not include the updated CCB valuation. The revised draft financial statements include the updated 2022/23 valuation for CCB of £69.7 million, which is £15.7 million lower than in the original version (£85.4 million).
- We have completed our work in this area and have no further matters to report.

Valuation of Level 3 Complex Investments (Unquoted Investments)

- We have completed our work in this area. We have highlighted one audit difference as a result of the receipt of updated valuation information in respect of these Level 3 Investment assets, resulting in an understated valuation of £12.847 million. Management intend to correct this in the final version of the accounts.

Valuation of Level 2 Investments (Pooled Investments)

- We have completed our work in this area and have no matters to report.

IAS 26 Disclosure – Actuarial Value of Promised Retirement Benefits

- We have completed our work in this area and have no matters to report.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues;
- You concur with the resolution of the issue; and
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by Management or disclosed in this report, which we believe should be brought to the attention of the Audit and Accounts Committee, the Pension Fund Committee, or Management.



Executive Summary (cont'd)

Control observations

During the audit, we did not identify any significant deficiencies in internal control.

Independence

Please refer to Section 7 for our update on Independence.

The background of the slide features a close-up photograph of a person's hand holding a silver pen, pointing at a tablet screen. The screen displays a bar chart with several bars of increasing height, colored in shades of green, yellow, and red. The person is wearing a blue patterned shirt and a dark tie.

02 Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error – management override and incorrect posting of investment journals

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

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 have considered the specific areas where management has the opportunity and incentive to override controls that could affect the Fund Account and the Net Asset Statement.

The valuation of investment assets and income are key metrics for measuring the performance of the Pension Fund. These values are taken from the custodian reports and posted to the general ledger through journals. We consider that management has an incentive to increase these values reported in the financial statements and is in a unique position to influence the posting of investment income and year end investment asset valuation journals. There is therefore a risk that this may result in misstatement either due to fraud or error.

We have therefore identified investment asset and income journals as a fraud risk.

Our response to the key areas of challenge and professional judgement

As set out in the Audit Plan, we have performed the below procedures:

- ▶ Identified fraud risks during the planning stages;
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud;
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determined an appropriate strategy to address those identified risks of fraud; and
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

To respond to the specific fraud risk we have identified relating to the incorrect posting of journals, we performed the following additional audit procedures:

- ▶ Undertook a review of reconciliation to the fund managers and custodian reports and investigate any reconciling differences;
- ▶ Reperformed the detailed investment note using the reports we have acquired directly from the custodian or fund managers;
- ▶ Checked the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- ▶ For quoted investment income we agreed the reconciliation between Fund Managers and Custodians and ensure the amounts are consistent with Fund Managers and Custodian Reports.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated the business rationale for each journal selected for testing.

Areas of Audit Focus (cont'd)

Misstatements due to fraud or error - management override and incorrect posting of investment journals (cont'd)

What are our conclusions?

Our testing has not identified any material misstatements within investment journals as a result of the journal postings from the Custodian report to the financial ledger.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

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

Areas of Audit Focus (cont'd)

Significant Risk: Unusual Investments - Cambridge and Counties Bank (CCB)

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

The Pension Fund's investment in Cambridge and Counties Bank (CCB) is a hard to value, Level 3 investment. This is because of a lack of observable inputs and prices which are not publicly available.

The CCB investment is based on valuations provided by a management specialist - Grant Thornton (GT). GT used a markets multiple approach in the prior year looking at price earnings ratio and price to book ratios, considering current and forecast earnings and ratios.

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ Engaged with EY Transaction Valuation team who have undertaken a review of the valuation model provided by GT, considering the appropriateness of the assumptions and inputs used in determining the valuation;
- ▶ Ensured that the CCB investment has been valued in accordance with the relevant accounting policies; and
- ▶ The audit team have tested the accounting entries made in the Statement of Accounts to ensure they are consistent with the valuation provided by Management's expert - GT.

What are our conclusions?

We have an audit difference in the valuation of Cambridge & Counties Bank (CCB). This difference relates to an amendment made from the version of the financial statements originally published within the draft Cambridgeshire County Council accounts, which erroneously did not include the updated CCB valuation. The revised draft financial statements include the updated 2022/23 valuation for CCB of £69.7 million, which is £15.7 million lower than in the original version (£85.4 million). It is this number that we then performed our audit procedures against.

