

**CAMBRIDGESHIRE
PENSION FUND**



Pension Fund Committee

Date: 28 March 2019

Report by: Head of Pensions

Subject:	Cambridgeshire Pension Fund Audit Plan, Year ended 31 March 2019
Purpose of the Report	To present Ernst & Young's audit plan for the Cambridgeshire Pension Fund's Statement of Accounts for the year ended 31 March 2019.
Recommendations	The Committee are asked to receive the presentation.
Enquiries to:	Tracy Pegram TPegram@northamptonshire.gov.uk , 07917 197467

1. Background

- 1.1 Ernst & Young (EY) have been appointed as Independent External Auditors to provide an audit opinion on:
- whether the financial statements of Cambridgeshire Pension Fund (the Pension Fund) give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2019 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2019; and
 - the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council.
- 1.2 EY have produced an audit plan, setting out identified audit risks, expected materiality levels, the scope of their audit and the planned delivery of the audit process. An Associate Partner from Ernst & Young, Mark Hodges, will attend this meeting to present the audit plan.

2. Report content

- 2.1 Page 5 of the accompanying report identifies the key risks and areas of auditor focus, and page 9 of the report 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
Investment income and asset valuations – investment journals	<ul style="list-style-type: none"> • Test year end journals • Review reconciliations of Investment Manager to Custodian reports • Re-perform investment notes in Statement of Accounts • Check reconciliation of holdings in Net Assets Statement to source reports • Agree quoted investment income to source reports 	<ul style="list-style-type: none"> • Make copy journals available • Provide quarterly reconciliation reports • Liaise with Investment Managers to provide information to auditors on a timely basis
Unusual Investments – Cambridge and Counties Bank and Cambridge Building Society	<ul style="list-style-type: none"> • Review Grant Thornton's external valuation of the Bank and consider appropriateness of assumptions used • Values used are in line with relevant accounting policies • 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

- 2.2 Page 15 of the accompanying report sets out the planned materiality levels for the audit, which are planned to be:

Audit Area	Materiality
Net Assets	£2.9bn
Planning Materiality	£29.69m
Performance Materiality	£14.8m
Audit Differences	£1.4m

- 2.3 Page 23 of the accompanying report sets out the proposed timeline for delivery of the audit. The key planned milestones are:

Milestone	Planned dates	Status
Planning	December 2018-January 2019	Completed
Walkthroughs/Interim Audit	February – April 2019	In progress
Report audit plan	28 March 2019	In progress
Substantive testing	May – July 2019	-
Audit Results Report	Mid July 2019	-

3. Relevant Fund objectives

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.

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.

4. Risk Management

- 4.1 This item is for the information of the Committee and therefore does not give rise to identifiable risk. The audit process however, is required by regulation and it is therefore important that Committee members are informed of the planned process and receive appropriate updates.
- 4.2 The risks associated with the audit process, which EY's audit plan informs, have been captured in the Fund's risk register as detailed below.

Risk register	Risk mitigated	Residual risk
Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	The information provided to the Committee by EY's report enables them to fulfil their responsibilities in an informed manner.	Amber

Production of incorrect accounts, notices and publications	The audit process is designed to address the risks of material misstatement within the Fund's Statement of Accounts.	Green
Potential fraudulent activity by staff	The audit process is designed to address the risks of fraudulent activity by staff in recording and operating the Fund's financial controls.	Green
Pension Fund Investments may not be accurately valued	The audit process is designed to provide assurance that key areas are free from material misstatement.	Green
Pension Fund accounts are not accurately maintained	The audit process is designed to provide assurance that Statement of Accounts are free from material misstatement.	Green

4.3 The Fund's full risk register can be found on the Fund's website at the following link: <http://pensions.northamptonshire.gov.uk/governance/key-documents/cambridgeshire/>

5. Communication Implications

5.1 None

6. Legal Implications

6.1 None

7. Consultation with Key Advisers

7.1 The Audit Plan has been produced by the Fund's external auditors, EY.

8. Alternative Options Considered

8.1 Not applicable.

9. Background Papers

9.1 None

10. Appendices

10.1 Appendix 1 – Cambridge Pension Fund Audit Plan Year ended 31 March 2019, dated 13 February 2019. Author: Ernst & Young (EY)

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 – 15 March 2019
Has this report been cleared by Head of Pensions?	Mark Whitby – 8 March 2019
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 13 March 2019
Has this report been cleared by Legal Services?	Fiona McMillan – 12 March 2019