



Cambridgeshire Pension Fund Audit Results Report

Year ended 31 March 2020

16 October 2020

16 October 2020



Dear Audit & Accounts Committee Members

We are pleased to attach our Audit Results report for the forthcoming meeting of the Audit & Accounts Committee. This report summarises our preliminary audit conclusion in relation to the audit of Cambridgeshire Pension Fund for 2019/20.

We have substantially completed our audit of Cambridgeshire Pension Fund for the year ended 31 March 2020.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the Pension Fund financial statements in the form at Section 3, ahead of the statutory deadline of 30 November 2020.

This report is intended solely for the use of the Audit & Accounts Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Accounts Committee meeting on 31 October 2020.

Yours faithfully

Mark Hodgson

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywell Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

Update to our risk assessment and the scope of our audit

In our Audit Plan report dated 4 May 2020, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to our risk assessment as a result of Covid-19, in line with our discussions with you at the July Audit Committee:

- ▶ **Disclosures on Going Concern** - We consider the unpredictability of the current environment to give rise to a risk that the Pension Fund would not appropriately disclose the key factors relating to going concern, underpinned by management's assessment with particular reference to Covid-19 and the Pension Fund's actual year end financial position and performance.
- ▶ **Events after the balance sheet date** - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic may need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Pension Fund.

Changes in materiality:

- ▶ We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of net assets we have updated our overall materiality assessment and our materiality levels remain consistent with those reported in our Audit Plan. We have updated our overall materiality assessment to £30.15 million (Audit Plan – £31.93 million).
- ▶ In our Audit Plan, we communicated that our audit procedures would be performed using a performance materiality of £23.95 million. We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the values for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate. We have updated our overall performance materiality, at 75% of overall materiality, to £22.61 million.
- ▶ We have updated our threshold for reporting misstatements to £1.5 million, being 5% of our Planning Materiality.

Executive Summary

Update to the scope of our audit and our risk assessment

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Pension Fund's systems. We undertook the following to address this risk:

- ▶ Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- ▶ Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports. The uncertainty created by Covid-19 increases the importance of giving the right assurance to the Pension Fund and its stakeholders. As a result, we have instigated additional consultation processes on the wording of the auditor's report. In light of issues with going concern, this consultation process has involved significant senior level input from the audit team and EY's risk management team.

The changes to audit risks and audit approach have increased the level of work we have been required to undertake. We are currently quantifying the impact on the audit fee and will present our final fee to the Chief Finance Officer on completion of the audit.

Status of the audit

Our audit work in respect of the Pension Fund audit opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Subsequent events review;
- ▶ Internal consultation procedures on going concern;
- ▶ Agreement of the final set of accounts; and
- ▶ Receipt of signed management representation letter.

We include details of each outstanding item, actions required to resolve and responsibility in Appendix C.

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report in respect of the Pension Fund accounts. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

Executive Summary

Status of the audit (continued)

Our audit opinion will emphasise the following matters:

- ▶ Pooled Property valuation - the valuation uncertainty referenced by the Fund Manager's expert valuer and the impact that may have on the financial statements.

Before issuing an audit opinion we are required to conclude on our internal consultation in relation to the going concern considerations for the Pension Fund.

Audit differences

Unadjusted Audit Differences

There are no unadjusted audit differences.

Adjusted Audit Differences

There is one audit differences arising from our audit.

1. The Investment asset balance within the Net Assets Statement included a number of estimated asset valuations for Level 3 assets. The value of these assets were based on December 2019 actual valuations adjusted for cashflows to the 31 March 2020. Subsequent to the preparation of the Pension Fund's Draft Statement of Accounts, and as part of our audit, actual valuations for these Level 3 assets were provided by the Fund managers for the 31 March 2020. This is therefore a timing issue, as more up to date information became available during our audit. This showed that the Investment asset balance was overstated by £16.99 million. Management have adjusted for this difference within the revised financial statements.

2. We identified a limited number of audit disclosure differences in the draft financial statements, which have been adjusted by management. Further details are provided in Section 4 - with the most significant being the need to include a Disclosure Note in relation to Going Concern and include additional disclosure narrative in respect of the 'valuation uncertainty' expressed within the valuers report for Pooled Property Funds (Schroders).

Control observations

During the audit, we did not identify any significant deficiencies in internal controls.

Independence

Please refer to Section 9 for our update on Independence.

