

<b>Committee(s):</b> Audit and Risk Management Committee – For decision Finance Committee – For decision	<b>Dated:</b> 11/09/2023 19/09/2023
<b>Subject:</b> City Fund and Pension Funds Statement of Accounts Update	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of:</b> The Chamberlain	<b>For Decision</b>
<b>Report author:</b> Daniel Peattie, Assistant Director – Strategic Finance	

### Summary

This report provides an update on the audit of the 2020/21 and 2021/22 Statement of Accounts, and the publication and audit of the 2022/23 Statement of Accounts.

### Recommendation(s)

The **Audit and Risk Management Committee** is asked to:

- **Note** the progress made on the 2020/21 Statement of Accounts.
- **Consider** the Audit Progress Report 2021/22 as set out in Appendix 2.
- **Note** the responses from Management as per Appendix 3 and Appendix 4.
- **Authorise** to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, to approve any significant changes to the 2021/22 Statement of Accounts that may be necessary prior to the issuance of the audit opinion by Grant Thornton (GT), expected by the end of September 2023.

The **Finance Committee** is asked to:

- **Note** the progress made on the 2020/21 accounts.
- **Consider** the Audit Progress Report 2021/22 as set out in Appendix 2.
- **Note** the responses from Management as per Appendix 3 and Appendix 4.
- **Authorise** the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Finance Committee, to approve any significant changes to the 2021/22 Statement of Accounts that may be necessary before the issuance of the audit opinion by GT, expected by the end of September 2023.

## Main Report

### Background

#### 2020/21 Accounts

1. The 2020/21 City Fund and Pension Fund accounts were presented to the Audit and Risk Management Committee in November 2021 and subsequently to the Finance Committee in December 2021 for approval. Similar to previous years, while some matters remained unresolved, the audit was largely complete. As a result, authority was delegated to the Chamberlain, in consultation with the Finance Committee Chairman and Deputy Chairman, for final sign-off.
2. This process experienced delays due to a late audit issue relating to a disclosure note supporting the cashflow statement, as well as a national technical accounting concern regarding infrastructure asset accounting. This technical issue was resolved with the release of temporary variations to the accounting code by CIPFA in January 2023.

#### 2021/22 Accounts

3. The audit of the draft 2021/22 accounts commenced in November 2022. However, revisions to the accounts were necessary in February 2023 to address the technical matter concerning the accounting for infrastructure assets referenced above. The draft 2021/22 accounts are set out in Appendix 1.
4. During the Audit and Risk Management Committee meeting in March 2023, Grant Thornton reported a substantial number of outstanding items that were preventing the completion of the 2021/22 audit. This included the completion of the audit for the 2020/21 accounts by previous auditors BDO.
5. Subsequent to that meeting, another national audit issue emerged regarding the impact of the latest triennial valuation of the pension fund on the City Corporation's pension fund liabilities. This was in contrast to the 'rollover' method used in producing the City Corporation's draft 2021/22 accounts.
6. Separately, the auditors also raised concerns about the appropriateness of the accounting treatment for lease premia (£176.9m).

#### 2022/23 Accounts

7. The City Corporation released its draft accounts for the 2022/23 financial year on July 12, 2023, which can be accessed [here](#).

### Current Position

#### 2020/21 Accounts

8. Currently no outstanding queries remain regarding the 2020/21 accounts. The Statement of Accounts is undergoing final external audit checks before the issuance of an audit opinion, expected in mid-September from BDO.

#### 2021/22 Accounts

9. Significant progress has been achieved since the last update to the Audit and Risk Management Committee in March 2023. Out of the 973 samples selected for the

2021/22 audit, 872 have now been cleared by the auditors, representing a completion rate of 90%.

