

CAMBRIDGESHIRE PENSION FUND

Pension Fund Committee

Date: 18 October 2018

Report by: Head of Pensions

Subject:	Pension Fund Annual Report and Statement of Accounts 2017-18.
Purpose of the Report	To present the Final Audited Annual Report and Statement of Accounts of the Pension Fund for the 2017-18 financial year.
Recommendations	That the Pension Committee: 1. Notes the report
Enquiries to:	Tracy Pegram, Pension Services Financial Manager Tel – 07917 197467 Email: TPegram@northamptonshire.gov.uk

1 Background

- 1.1 The Pension Fund's Statement of Accounts (SOA) form part of the County Council's Statement of Accounts and is audited by the County Council's external auditor BDO. The auditor confirms whether, in their opinion, the SOA reflect a true and fair view of the financial position of the authority (and the fund within it) and that the SOA is free from material misstatement.
- 1.2 The Fund's Annual Report and SOA have been subject to audit fieldwork by the County Council's external auditor. Whilst BDO perform a full audit of the SOA, their work on the Annual Report is limited to a review to ensure compliance with guidance and consistency with the SOA. BDO's initial findings are noted in Section 3 below.
- 1.3 The annual accounts are a true and fair view of the financial activities of the Fund for the financial year 1st April 2017 to 31 March 2018.
- 1.4 They are based on transactions accounted for within the Fund's financial ledger, information received from Fund Managers and the Fund's Custodian, and assumptions and estimations based upon the professional judgement of officers and Fund professional advisers in order to give a true and fair statement of the Fund's financial position.
- 1.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a set of pro forma accounts to illustrate the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (the Code) which governs the preparation of the financial statements for Local Government Pension Scheme funds.
- 1.6 The draft Annual Report and Statement of Accounts were presented at the 26th July Pensions committee where:-

1.6.1 It was resolved unanimously to:

1. approve the Draft Annual Report and note the Statement of Accounts of the Pension Fund for the 2017-18 financial year;
2. approve that the Chairman agree with officers any immaterial amendments to the Annual Report arising from the final External Auditor review comments.

1.7 This report attaches the final version of the Annual Report and Statement of Accounts incorporating minor changes, arising from external audit feedback and internal checking.

2 Summary of Report

- 2.1 A number of actions raised during the July Pensions committee, classed as not material to the Annual Report and Statement of Accounts, have been dealt with through the action log process.
- 2.2 Other changes reflected minor grammatical amendments, arising from external audit feedback and internal checking.

3 Key Findings and Feedback from the 2017-18 External Audit Fieldwork.

- 3.1 The Pension Fund Statement of Accounts has already been subject to external audit fieldwork and BDO have offered a separate audit opinion on the Pension Fund's Annual Report and Statement of Accounts within the ISA260 document, this is set out below:

Audit Opinion	
<i>Financial statements</i>	<i>Subject to the successful resolution of outstanding matters set out on page 5, we anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2018.</i>
<i>Pension fund annual report</i>	<i>Our review of the separate pension fund annual report is similarly complete, and we anticipate issuing an unmodified consistency opinion on the financial statements for the year ended 31 March 2018</i>

- 3.2 ISA260 documents no major issues, as shown on the overview on page 3 as set out below:

This summary provides an overview of the audit matters that we believe are important to the audit Audit and Accounts Committee in reviewing the results of the audit of the financial statements and use resources of the Council for the year ended 31 March 2018.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance

Audit Scope and Objectives	
<i>Audit Status</i>	<i>We have substantially completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to resolution of matters set out in the outstanding matters section.</i>
<i>Audit risks update</i>	<i>No additional significant audit risks were identified during the course of our audit procedures subsequent to our Audit Planning Report to you dated 27 March 2018.</i>
<i>Materiality</i>	<i>Our final materiality is £30 million for the net asset statement, £9.5 million for the fund account and £6.5 million for contributions. We have increased our materiality from £28.5 million to £30 million for the net asset statement as a result of the increase in valuation of investment asset as at year end. We also increased our specific contributions materiality from £6.2 million to £6.5 million as a result of the increased level of contributions at the year end; the original materiality calculations were performed on the prior year signed financial statements.</i>
<i>Changes to audit approach</i>	<i>These were no significant changes to our planned audit approach nor were any restrictions placed on our audit</i>

Key Audit and Accounting Matters	
<i>Material Misstatements</i>	<i>Our audit identified no material misstatements</i>
<i>Unadjusted audit differences</i>	<p><i>We are required to bring to your attention audit differences that we have identified, but you are not proposing to adjust. These include:</i></p> <ul style="list-style-type: none"> <i>• Brought forward uncorrected misstatement from the prior year of £640k in respect of omission of accrued contributions due to late Pen18s</i> <i>• Current year misstatement of £777k in respect of variances arising from investment reports used during the preparation of financial statements not being coterminous with yearend and therefore estimates were made</i> <p><i>If corrected, this would decrease the net</i></p>

	<i>assets of the scheme by £1,417k.</i>
<i>Control environment</i>	<i>Our audit identified no significant deficiencies in internal controls</i>

4 Recommendations

4.1 That the Pension Committee:

1. Notes the report

5 Finance & Resources Implications

- 5.1.1 There are no additional finance implications as a result of the recommendations set out in this paper.

6 Risk Management

- 6.1 The Pension Fund Committee have a responsibility to monitor activity of the Annual Report and Statement of Accounts and approve the final version as an accurate document for publication at the end of each financial year.
- 6.2 The risks associated with failing to effectively monitor and highlight relevant concerns have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Governance (risk 3)	The production of incorrect accounts, notices and publications.	Green
Governance (risk 18)	Failure to provide adequate information to the Committee and Board	Green
Investment and Funding (risk 26)	Pension Fund accounts not accurately managed	Green

- 6.3 The full version of the Fund risk register can be found – <http://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

7. Communication Implications

- 7.1 The statutory date for publication of the final set of Accounts is the end of September, and in accordance with recognised practice, the Council considers its Statement of Accounts to be published from the date that a final certified copy is made available via the Council's website. It is possible that this date may be missed due to delays with the Local Authority final audit.

8. Legal Implications

- 8.1 There are no legal implications as a result of the recommendations set out in this paper.

9. Consultation with Key Advisors

- 9.1 The Pension Fund Accounts were produced using information and advice provided by Fund Managers, the Fund's Custodian Northern Trust, Fund Advisers Mercers and Mark Stevens, and the Fund's Actuary, Hymans Robertson.

7 Alternative Options Considered

- 7.1 The Pension Fund Accounts are a statutory requirement with a prescribed structure, which has been complied with.

8 Background Papers

- 8.1 The Pension Fund Accounts are supported by a detailed set of working papers that are subject to examination as part of the External Audit review.

9 Appendices

- 9.1 Appendix 1 – Annual Report (draft) and Statement of Accounts 2017-18.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 28 September 2018
Has this report been cleared by Head of Pensions?	Mark Whitby – 26 September 2018
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 3 October 2018
Has this report been cleared by Legal Services?	Fiona McMillan – 28 September 2018