Executive Summary

Other matters

We are currently completing the procedures in respect of Pensions Assurance (IAS19 procedures) and the triennial review to provide assurance to the auditors of Cambridgeshire County Council and the Cambridgeshire District and Police Authorities. This work is outside the scope of the audit of the Pension Fund.

Areas of audit focus

Our audit plan identified significant risks and areas of focus for our audit of the Fund's financial statements. We summarise below our latest findings.

| Significant risk | Findings & conclusions |
|---|--|
| Management Override (Mandatory considerations): Misstatements due to fraud or error | We have completed our testing and found no indications of management override of controls. |
| Management Override (Specific): Investment Income and Asset valuation - Investment Journals | We have completed our work in this area and have no matters to report. |

| Other area of audit focus | Findings & conclusions |
|---|--|
| Valuation of complex investments (Unquoted investments) | We have completed our work in this area and have no matters to report. |
| Pension Liability assumptions (IAS 26) | We have completed our work in this area and have no matters to report. |
| Going concern | As outlined on page 7, the Pension Fund have now included a specific Going Concern disclosure within the revised financial statements. We are required to consult internally before issuing our audit opinion. |

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit & Accounts Committee.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

We have considered where this risk specifically manifests itself and this is in the posting of investment journals (see following slide).

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- We inquired of management about risks of fraud and the controls put in place to address those risks;
- We obtained an understanding the oversight given by those charged with governance of management's processes over fraud;
- We considered the effectiveness of management's controls designed to address the risk of fraud;
- We performed mandatory procedures regardless of specifically identified fraud risks, including;
 - testing of journal entries and other adjustments in the preparation of the financial statements;
 - reviewing accounting estimates for evidence of management bias; and
 - evaluating the business rationale for significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing; and
- We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business



Areas of Audit Focus

Significant risk

Investment income and asset valuations - Investment Journals

What is the risk?

We have considered the key areas where management has the opportunity and incentive to override controls that could affect the Fund Account and the Net Asset Statement.

We have identified the main area being;

- ▶ Investment Income and Asset Valuations being taken from the Custodian reports being incorrectly posted to the general ledger in the year, specifically through journal postings.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ Test journals at year-end to ensure there are no unexpected or unusual postings;
- ▶ Undertake a review of reconciliations to the fund manager and custodian reports and investigate any reconciling differences;
- ▶ Re-perform the detailed investment note using the reports we have acquired directly from the custodian or fund managers;
- ▶ Check the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- ▶ For quoted investment income we will agree the reconciliation between fund managers and custodians back to the source reports.

What are our conclusions?

Our testing has not identified any material misstatements from investment income or year end investment assets.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.



Areas of Audit Focus

Significant risk

Unusual Investments - Cambridge and Counties Bank (CCB)

What is the risk?

The Pension Fund's investment in CCB is a hard to value, Level 3 investment. This is because of a lack of observable inputs and prices which are not publicly available.

The CCB investment is based on valuations provided by a management specialist - Grant Thornton (GT). In the prior year the CCB investment represented the largest single private equity investment by the fund. GT used a markets multiple approach in the prior year looking at price earnings ratio and price to book ratios, considering current and forecast earnings and ratios.

Because this investment is not publicly listed and as such there is a degree of judgement in their valuation.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ Engaging with EY Transaction Valuation team who will undertake a review of the valuation model provided by GT considering the appropriateness of the assumptions and inputs used in determining the valuation;
- ▶ We will ensure that the CCB investment have been valued in accordance with the relevant accounting policies; and
- ▶ The audit team will test the accounting entries made in the statement of accounts to ensure they are consistent with the valuation provided by management's expert - GT.

What are our conclusions?

Managements Expert (GT) utilised a Market Approach to the valuation which gave rise to valuation within a range of £56.6 million to £59.4 million (Cambridgeshire Pension Fund share). Our valuation team used a Dividend Discount Model (DDM) as their valuation approach. The DDM approach is considered best practice and confirmed a fair valuation for the Pension Fund's share as being within a £55 million and £60 million range. The investment is held at £58.0 million within the Pension Fund's financial statements, which is therefore reasonable.