Management's Expert (GT) utilised a Market Approach to the valuation which gave rise to valuation within a range of £66.8 million to £72.6 million (Cambridgeshire Pension Fund share). Our valuation team used a Dividend Discount Model (DDM) as their valuation approach. The DDM approach is considered best practice and confirmed a fair valuation for the Pension Fund's share as being within a £67.0 million and £78.0 million range. The investment is held at £69.7 million within the Pension Fund's financial statements, which is therefore reasonable.

The two approaches do not provide significantly different ranges, hence we have concluded that the valuation of Cambridge and Counties Bank is reasonable. We have not identified any instances of inappropriate judgements being applied, or bias in the application of assumptions or judgements.

Based on the work we have undertaken we are satisfied that the management specialist valuation is within the range of best practice and is materially accurate.

Areas of Audit Focus (cont'd)

Significant Risk: Valuation of Level 3 Complex Investments (Unquoted Investments)

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Assessed the competence of Management's experts;
- Reviewed the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- Where available, reviewed the latest audited accounts for the relevant fund managers and ensured there are no matters arising that highlight material differences in the reported funds valuation within the financial statements;
- Performed analytical procedures and checked the valuation output for reasonableness against our own expectations;
- Obtained and reviewed internal control reports for fund managers for any internal control issues and assessing whether this would have an impact on the valuations provided by the fund managers; and
- Reviewed investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 3 investments have been appropriately made in the Pension Fund's financial statements.

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

The Fund's investments include unquoted pooled investment vehicles such as Private Equity, Infrastructure and Property Investments. The valuation of such investments are classified under IFRS 13 as Level 3 investments. As such the valuation of Level 3 Investments are based on 'unobservable' inputs.

Judgements are made by the fund managers to value these investments whose prices are not publicly available.

The material nature of this type of investment, means that any error in judgement could result in a material valuation error. Increasing market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could therefore have a material impact on the carrying value of the investments within the financial statements.

In the 2022/23 draft accounts, approximately 27% of the value of the overall Fund, totalling £1.134 billion, is within this investment type. As these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as a higher risk estimate, as even a small movement in the valuation assumptions could have a material impact on the financial statements.

What are our conclusions?

We have identified one audit difference through our testing procedures.

The Investment asset balance within the Net Assets Statement included a number of estimated asset valuations for Level 3 assets. The value of these assets were based on December 2022 audited valuations adjusted for cash flows through to the 31 March 2023. Subsequent to the preparation of the Pension Fund's Draft Statement of Accounts, actual valuations for these Level 3 assets were provided by the Fund managers for the 31 March 2023. This showed that the Investment asset balance was understated by £12.847 million in respect of these Level 3 assets. Management intend to adjust for this updated valuation within the revised final statements.

We have not identified any other issues in the completion of our work.

Areas of Audit Focus (cont'd)

Valuation of Level 2 Investments (Pooled Investments)

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- Assessed the competence of management experts;
- Reviewed the basis of valuation for Pooled Investments and assessing the appropriateness of the valuation methods used;
- Reviewed the observable data points used in the calculation of the investment valuation;
- Obtained and reviewed internal control reports for fund managers for any internal control issues and assessing whether this would have an impact on the valuations provided by the fund managers; and
- Reviewed investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 2 investments have been appropriately made in the Pension Fund's financial statements.

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

The Fund's investments also include other Pooled Investment vehicles, totalling £2.854 billion in the 2022/23 draft financial statements.

The valuation of such investments are classified under IFRS 13 as Level 2 Investments. As such the valuation of Level 2 investments are based on 'inputs from observable data'. Given this is an estimate, we have raised an Inherent risk in regard to the valuation of assets of this nature.

What are our conclusions?

Our testing has not identified any material misstatements within the valuation of Level 2 investments.

We have not identified any instances of inappropriate judgements being applied, or bias in the application of assumptions or judgements.

