

Cambridgeshire Pension Fund

Pension Fund Committee

25 October 2022

Report by: Head of Pensions

Subject: Ernst and Young Audit Plan for Cambridgeshire Pension Fund 2021-22

Purpose of the Report: To present the Audit Plan from Ernst and Young

Recommendations: The Pension Fund Committee:

a) Note the Audit Plan 2021-22 and the presentation by Ernst and Young

Enquiries to: Ben Barlow, Investments & Fund Accounting Manager
Tel – 07831 123167
E-mail – Ben.Barlow@Westnorthants.gov.uk

1. Purpose of report

1.1 To present the Audit Plan from Ernst and Young.

2. Executive summary

2.1 Ernst and Young (EY) act as the Cambridgeshire Pension Fund's external auditors. As the external auditors they have produced a plan of the 2021-22 audit of the Cambridgeshire Pension Fund.

3. Report background

3.1 The Pension Fund's Statement of Accounts (SOA) form part of the Council's Statement of Accounts. These are audited by the Council's external auditor EY. 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) for the financial year 1st April to 31st March and that the SOA is free from material misstatement.

4. Content, responsibilities and timeline

4.1 EY have been appointed as Independent External Auditors to provide an audit opinion on:

4.1.1 whether the financial statements of Cambridgeshire Pension Fund give a true and fair view of the financial transactions of the Pension Fund during the year ended

31 March 2022 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2022; and

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

4.2 EY have produced an audit plan, setting out identified audit risks, expected materiality levels, the scope of their audit, the team, and the planned delivery of the audit process.

4.3 Page 5 of the accompanying report identifies the key risks and areas of auditor focus, 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
Unusual Investments – Cambridge and Counties Bank (CCB)	<ul style="list-style-type: none"> • Review Grant Thornton's external valuation of the Bank and consider appropriateness of assumptions used • Ensure values used are in line with relevant accounting policies • Ensure 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
Valuation of Level 3 investments (unquoted investments)	<ul style="list-style-type: none"> • Assess the competence of management experts • Review basis of valuation and assess the appropriateness of the valuation methods • Review latest audited accounts for level 3 investments • Perform analytical procedures and checking the valuation 	<ul style="list-style-type: none"> • Provide working papers demonstrating the value used at the year end and the valuation methodology • Provide quarterly reconciliation reports • Liaise with Investment Managers to provide information to auditors on a timely basis

Risk/area of focus	Audit approach	Fund approach
	<p>output for reasonableness</p> <ul style="list-style-type: none"> • Obtain internal control reports from fund managers • Review investment valuation disclosures to verify significant judgements have been appropriately made 	
Valuation of Level 2 investments (Pooled Investments)	<ul style="list-style-type: none"> • Assess the competence of management experts • Review basis of valuation and assess the appropriateness of the valuation methods • Review observable data points used in the calculation of the investment valuation • Obtain internal control reports from fund managers • Review investment valuation disclosures to verify significant judgements have been appropriately made 	<ul style="list-style-type: none"> • Provide working papers demonstrating the value used at the year end and the valuation methodology • Provide quarterly reconciliation reports • Liaise with Investment Managers to provide information to auditors on a timely basis
IAS26 Disclosure – Actuarial Present Value of Promised Retirement Benefits	<ul style="list-style-type: none"> • Assess competence of management experts (Hymans) • Review IAS26 approach applied by the actuary are reasonable and compliant with IAS26 • Ensure IAS26 disclosure is in line with relevant standards and consistent 	<ul style="list-style-type: none"> • Ensure process notes include identified risks • Provide written process notes which detail controls

4.4 Page 16 of the accompanying report sets out the planned materiality levels for the audit, based on 1% of net assets of £4.3bn, which are planned to be:

Audit Area	Materiality
Planning Materiality	£43m
Performance Materiality	£32.3m
Audit Differences	£2.2m

- 4.5 Page 25 of the accompanying report sets out the proposed timeline for delivery of the audit. The key planned milestones are:

Milestone	Planned dates	Status
Planning	June 2022	Completed
Report audit plan	July 2022	Completed
Year end Audit	August -September 2022	Completed
Audit Findings Report	December 2022	Deadline 30 September 2022

- 4.6 The statutory date for publication of the final set of the Council's Statement of Accounts is the end of September, or as soon as reasonably practicable after the receipt of the auditor's final findings (if later). A verbal update on progress will be made at this meeting.

- 4.7 The statutory date for publication of the Pension Funds Annual Report is 1st December.

5. Relevant Pension Fund objectives

- 5.1 To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- 5.2 To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
- 5.3 To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.
- 5.4 To continually monitor and measure clearly articulated objectives through business planning.
- 5.5 To continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate.
- 5.6 To provide scheme members with up-to-date information about the scheme in order that they can make informed decisions about their benefits.
- 5.7 To seek and review regular feedback from all stakeholders and use the feedback appropriately to shape the administration of the Fund.

6. Finance & Resources Implications

- 6.1 None, this paper is for information only.

7. Risk Management

- 7.1 The mitigated risks associated with this report has been captured in the Fund's risk register as detailed below -

Risk No.	Risk	Residual risk rating
4	Contributions to the Fund are not received on the correct date and/or for the correct amount	Amber
5	Fund assets are not sufficient to meet obligations and liabilities.	Amber
7	Information may not be provided to stakeholders as required	Green
9	Those charged with governance are unable to fulfil their responsibilities effectively	Green
15	Custody arrangements may not be sufficient to safeguard Pension Fund assets.	Green
17	Failure to administer the scheme in line with regulations and guidance.	Green
19	Pension Fund investments may not be accurately valued.	Green
25	Investment decisions and portfolio management may not achieve the return required or be performed in accordance with instructions provided.	Green

The Fund's full risk register can be found on the Fund's website at the following link:

<https://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

8. Communication Implications

8.1 This information only paper does not require any further communication activities.

9. Legal Implications

9.1 There are no legal implications arising from the proposals.

10. Consultation with Key Advisers

10.1 The Pension Fund Accounts are produced utilising information and advice provided by Investment Managers, the Fund's Custodian Northern Trust and the Fund's Actuary, Hymans Robertson.

11. Alternative Options Considered

11.1 Not applicable.

12. Background Papers

12.1 Not applicable.

13. Appendices

13.1 Appendix A – Audit Plan 2021-22

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	No.
Is this report proposing an amendment to the budget and/or policy framework?	No.
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Yes.
Has this report been cleared by Head of Pensions?	Yes.
Has the Chair of the Pension Fund Committee been consulted?	Yes.
Has this report been cleared by Legal Services?	Yes.