The two approaches do not provide significantly different ranges, hence we have concluded that the valuation of Cambridgeshire and Counties Bank is reasonable

Based on the work we have undertaken we are satisfied that the management specialist valuation is within the range of best practice and is materially accurate.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant or inherent risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

| What is the area of focus? | What did we do? | What are our conclusion? |
|---|---|--|
| <p><u>Valuation of Complex Investments (Unquoted Investments)</u></p> <p>The Fund's investments include unquoted pooled investment vehicles such as private equity, Cambridgeshire Building Society and property investments.</p> <p>Judgements are taken by the Investment Managers to value those investments whose prices are not publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error.</p> <p>Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.</p> <p>The proportion of the fund comprising of these investment types in 2018/19 is at circa 18%, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as higher risk, as even a small movement in these assumptions could have an impact on the financial statements.</p> | <ul style="list-style-type: none"> ▶ Assessed the competence of management experts; ▶ Reviewed the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used; ▶ Where available, reviewed the latest audited accounts for the relevant fund managers and ensuring there are no matters arising that highlight material differences in the reported funds valuation within the financial statements; and ▶ Performed analytical procedures and checking the valuation output for reasonableness against our own expectations. | <p>As the Custodian and Fund Managers provide an estimated value for some of the unquoted investments based on information up to 31 March 2020 there will always be a possibility that a different actual valuation as at 31 March 2020 will be provided after the statement of accounts are drafted. This is a timing difference and more up to date information became available during the audit.</p> <p>The Fund Managers have provided updated 31 March 2020 valuations to the Pension Fund and This showed that the Investment asset balance was overstated by £16.99 million. Management have adjusted for this difference within the revised financial statements, see section 4 for further detail.</p> <p>The Pooled Property Fund balance at 31 March 2020 was £225 million. The Pension Funds' Pooled Property is managed by Schroders. The Schroders Fund Management report highlights a 'valuation uncertainty' statement as a result of COVID-19. The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a such an uncertainty.</p> <p>We have highlighted this within an 'Emphasis of Matter' paragraph within our Audit Report and through enhanced disclosures in Note 5 and 14)</p> <p>We have not identified any other issues in the completion of our work.</p> |

Audit risks

Other areas of audit focus (Continued)

| What is the area of focus? | What did we do? | What are our conclusion? |
|--|---|--|
| <p><u>Pension Liability Assumptions</u></p> <p>An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based data submitted by the Pension Fund to the Actuary to inform their triennial valuation, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk that the information provided in relation to membership data and cash flows provided to the actuary as at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.</p> | <ul style="list-style-type: none"> ▶ Reviewed the controls in place to ensure that the data provided from the fund to the actuary is complete and accurate; ▶ Reviewed the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and observable data; and ▶ Agreed the disclosure to the information provided by the actuary. | <p>We did not identify any issues with controls in place to ensure that the data provided from the fund actuary is complete and accurate.</p> <p>We did not identify any issues with the assumptions used by the actuary.</p> <p>The disclosure within the statement of accounts agreed to the information provided by the actuary.</p> |
| <p><u>IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits</u></p> <p>The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £1,209 million as at 31 March 2020.</p> <p>The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson.</p> | <ul style="list-style-type: none"> ▶ Assessed the competence of management experts, Hymans Robertson; ▶ Engaged with the NAO's consulting actuary and our EY Pensions Advisory Team to review the IAS26 approach applied by the actuary are reasonable and compliant with IAS26; and ▶ Ensured that the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary. | <p>We did not identify any issues with the competence of the actuary, Hymans Robertson.</p> <p>There were no significant changes in the IAS 26 approach or methodology and the assumptions used in calculating the IAS 26 figure was considered reasonable and compliant.</p> <p>The disclosure of IAS 26 was in line with the relevant standards and the valuation provided by the Actuary.</p> |

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant or inherent risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

| What is the area of focus? | What did we do? | What are our conclusion? |
|--|---|---|
| <p>Going Concern</p> <p>The Fund must prepare their financial statements on a going concern basis of accounting.</p> <p>Under ISA 570 we are required to challenge management's identification of events or conditions impacting on going concern and to test management's resulting assessment of going concern, evaluate the supporting evidence obtained and consider the risk of management bias.</p> | <ul style="list-style-type: none">▶ Obtained and reviewed managements going concern assessment;▶ Challenged management's assessment of going concern;▶ Reviewed supporting evidence such as cash flow forecasts, employer covenants and post year-end valuation statements for evidence to support managements going concern assessment; and▶ Ensured sufficient disclosure within the financial statements. | <p>We have substantially completed our work. As a result we have requested that a Going Concern disclosure note be included within the financial statements.</p> <p>This has been prepared and reviewed and is consistent with Management's going concern assessment. We have not identified a material uncertainty in relation to Going Concern.</p> <p>We are currently concluding our internal risk management consultation procedures in relation to these disclosures.</p> |



03

Audit Report

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Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE COUNTY COUNCIL

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the pension fund financial statements:

- ▶ give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020; and
- ▶ have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Pooled property funds

We draw attention to Note 5 - Sources of estimation uncertainty and Note 14 - Investments, of the financial statements, which describe the valuation uncertainty the Pension Fund is facing as a result of COVID-19 in relation to pooled property funds. Our opinion is not modified in respect of this matter.