Areas of Audit Focus (cont'd)

IAS 26 Disclosure -Actuarial Present Value of Promised Retirement Benefits

Our response to the key areas of challenge and professional judgement

As set out in our Audit Plan, we confirm that we have performed the following procedures:

- ▶ Assessed the competence of managements expert, Hymans Robertson;
- ▶ Engaged with the NAO's consulting actuary and our EY Pensions Advisory Team to review the IAS 26 approach applied by the actuary are reasonable and compliant with IAS 26;
- ▶ Ensured that the IAS 26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary; and
- ▶ Reconciled the data provided to actuary for the triennial valuation;
- ▶ Tested 25 members per report included in the triennial valuation data submission to ensure the details agree to underlying records.

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

The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £3.953 billion as at 31 March 2023.

The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on the 2022/23 triennial valuation, which resulted in further audit procedures being required. This estimate includes local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.

There is therefore a risk that the valuation uses inappropriate assumptions to value the liability as at 31 March 2023. There is also a risk that the membership data and cash flows provided to the actuary as at 31 March may not be correct.

What are our conclusions?

We did not identify any issues with the competence of the actuary, Hymans Robertson.

There were no significant changes in the IAS 26 approach or methodology and the assumptions used in calculating the IAS 26 figure was considered reasonable and compliant with the requirements of the accounting standard.

The disclosure of IAS 26 (Note 20) was in line with the relevant standards and the valuation provided by the Actuary.



03 Audit Report

Audit Report

Draft Audit Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE 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 Fund Account, the Net Assets Statement and the related notes 1 to 26.

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 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 Executive Director of Finance & Resources's 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 Executive Director of Finance & Resources 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.

Audit Report (cont'd)

Draft Audit Report

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. The Executive Director of Finance & Resources 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.

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 Executive Director of Finance & Resources

As explained more fully in the Statement of Responsibilities, Certificate and Approval of Accounts set out on pages 21-22, the Executive Director of Finance & Resources 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 Executive Director of Finance & Resources is also responsible for such internal control as the Executive Director of Finance & Resources determine 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 Executive Director of Finance & Resources 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.

Audit Report (cont'd)

Draft Audit Report

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 Executive Director of Finance & Resources

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.
- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Committee minutes, Pension Fund policies and procedures and other information.
- 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 tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.
- 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.

Audit Report (cont'd)

Draft Audit Report

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 Cambridgeshire 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 the Cambridgeshire 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 highlight the following misstatements identified during the course of our audit. These misstatements have been corrected by Management.

Corrected differences

With the exception of minor disclosure items, there have been two corrected differences identified throughout our audit.

1. **Net Asset Statement - Valuation of Level 3 Asset - Cambridge & Counties Bank (CCB).** This difference relates to an amendment made from the version of the accounts originally published within the draft Cambridgeshire County Council financial statements, which erroneously did not include the updated CCB valuation. The updated draft financial statements include the updated 2022/23 valuation for CCB of £69.7 million, which is £15.7 million lower than in the original version (£85.4 million).
2. **Net Asset Statement - Valuation of Level 3 Assets (excluding CCB).** The Investment asset balance within the Net Asset Statement included a number of estimated asset valuations for Level 3 assets. The valuation of these assets was based on December 2022 audited valuations adjusted for cash flows through to the 31 March 2023. Subsequent to the preparation of these Pension Fund's Draft Statement of Accounts, updated valuations for these Level 3 assets were provided by the fund managers for the 31 March 2023 audited position. This showed that the Level 3 investment asset balance was understated by £12.847 million.

Disclosure differences

Our audit has identified a limited number of minor misstatements which our team have highlighted to Management for amendment. These have been corrected during the course of the audit and relate to disclosure and presentational matters in both the Annual Accounts and Annual Report. We do not consider any of these following misstatements to be so significant as to merit bringing to your attention.

Summary of unadjusted differences

There are no uncorrected differences identified throughout our audit.



05

Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2022/23 with the audited Pension Fund financial statements. We have no inconsistencies to draw to your attention.

In addition, we also perform procedures to ensure the consistency of the Pension Fund accounts with the version presented in the Pension Fund's Annual Report. We have no issues to draw to your attention.

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.

