

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

To: Audit and Accounts Committee

Meeting Date: 29<sup>th</sup> September 2022

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

Recommendation: That the Audit and Accounts Committee:

1. Note the Audit Plan 2021-22 and the presentation by Ernst and Young

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## 1. Background

- 1.1. 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.
- 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 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 1<sup>st</sup> April to 31<sup>st</sup> March and that the SOA is free from material misstatement.

## 2. Content, Responsibilities and Timeline

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

<b>Risk/area of focus</b>	<b>Audit approach</b>	<b>Fund approach</b>
Misstatements due to fraud or error	<ul style="list-style-type: none"><li>• Identify fraud risks at planning stage</li><li>• Inquire of management how risks are mitigated by controls</li><li>• Understand the level of oversight within processes</li><li>• Consider effectiveness of controls</li><li>• Use appropriate audit strategy to address risks identified</li><li>• Perform mandatory procedures, including detailed testing</li></ul>	<ul style="list-style-type: none"><li>• Ensure process notes include identified risks</li><li>• Provide written process notes which detail controls</li></ul>
Unusual Investments – Cambridge and Counties Bank (CCB)	<ul style="list-style-type: none"><li>• Review Grant Thornton's external valuation of the Bank and consider</li></ul>	<ul style="list-style-type: none"><li>• Instruct Grant Thornton to provide a valuation report for the Bank and make this, and supporting</li></ul>

Risk/area of focus	Audit approach	Fund approach
	<p>appropriateness of assumptions used</p> <ul style="list-style-type: none"> <li>• Ensure values used are in line with relevant accounting policies</li> <li>• Ensure value of the Bank is in line with Grant Thornton's valuation report</li> </ul>	<p>information, available to the auditor</p> <ul style="list-style-type: none"> <li>• Provide working papers demonstrating the value used at the year end and the valuation methodology</li> </ul>
Valuation of Level 3 investments (unquoted investments)	<ul style="list-style-type: none"> <li>• Assess the competence of management experts</li> <li>• Review basis of valuation and assess the appropriateness of the valuation methods</li> <li>• Review latest audited accounts for level 3 investments</li> <li>• Perform analytical procedures and checking the valuation output for reasonableness</li> <li>• Obtain internal control reports from fund managers</li> <li>• Review investment valuation disclosures to verify significant judgements have been appropriately made</li> </ul>	<ul style="list-style-type: none"> <li>• Provide working papers demonstrating the value used at the year end and the valuation methodology</li> <li>• Provide quarterly reconciliation reports</li> <li>• Liaise with Investment Managers to provide information to auditors on a timely basis</li> </ul>
Valuation of Level 2 investments (Pooled Investments)	<ul style="list-style-type: none"> <li>• Assess the competence of management experts</li> <li>• Review basis of valuation and assess the appropriateness of the valuation methods</li> <li>• Review observable data points used in the calculation of the investment valuation</li> <li>• Obtain internal control reports from fund managers</li> <li>• Review investment valuation disclosures to verify significant judgements have been appropriately made</li> </ul>	<ul style="list-style-type: none"> <li>• Provide working papers demonstrating the value used at the year end and the valuation methodology</li> <li>• Provide quarterly reconciliation reports</li> <li>• Liaise with Investment Managers to provide information to auditors on a timely basis</li> </ul>

<b>Risk/area of focus</b>	<b>Audit approach</b>	<b>Fund approach</b>
IAS26 Disclosure – Actuarial Present Value of Promised Retirement Benefits	<ul style="list-style-type: none"> <li>Assess competence of management experts (Hymans)</li> <li>Review IAS26 approach applied by the actuary are reasonable and compliant with IAS26</li> <li>Ensure IAS26 disclosure is in line with relevant standards and consistent</li> </ul>	<ul style="list-style-type: none"> <li>Ensure process notes include identified risks</li> <li>Provide written process notes which detail controls</li> </ul>

2.4. 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:

<b>Audit Area</b>	<b>Materiality</b>
Planning Materiality	£43m
Performance Materiality	£32.3m
Audit Differences	£2.2m

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

<b>Milestone</b>	<b>Planned dates</b>	<b>Status</b>
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

2.6. 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.

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

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Stephen Howarth

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law?

Name of Legal Officer: Amy Brown

### 3. Source documents

3.1. Appendix 1 Audit Plan 2021/22