Audit Report - continued

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Our opinion on the financial statements

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the "Statement of Accounts and Annual Governance Statement 2019-2020", other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Audit Report - continued

Our opinion on the financial statements

Responsibility of the Chief Finance Officer

As explained more fully in the "*Statement of Responsibilities, Certificate and Approval of Accounts*" set out on page 31, the Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Cambridgeshire Pension Fund, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



04

Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of Adjusted differences

We highlight the following misstatement greater than £1.5 million which have been corrected by management that were identified during the course of our audit.

1. The Investment asset balance within the Net Assets Statement included a number of estimated asset valuations for Level 3 assets. The value of these assets were based on December 2019 actual valuations adjusted for cashflows to the 31 March 2020. Subsequent to the preparation of the Pension Fund's Draft Statement of Accounts, and as part of our audit, actual valuations for these Level 3 assets were provided by the Fund managers for the 31 March 2020. This is therefore a timing issue, as more up to date information became available during our audit.

Our procedures showed that the Investment asset balance was overstated by £16.99 million at the 31 March 2020. Management have adjusted for this difference within the revised financial statements.

2. Our audit only identified a limited number of other minor differences which our team have highlighted to management for amendment. These have been corrected during the course of the audit and relate to disclosure and presentational matters in both the Annual Accounts and Annual Report. We consider that only the following differences merit bringing to your attention:

- ▶ The draft financial statements did not include a going concern disclosure. This has subsequently been prepared for inclusion within the final accounts, we have reviewed the disclosure and agree that it appropriately reflects managements going concern assessment (Note 29).
- ▶ Additional disclosures were required for Note 5 - Estimation uncertainty and Note 14 - Investments, in respect of the 'valuation uncertainty' expressed within the valuers report for Pooled Property Funds (Schroders).

Summary of Unadjusted differences

There are no unadjusted audit differences arising from our audit.



05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Cambridgeshire Pension Fund Annual Report with the audited financial statements. We have reviewed the Pension Fund Annual Report and are satisfied that it is consistent with the financial statements.

We have prepared and will issue a consistency statement to Management alongside our Audit Report.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues which merit action under this duty.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

Other than those areas we have outlined in section 4, we have nothing to report in respect of these matters.



06

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Pension Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Pension Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



07

Independence

Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan report dated 4 May 2020.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your General Purposes and Audit & Accounts Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit & Accounts Committee on 24 September 2020.

As part of our reporting on our independence, we set out a summary of the fees you have paid us in the year ended 31 March 2020 (See following slide). We confirm that we have not undertaken non-audit work. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

Independence - Audit Fees

Fee analysis

| Description | Planned Fee 2019/20 £'s | Final Fee 2018/19 £'s |
|--|-------------------------------|-----------------------------|
| Scale Fee | 17,256 | 19,814 |
| Changes in work required to address professional and regulatory requirements and scope associated with risk (See Note 1) | 45,044 | - |
| Revised Scale Fee | 62,300 | 25,314 |
| Additional work required for Covid-19 considerations (See Note 2) | To be confirmed | - |
| Total indicative Pension Fund Fee | To be confirmed | 25,314 |
| Additional Audit Fee in respect of work on behalf of Admitted Body auditors (recharged to the Pension Fund) | 11,500 | 5,500 |
| Standard annual procedures in respect of IAS19 and additional procedures in respect of the triennial valuation | (Note 3) | |

Notes:

Note 1 - For 2019/20 the scale fee has been re-assessed to take into account a number of risk factors as outlined below:

- Procedures performed to address the risk profile of the Pension Fund - £24,316
- Additional work to address increase in Regulatory standards - £19,472
- Client readiness and IT support for Data Analytics - £1,256

Note 2 - Additional time has been required for internal consultation processes on the consideration of the Pension Fund's going concern assessment and Pooled Property Funds - as set out within this report.