Other Reporting Issues (cont'd)

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. Such items will include where relevant:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures
- ▶ Scope of the consolidation, including any exclusion criteria applied to non-consolidated entities if any and whether they are in accordance with the financial reporting framework
- ▶ Significant difficulties, if any, encountered during the audit
- ▶ Significant matters, if any, arising from the audit that were discussed with Management
- ▶ Matters regarding management's process for identifying and responding to the risks of fraud in the entity
- ▶ Disagreements with management, if any arising during the audit
- ▶ Other matters if any, significant to the oversight of the financial reporting process, including the strengths and weaknesses of the finance function and the quality of the financial statement preparation process.
- ▶ Written representations that we are seeking
- ▶ Expected modifications to the audit report
- ▶ Findings and issues regarding the opening balance on initial audits (if applicable)
- ▶ Related parties
- ▶ External confirmations
- ▶ Consideration of laws and regulations, including any significant matters involving actual or suspected non-compliance with laws and regulations or articles of association which were identified in the course of the audit, in so far as they are considered to be relevant in order to enable the audit committee to fulfil its tasks.
- ▶ Use of auditor's external specialists

Other than those areas we have outlined in the previous section, we have nothing to report in respect of these matters.

Other Reporting Issues (cont'd)

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

ISA 315 is effective from financial year 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	Audit findings and conclusions
<p>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 our ISA 315 risk assessment. We performed procedures to determine if there are typical controls missing or control deficiencies identified. After determining which process is applicable to each relevant IT application, we reviewed the applicable processes for each IT application.</p> <p>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.</p> <p>We reviewed the following processes for the relevant IT applications:</p> <ul style="list-style-type: none">• Manage vendor supplied changes• Manage security settings• Manage user access• Manage entity-programmed changes• Job scheduling and managing IT process	<p>No significant issues have been identified in our review of the applicable 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.</p>



06

Assessment of Control Environment

Assessment of Control Environment

Financial controls

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.

It is the responsibility of the Pension 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 Pension 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 we have adopted a fully substantive approach, we have therefore not tested the operation of controls. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



07

Independence

Independence

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
	£'s	£'s
Scale Fee - Code work - see Note 1	25,881	17,256
Changes in work required to address professional and regulatory requirements and scope associated with risk	TBC	TBC
Additional work required for specific additional procedures including revised estimates standard - see Note 2	TBC	TBC
Additional fee for IAS 19 assurance work on behalf of admitted body auditors - see Note 3	15,500	8,800
Total fees	TBC	TBC

Note 1: We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise. For 2022/23 the scale fee has been re-assessed by the PSAA to take into account some of the recurring risk factors. This does not fully reflect the true cost of the audit which we will continue to submit through the PSAA, including work in respect of ISA 315. Given the 2021/22 audit has yet to conclude, we have not yet submitted this variation to PSAA Ltd for determination. We will follow the same process for 2022/23.

Note 2: For 2022/23 there are a number of risk factors to the audit such as the valuation of Cambridge & Counties Bank. As our 2021/22 audit has not yet formally concluded, we have not yet submitted the additional fee that will be notified to Management and then be subject to determination by PSAA Ltd. The same approach will apply in respect of the 2022/23 audit.

Note 3: We plan to charge an additional fee to take into account the work required to respond to IAS19 assurance requests from admitted bodies and their auditors. This will include additional costs in relation to work to be performed over the triennial valuation in respect of our 2022/23 audit, estimated to be £6,000. The Pension Fund can recharge this fee to the relevant admitted bodies.

Independence (cont'd)

EY Transparency Report 2022

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](#)



08 Appendices

Appendix A – Audit approach update

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date.
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date.
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items.
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded.
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework.

Net Asset Statement category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Investment Assets and Liabilities	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Debtors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A
Cash in hand	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Creditors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A

Appendix B – Summary of communications

Summary of communications

Date	Nature	Summary
Various	Meetings	Regular calls held with the Audit Manager and members of the management team to discuss matters relevant to the planning of our audit work.
12 September 2023	Report	The Audit Partner issued the Provisional Audit Plan. Our report included confirmation of independence.
Various	Meetings	Regular calls held with management and the audit team to discuss any emerging issues throughout the audit process, and specifically during the Execution phase throughout September and October.
17 November 2023	Meeting	Audit close meeting with Management to discuss the preliminary findings of the audit.
17 November 2023	Report	Management and the Audit & Accounts Committee were provided details of internal control observations made in respect of the current year.
17 November 2023	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit & Accounts Committee.
1 December 2023	Meeting	Senior members of the audit team met with the audit committee and senior members of the management team to discuss the audit results report.

