

KPMG Audit Plan for Cambridgeshire Pension Fund 2024-25

To: Audit and Accounts Committee

Meeting Date: 23 July 2025

From: Investments and Fund Accounting Manager - Pensions

Outcome/s: The Fund's Audit Plan 2024-25 presented to the Committee.

Recommendation/s: The Committee is recommended to note the Audit Plan 2024-25 and presentation by KPMG.

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1. Background

- 1.1 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 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. Executive summary

- 2.1 KPMG act as the Cambridgeshire Pension Fund's external auditors. As the external auditors they have produced a plan of the 2024-25 audit of the Cambridgeshire Pension Fund.
- 2.2 The significant risks and areas of focus for KPMG are management override of controls and the valuation of Cambridge and Counties Bank.
- 2.3 Other audit risks being considered by KPMG are:
 - 2.3.1 Level 1, 2 and 3 investments are not complete, do not exist or are not accurately recorded;
 - 2.3.2 Valuation of Level 1, 2 and 3 investments is misstated;
 - 2.3.3 The actuarial position of the scheme is not appropriately presented in the financial statements.
- 2.4 Materiality for the financial statements is £48m, 1% of draft total Assets as at 31 March 2025. Materiality misstatements to be reported is £2.4m.
- 2.5 The total audit fees for the year are £98,000, excluding IAS 19 letters for employer body auditors

3. Content, Responsibilities and Timeline

- 3.1 KPMG has been appointed as Independent External Auditors to provide an audit opinion on:
 - 3.1.1 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 2025 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2025; and
 - 3.1.2 the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Cambridgeshire County Council
- 3.2 KPMG has 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.
- 3.3 Appendix 1 - Page 5 identifies the key risks and areas of auditor focus and 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"> • Assess accounting estimates for biases. • Evaluate selection and application of accounting policies. • Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimate. • Assess the business rationale and the appropriateness of the accounting for significant transactions. • Evaluate the design and implementation of controls over journal entries and post-closing adjustments. • Test the operating effectiveness of controls over journal entries and post-closing adjustments. • Using the high-risk criteria to identify the journals for any further investigation. 	<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
Valuation of Cambridge and Counties Bank (CCB)	<ul style="list-style-type: none"> • Obtain copies of the CCB valuation report completed by a third-party specialist (Grant Thornton). • Assess Grant Thornton's competency as a valuation expert and their work. • Engage KPMG specialists to review the valuation methodology and assumptions. • Challenge the valuer on the valuation inputs. • Identify and evaluate the design and implementation of controls in place for management to review the valuation. 	<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. • Provide working papers demonstrating the value used at the year end and the valuation methodology. • Provide evidence of management review control to the valuation.
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 	<ul style="list-style-type: none"> • Provide working papers demonstrating the value used at the year end and the valuation methodology.

Risk/area of focus	Audit approach	Fund approach
	<ul style="list-style-type: none"> • 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 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 8 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.
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. • Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made. • Test the data provided used within the scheme valuation. • Evaluate the key assumptions applied against externally derived data. 	<ul style="list-style-type: none"> • Ensure process notes include identified risks. • Provide written process notes which detail controls. • Liaise with Hymans to provide information to the auditors on a timely basis,

3.4 Appendix 1 - Page 3 sets out the materiality levels for the audit, based on 1% of draft net assets of £4.75bn, which are planned to be:

Audit Area	Materiality
Materiality for the Financial statements as a whole	£48m

Audit Area	Materiality
Procedure designed to detect individual errors at this level	£36m
Audit Differences	£2.4m

- 3.5 Appendix 1 - Pages 16 and 17 set out the proposed timeline for delivery of the audit. The key planned milestones are:

Milestone	Planned dates	Status
Planning and Interim fieldwork	April 2025	Completed
Report audit plan	July 2025	Completed
Year end Audit	July - September 2025	Ongoing
Audit Results Report	September 2025	To be completed
Sign off	November 2025	To be completed

- 3.6 Appendix 1 - Page 18 sets out the audit fees for the year. £98,000 is the fee for auditing the financial statements. For comparison, the 2023-24 fee was £98,600 (excluding fee for the IAS19 assurance letters). 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).

4. Appendices

- 4.1 Appendix 1 – External Audit Plan & Strategy for Cambridgeshire Pension Fund 2024-25

5. Source documents

- 5.1 None.