Note 3 - We anticipate charging an additional fee of £8,000 in 2019/20 to take into account the additional work required to respond to IAS19 assurance requests from admitted bodies and their auditors. For 2019/20 we were also required to perform additional procedures over the 2019 triennial valuation of the Fund on behalf of admitted body auditors. The triennial valuation informs both the assessment of the IAS19 liabilities in the Council's financial statements and the actuarial present value of promised retirement benefits in the Pension Fund financial statements - £3,500. The Pension Fund can recharge this fee to the relevant admitted bodies.

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The previous includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute. We confirm that none of the services listed below has been provided on a contingent fee basis. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.

Independence

Summary of key changes (continued)

- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit & Accounts Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Audit & Accounts Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf



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Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:



- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

| Net Assets Statement category | Audit Approach in current year | Audit Approach in prior year | Explanation for change |
|-----------------------------------|---|---|------------------------|
| Investment Assets and Liabilities | Substantively tested all relevant assertions | Substantively tested all relevant assertions | N/A |
| Long term debtors | Immaterial - Substantively tested assertion for presentation and disclosure | Immaterial - Substantively tested assertion for presentation and disclosure | N/A |
| Debtors | Immaterial - Substantively tested assertion for presentation and disclosure | Immaterial - Substantively tested assertion for presentation and disclosure | N/A |
| Cash in hand | Substantively tested all relevant assertions | Substantively tested all relevant assertions | N/A |
| Creditors | Substantively tested all relevant assertions | Immaterial - Substantively tested assertion for presentation and disclosure | N/A |





Appendix B

Required communications with the General Purposes and Audit & Accounts Committee



There are certain communications that we must provide to the General Purposes and Audit & Accounts Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

| Our Reporting to you | | |
|-------------------------------------|---|---|
| Required communications |  What is reported? |  When and where |
| Terms of engagement | Confirmation by the General Purposes and Audit & Accounts Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies |
| Our responsibilities | Reminder of our responsibilities as set out in the engagement letter. | Audit Plan - 30 July 2020 - Audit & Accounts Committee |
| Planning and audit approach | Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. | Audit Plan - 30 July 2020 - Audit & Accounts Committee |
| Significant findings from the audit | <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issued regarding opening balances on initial audits | Audit Results Report - 31 October 2020 Audit & Accounts Committee |

Appendix

| | |  Our Reporting to you |
|-------------------------|---|---|
| Required communications |  What is reported? |   When and where |
| Going concern | <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | We have asked management and those charged with governance. We have reviewed managements assessment in light of Covid-19 and no material uncertainty has been identified. Disclosure will be included in the final statements as reported in section 2 of this report |
| Misstatements | <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management | Audit Results Report – 31 October 2020 Audit & Accounts Committee |
| Subsequent events | <ul style="list-style-type: none"> ▶ Enquiry of the General Purposes and Audit & Accounts Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. | We have asked management and those charged with governance. We have not identified any subsequent events. |
| Fraud | <ul style="list-style-type: none"> ▶ Enquiries of the General Purposes and Audit & Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to General Purposes and Audit & Accounts Committee responsibility. | We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit. |

Appendix B

| | | Our Reporting to you |
|-------------------------|---|--|
| Required communications |  What is reported? |  When and where |
| Related parties | <p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority | We have no matters to report. |
| Independence | <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> | Audit Results Report - 31 October 2020 Audit & Accounts Committee |




Appendix B

| | | Our Reporting to you |
|--|---|--|
| Required communications | What is reported? | When and where |
| External confirmations | <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. | We have no matters to report. |
| Consideration of laws and regulations | <ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the General Purposes and Audit & Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the General Purposes and Audit & Accounts Committee | We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations. |
| Significant deficiencies in internal controls identified during the audit | <ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. | Audit Results Report - 31 October 2020 Audit & Accounts Committee |
| Written representations we are requesting from management and/or those charged with governance | <ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance | Audit Results Report - 31 October 2020 Audit & Accounts Committee |
| Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | <ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | Audit Results Report - 31 October 2020 Audit & Accounts Committee |
| Auditors report | <ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report | Audit Results Report - 31 October 2020 Audit & Accounts Committee |
| Fee Reporting | <ul style="list-style-type: none"> ▶ Breakdown of fee information when the Audit Plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work | Audit Plan - 30 July 2020 Audit Results Report - 31 October 2020 Audit & Accounts Committee |