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

Appendix C - 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.	Provisional Audit Plan - 12 September 2023 - Audit and Accounts Committee
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.	Provisional Audit Plan - 12 September 2023 - Audit and Accounts 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	Audit Results Report - 1 December 2023 - Audit and Accounts Committee

Appendix C - 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	Audit Results Report - 1 December 2023 - Audit and Accounts 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	Audit Results Report - 1 December 2023 - Audit and Accounts Committee

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

Our Reporting to you

Required communications	What is reported?	When and where
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: <ul 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 	Audit Results Report - 1 December 2023 - Audit and Accounts Committee
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 	Audit Results Report - 1 December 2023 - Audit and Accounts Committee

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

Our Reporting to you

Required communications	What is reported?	When and where
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> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	<p>Provisional Audit Plan - 12 September 2023 - Audit and Accounts Committee</p> <p>Audit Results Report - 1 December 2023 - Audit and Accounts Committee</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	We have no matters to report

Appendix C - 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 	Audit Results Report - 1 December 2023 - Audit and Accounts 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 	Audit Results Report - 1 December 2023 - Audit and Accounts 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 	Audit Results Report - 1 December 2023 - Audit and Accounts 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 	Audit Results Report - 1 December 2023 - Audit and Accounts 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 	Audit Results Report - 1 December 2023 - Audit and Accounts Committee

Appendix D – Outstanding matters

Outstanding matters



The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report.	EY and Management
Management Representation Letter	Receipt of signed management representation letter.	Management
Agreement of Final set of Accounts	Agree all changes made to draft accounts are updated in the final set of accounts.	EY and Management
Final Review Procedures	Final review of areas listed above.	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the current opinion (with outstanding areas highlighted) is included in Section 3.

Appendix E – Request for a Management representation letter

Request for a Management Representation Letter

<div data-bbox="356 403 448 504"><p>Building a better working world</p></div> <div data-bbox="495 434 745 485"><p>Ernst & Young LLP One Cambridge Business Park Cambridge CB4 0WZ Tel: 01223 394409 Fax: 01223 394401 www.ey.com/uk</p></div> <div data-bbox="866 584 994 603"><p>17 November 2022</p></div> <div data-bbox="356 601 633 716"><p>Michael Hudson Executive Director of Finance & Resources Cambridgeshire County Council New Shire Hall, Emery Crescent Enterprise Campus Alconbury Weald, Huntingdon PE28 4YE</p></div> <div data-bbox="356 750 450 769"><p>Dear Michael,</p></div> <div data-bbox="356 793 732 829"><p>Cambridgeshire Pension Fund – 2022/23 financial year Request for a letter of representation</p></div> <div data-bbox="356 844 1021 914"><p>International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:</p></div> <div data-bbox="378 936 1010 1142"><ul style="list-style-type: none">• auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other <u>evidence</u>;• auditors are likely to request written representations on the completeness of information <u>provided</u>;• auditors may wish to obtain written representation on issues other than those directly related to the Statement of <u>Accounts</u>;• the letter is dated on the date on which the auditor signs the opinion and <u>certificate</u>;• the letter is signed by the person or persons with specific responsibility for the financial statements; and• the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Pension Fund.</div> <div data-bbox="356 1176 826 1197"><p>I would expect the letter of representation to include the following matters.</p></div> <div data-bbox="356 1212 490 1232"><p>General statement</p></div> <div data-bbox="356 1248 1023 1286"><p>That the letter of representations is provided in connection with our audit of the financial statements of Cambridgeshire Pension Fund ("the Fund") for the year ended 31 March 2023.</p></div> <div data-bbox="356 1295 1023 1417"><p>That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us 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.</p></div>	<div data-bbox="1211 403 1303 504"><p>Building a better working world</p></div> <div data-bbox="1856 440 1877 456"><p>2</p></div> <div data-bbox="1211 584 1877 686"><p>That you understand that the purpose of our audit of the Fund's financial statements is to express an opinion thereon and that our 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 we 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.</p></div> <div data-bbox="1211 702 1865 756"><p>Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing yourselves:</p></div> <div data-bbox="1211 770 1630 791"><p>A. Financial Statements and Financial Records (See Note B)</p></div> <div data-bbox="1211 805 1877 1417"><ol style="list-style-type: none">1. That you 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. That you confirm that the Fund is a Registered Pension Scheme. You are not aware of any reason why the tax status of the scheme should change.3. That you acknowledge, as members of management of the Fund, your responsibility for the fair presentation of the financial statements. You 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. That you have approved the financial statements.4. That 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, you 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.6. That you have disclosed to us any significant changes in your processes, controls, <u>policies</u> and procedures that you have made to address the effects of the COVID-19 pandemic on your system of internal controls.7. That you have disclosed to us any significant changes in our processes, controls, <u>policies</u> and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.8. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, accumulated by us 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.</div>
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Appendix E – Request for a Management representation letter