10. The City Corporation has also commissioned and received updated actuarial reports to assess the impact of the triennial valuation on the City Corporation's pension fund liability. This assessment indicates a £37.8m change in the value reported on the balance sheet. Due to the value of the movement, the accounts will need to be restated. A working paper demonstrating the impact and the areas of the accounts that will be affected have been shared with the auditors. External audit procedures are currently underway to validate this conclusion using underlying data.
11. Updated actuarial reports for the Pension Fund itself have been commissioned and are expected imminently. This will enable the conclusion of the review in this area.
12. The issue regarding the accounting for lease premia has been largely resolved and the approach taken by the City Corporation agreed with, the auditors are in the final stages of their work in this area.
13. With the majority of the work on the 2021/22 audit now completed and the 2020/21 audit opinion expected in the coming weeks, it is anticipated that Grant Thornton will be able to issue their audit opinion on the 2021/22 accounts by the end of September 2023.
14. The Audit and Risk Management Committee as well as the Finance Committee are requested to grant authority to the Chamberlain, in consultation with the Chairman and Deputy Chairman of their respective Committees, for the approval of any significant changes to the 2021/22 Statement of Accounts prior to the issuance of Grant Thornton's audit opinion. A Member briefing session will be arranged prior to the end of September to consider Grant Thornton's final report and provide an opportunity for the scrutiny of the financial statements in more detail. The outcome from this meeting will be included in the delegation approval process.

#### 2022/23 Accounts

15. The audit of the 2022/23 accounts is set to commence in September 2023. Grant Thornton's work plan for this audit of the City Fund and Pension Fund Accounts for 2022/23 is presented as a separate agenda item for the Audit and Risk Management Committee meeting on 11<sup>th</sup> September 2023.
16. Grant Thornton will present the findings from their work on the 2022/23 audit to the Audit and Risk Management Committee on November 6, 2023.

#### **Corporate & Strategic Implications**

17. Strategic implications – There are no specific links to the Corporate Plan. However, the accounts assist the City Corporation in maintaining a clear and transparent dialogue regarding its activities with residents and other stakeholders.

#### **Conclusion**

18. At present, there are no remaining queries regarding the 2020/21 accounts. The external audit is conducting final reviews of the Statement of Accounts, and an audit opinion is projected to be issued by BDO around mid-September.

19. The 2021/22 audit has now reached a substantial completion. It is expected that Grant Thornton will be in a position to provide their audit opinion on the 2021/22 accounts by the end of September 2023.

## **Appendices**

- Appendix 1 – Draft Statement of Accounts 2021-22
- Appendix 2 – Audit Progress Report 2021-22
- Appendix 3 – City Corporation City Fund Responses of Management 2021-22
- Appendix 4 – City Corporation Pension Fund Responses of Management 2021-22

## **Background Papers**

Audit and Risk Management Committee – Tuesday 30<sup>th</sup> November 2021 – Item 4: City Fund and Pension Fund Statement of Accounts 2020-21

Finance Committee – Tuesday 7<sup>th</sup> December 2021 – Item 9: 2020-21 City Fund and Pension Fund Statement of Accounts

Finance Committee – Tuesday 25<sup>th</sup> January 2022 – Item 15a: City Fund Accounts

Finance Committee – Tuesday 20<sup>th</sup> September 2022 – Item 7: 2020-21 City Fund and Pension Fund Statement of Accounts – Delegation of Approval

Audit and Risk Management Committee – Tuesday 22<sup>nd</sup> November 2022 – Item 6: 2020-21 City Fund and Pension Fund Statement of Accounts Approval

Audit and Risk Management Committee – Monday 16<sup>th</sup> January 2023 – Item 9: City Fund Audit Progress report and sector update

Audit and Risk Management Committee – Monday 13<sup>th</sup> March 2023 – Item 7: Auditor's Annual Report on the City of London Corporation: City Fund

Audit and Risk Management Committee – Monday 13<sup>th</sup> March 2023 – Item 15a: Audit Progress Report

Audit and Risk Management Committee – Monday 13<sup>th</sup> March 2023 – Item 15b: Audit Findings Report: Pension Fund

## **Daniel Peattie**

Assistant Director – Strategic Finance

E: [daniel.peattie@cityoflondon.gov.uk](mailto:daniel.peattie@cityoflondon.gov.uk)