Appendix C

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

| Item |  Actions to resolve |  Responsibility |  |
|------------------------------------|---|--|---|
| Subsequent events review | Completion of subsequent events procedures to the date of signing the audit report. | EY and Management | |
| Internal Consultations | We are required to consult internally before concluding on our going concern audit work. | EY | |
| Management Representation Letter | Receipt of signed management representation letter. | Management | |
| Agreement of Final set of Accounts | On completion of Level 3 valuations testing, agree all changes made to draft accounts are updated in the final set of accounts. | EY and Management | |
| Final Review Procedures | Final review of areas listed above. | EY | |



Appendix D – Management representation letter

Management Representation Letter



Ernst & Young LLP
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16 October 2020

Chris Malyon
Deputy Chief Executive and Chief Finance Officer
Cambridgeshire County Council
Shire Hall
Castle Hill
Cambridge
CB3 0AP

Dear Chris,

Cambridgeshire Pension Fund – 2019/20 financial year Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Pension Fund.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Cambridgeshire Pension Fund ("the Fund") for the year ended 31 March 2020.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2019 to 31 March 2020 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2020, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of member names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office. Ernst & Young LLP is a multi-disciplinary practice and is authorised and regulated by the Institute of Chartered Accountants in England and Wales, the Solicitors Regulation Authority and other regulators. Further details can be found at <http://www.ey.com/UK/en/Home/Legal>.



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That you understand that the purpose of our audit of the Fund's financial statements is to express an opinion thereon and that our audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing yourselves:

A. Financial Statements and Financial Records (See Note B)

1. That you have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. That you confirm that the Fund is a Registered Pension Scheme. You are not aware of any reason why the tax status of the scheme should change.
3. That you acknowledge, as members of management of the Fund, your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. That you have approved the financial statements.
4. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, you believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 that are free from material misstatement, whether due to fraud or error.

You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on your system of internal controls.

6. That there are no unadjusted differences identified during the current audit and pertaining to the latest period presented.



Appendix D – Management representation letter

Management Representation Letter



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B. Non-compliance with laws and regulations including fraud

1. That you acknowledge that you are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of your assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. That you have not made any reports to The Pensions Regulator, nor are you aware of any such reports having been made by any of your advisors.
5. That there have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty. That you have drawn to our attention all correspondence and notes of meetings with regulators (if applicable).
6. That you have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. That you have provided us with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.



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2. That we have been informed of all changes to the Fund rules.
 3. All material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.
 4. That you have made available to us all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date (30 November 2020).
 5. That you confirm the completeness of information provided regarding the identification of related parties. You have disclosed to us the identity of the Fund's related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
 6. That you confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

Where members of the management of the Fund have determined that annuity policies are not material the following statement may be added: The Scheme holds annuity policies which have not been recognised and recorded as an asset of the Scheme in the financial statements as they are not considered material in relation to the net assets. These policies have an estimated value of £xxx.
 7. That you have disclosed to us, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
 8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
 9. That you believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 10. That from the date of your last management representation letter to us, through the date of this letter you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.
- ### D. Liabilities and Contingencies
1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.



Appendix D – Management representation letter

Management Representation Letter



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2. You have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. You have recorded and/or disclosed, as appropriate, all liabilities relating to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

1. Other than described in the relevant note (Note [X]) to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the "Cambridgeshire Pension Fund Annual Report and Accounts 2019/2020".
2. You confirm that the content contained within the other information is consistent with the financial statements.

G. Independence

1. You confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

1. You confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.
2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.
1. Pooling investments, including the use of collective investment vehicles and shared services
1. You confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.



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J. Actuarial valuation

1. The latest report of the actuary [Name] as at [Date] and dated [Date] has been provided to us. To the best of your knowledge and belief you confirm that the information supplied by you to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Use of the Work of a Specialist

1. You agree with the findings of the specialists that we have engaged to Private Equity Investments and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates

Valuation of Investments

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the applicable financial reporting framework (the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020).
2. You confirm that the significant assumptions used in making the valuation of investments appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
3. You confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete including the effects of the COVID-19 pandemic on the valuation of investments and made in accordance with the applicable financial reporting framework.
4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Going Concern

1. That Note 28 to the financial statements discloses all the matters of which you are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, your plans for future action, and the feasibility of those plans.

N. Specific Representations

We do not require any further specific representations in addition to those above.

Appendix D – Management representation letter

Management Representation Letter



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I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the Fund Administrator, Chair of the Pension Committee and Chair of Audit Committee) on the proposed audit opinion date (to be confirmed with you) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP

EY | Assurance | Tax | Transactions | Advisory

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