Request for a Management Representation Letter (continued)



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That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).

Or,

That there are no unadjusted audit differences.

B. Non-compliance with laws and regulations including fraud

1. That you acknowledge that you are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of your assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. That you have not made any reports to The Pensions Regulator, nor are you aware of any such reports having been made by any of your advisors.
5. That 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. That you have drawn to our attention all correspondence and notes of meetings with regulators (if applicable).
6. That you 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.



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C. Information Provided and Completeness of Information and Transactions

1. That you have provided us 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 we determined it necessary to obtain audit evidence.
2. That we have been informed of all changes to the Fund rules.
3. That all material transactions, events and conditions have been recorded in the accounting records and are reflected in the Group and Council financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
4. That you have made available to us 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 through the period to the most recent meeting on the following date (X November 2023). |
5. That you confirm the completeness of information provided regarding the identification of related parties. You have disclosed to us the identity of the Fund's related parties and all related party relationships and transactions of which you 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. That you confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

Where members of the management of the Fund have determined that annuity policies are not material the following statement may be added: The Scheme holds annuity policies which have not been recognised and recorded as an asset of the Scheme in the financial statements as they are not considered material in relation to the net assets. These policies have an estimated value of £xxx.
7. That you have disclosed to us, 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. That you believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

Appendix E – Request for a Management representation letter

Request for a Management representation letter (continued)



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10. That from the date of your last management representation letter to us, through the date of this letter you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your 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 us and are appropriately reflected in the financial statements.
2. You have informed us of all outstanding and possible litigation and claims, ~~whether or not~~ they have been discussed with legal counsel.
3. You have recorded and/or disclosed, as appropriate, all liabilities relating to litigation and claims, both actual and contingent, and have disclosed in Note ~~X~~ to the financial statements all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

1. That other than the disclosure described in Note 6 (Events after the balance sheet date) to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, or 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.

F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the "Cambridgeshire Pension Fund Annual Report and Accounts 2022/23".
2. You confirm that the content contained within the other information is consistent with the financial statements.

G. Independence

1. You 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. You confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016.



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The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.

2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

I. Pooling investments, including the use of collective investment vehicles and shared services

1. You 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 [Name] as at [Date] and dated [Date] has been provided to us. To the best of your knowledge and belief you confirm that the information supplied by you to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Use of the Work of a Specialist

1. You agree with the findings of the specialists that you have engaged to value Private Equity Investments / IAS26 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. You 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 you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates

Valuation of Investments

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the applicable financial reporting framework (the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23).
2. You confirm that the significant assumptions used in making the valuation of investments appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
3. You confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete including the effects of the COVID-19 pandemic, ~~or~~ related to the conflict and related sanctions in Ukraine, Russia and/or Belarus on the valuation of investments and made in accordance with the applicable financial reporting framework.

Appendix E – Request for a Management representation letter

Request for a Management Representation Letter (continued)



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4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

M. Going Concern

1. That Note 2 to the financial statements discloses all the matters of which you are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, your plans for future action, and the feasibility of those plans.

N. Specific Representations

We do not require any further specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the Fund Administrator, Chair of the Pension Committee and Chair of Audit Committee) on the proposed audit opinion date (to be confirmed with you) on formal headed paper.

Yours sincerely

Mark Hodgson
Partner
For and on behalf of Ernst & Young LLP

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