

KPMG Audit Plan for Cambridgeshire Pension Fund 2023-24

To: Audit & Accounts Committee

Meeting Date: 30th July 2024

From: Ben Barlow – Investments and Fund Accounting Manager - Pensions

Recommendation: That the Audit and Accounts Committee:

1. Note the Audit Plan 2023-24 and the presentation by KPMG

Officer contact: Ben Barlow
Investments and Fund Accounting Manager
Ben.Barlow@westnorthants.gov.uk
Tel:07896 890375

1. Background

- 1.1. This is KPMG's first year as the Cambridgeshire Pension Fund's external auditors.
- 1.2. 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 KPMG. The auditor confirms whether, in their opinion, the SOA reflects 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.

2. Content, Responsibilities and Timeline

- 2.1. KPMG have been appointed as Independent External Auditors to provide an audit opinion on:
 - 2.1.1 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 2024 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2024; and
 - 2.1.2 the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.
- 2.2 KPMG 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.
- 2.3 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
Management override of controls	<ul style="list-style-type: none">• Evaluate the design and implementation of controls over journal entries and post-closing adjustments• Assess the appropriateness of changes compared to prior year• Assess accounting estimates for biases• Assess the business rationale and the appropriateness of accounting for significant transactions• Evaluate selection and application of accounting policies• Analyse all journals posted through the year	<ul style="list-style-type: none">• Ensure process notes include identified risks• Provide written process notes which detail controls• Make copy journals available• Provide working papers demonstrating the value used for the journals•
Cambridge and Counties Bank (CCB) valuation	<ul style="list-style-type: none">• Obtain copies of the CCB valuation report• Evaluate the design and implementation of controls in place	<ul style="list-style-type: none">• Instruct Grant Thornton to provide a valuation report for Cambridge and Counties Bank and make this, and supporting information, available to the auditor.

Risk/area of focus	Audit approach	Fund approach
	<ul style="list-style-type: none"> • Test the completeness and accuracy of data underlying the valuation • Engage KPMG specialists to review the valuation methodology and assumptions • Evaluate the design and implementation of controls in place for management to review the valuation. 	<ul style="list-style-type: none"> • Provide working papers demonstrating the value used at the year end and the valuation methodology.
Level 1, 2 and 3 investments are not complete, do not exist or are not accurately recorded	<ul style="list-style-type: none"> • Gain an understanding of the control environment at all the investment managers and custodian by reviewing their internal controls • Obtain direct confirmations from the custodian and investment managers • Vouch purchases and sales to investment manager and custodian reports Recalculate change in market value and compare to overall investment return 	<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 and performance reports • Liaise with Investment Managers and custodian to provide information to auditors on a timely basis.
Valuation of Level 1, 2 and other level 3 investments are misstated.	<ul style="list-style-type: none"> • Use of the in-house investment valuation team, iRADAR – approach differs per investment type and is set out on Page 9 of the audit plan • Obtaining unaudited Net Asset Value (NAV) statements for Level 3 pooled investment vehicles. 	<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 and performance reports • Liaise with Investment Managers and custodian to provide information to auditors on a timely basis.
Contributions into the Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Fund's Rates and Adjustment Schedule	<ul style="list-style-type: none"> • Inspecting that deficit contributions received into the Fund in accordance with the Rates and Adjustments certificate • Contributions are received on a timely basis • Develop an expectation of the normal employer and employee contributions receivable in the year reflect changes in active members, pensionable salary and any changes in contribution rates 	<ul style="list-style-type: none"> • Provide working papers demonstrating contributions received and reconciliations between the Rates and Adjustment certificate • Provide analytical assessment of changes in contributions received during the year.

Risk/area of focus	Audit approach	Fund approach
	<ul style="list-style-type: none"> • Vouch that there are 12 month receipts in the year assessing the trend of receipts 	
The actuarial position of the Fund is not appropriately presented in the financial statements	<ul style="list-style-type: none"> • Understand the processes in place to set the assumptions used in the valuation • Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations • Test the data provided used within the scheme valuation <ol style="list-style-type: none"> 1. Compare the key assumptions applied with those used by the administering authority. 	<ul style="list-style-type: none"> • Ensure process notes include identified risks. • Provide written process notes which detail controls. <ol style="list-style-type: none"> 1. Liaise with Hymans to provide information to the auditors on a timely basis,

- 2.4 Page 3 of the accompanying report sets out the materiality levels for the audit, based on 1% of net assets of £4.3bn, which are planned to be:

Audit Area	Materiality
Materiality for the Financial statements as a whole	£42.3m
Procedure designed to detect individual errors at this level	£27.4m
Audit Differences	£2.1m

- 2.5 Page 18 of the accompanying report sets out the proposed timeline for delivery of the audit. The key planned milestones are:

Milestone	Planned dates	Status
Planning and Interim fieldwork	March 2024	Completed
Report audit plan	June/July 2024	Completed
Year end Audit	July -September 2024	Ongoing
Audit Results Report	September/October 2024	

- 2.6 Page 17 sets out the audit fees for the year. £87,000 is the fee for auditing the financial statements. For comparison, the 2022-23 fee was £26k. The scale fee does not include the impact of ISA315, which may increase audit hours by 10% to 20%. External audit fees are agreed with Public Sector Audit Appointments (PSAA).

3. Source documents

- 3.1. Appendix 1 Audit Plan 2023/24