



Pensions Committee

Date: TUESDAY, 18 JUNE 2024

Time: 2.00 pm

Venue: COMMITTEE ROOM - 2ND FLOOR WEST WING, GUILDHALL

Members: Deputy Christopher Boden Alderman Gregory Jones KC
Deputy Timothy Butcher Timothy James McNally
Deputy Madush Gupta Deputy Henry Pollard
Clare James David Sales

Enquiries: Raquel Pinto
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Ian Thomas CBE
Town Clerk and Chief Executive

AGENDA

1. **APOLOGIES**

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

3. **ORDER OF THE COURT**

To receive the Order of the Court of Common Council dated 25 April 2024, appointing the Committee and setting its Terms of Reference.

For Information
(Pages 5 - 6)

4. **ELECTION OF CHAIR**

To elect a Chair in accordance with Standing Order No.29.

For Decision

5. **ELECTION OF DEPUTY CHAIR**

To elect a Deputy Chair in accordance with Standing Order No.30.

For Decision

6. **MINUTES**

To agree the public minutes and non-public summary of the Pensions Committee meeting on 19 March 2024.

For Decision
(Pages 7 - 12)

7. **WORK PROGRAMME**

Report of the Chamberlain.

For Information
(Pages 13 - 14)

8. **CITY FUND AND PENSION FUND STATEMENT OF ACCOUNTS UPDATE**

Report of the Chamberlain.

For Information
(Pages 15 - 72)

9. **PENSION SCHEME ADMINISTRATOR'S UPDATE**
Report of the Chamberlain.
- For Discussion**
(Pages 73 - 82)
10. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
11. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT**
12. **EXCLUSION OF THE PUBLIC**
MOTION - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.
- For Decision**
13. **MINUTES**
To agree the non-public minutes of the Pensions Committee meeting on 19 March 2024.
- For Decision**
(Pages 83 - 90)
14. **PERFORMANCE MONITORING**
- a) Quarterly Report to 31 March 2024
Report of Mercer.
- For Information**
(Pages 91 – 110)
- b) Investment Performance Monitoring to 31 March 2024
Report of the Chamberlain.
- For Discussion**
(Pages 111 – 140)
15. **LCIV UPDATE**
Report of the Chamberlain.
- For Discussion**
(Pages 141 - 156)

16. **DLUHC LETTER: EFFICIENCIES IN LOCAL GOVERNMENT & THE MANAGEMENT OF LOCAL GOVERNMENT PENSION SCHEME (LGPS) FUNDS**
The Chamberlain to be heard.
- For Information**
17. **INVESTMENT MANAGER DEEP DIVE - LINDSELL TRAIN AND ARTEMIS**
Report of the Chamberlain/Mercer.
- For Decision**
(Pages 157 - 182)
18. **ALTERNATIVE PRIVATE MARKET ASSET CLASS OPTIONS - DISCUSSION PAPER**
Report of Chamberlain/Mercer.
- For Decision**
(Pages 183 - 194)
19. **ADMITTED BODY STATUS - REQUEST FOR DELEGATED AUTHORITY**
Report of the Chamberlain.
- For Decision**
(Pages 195 - 196)
20. **LONDON CIV AND M&G UK RESIDENTIAL: REQUEST FOR DELEGATED AUTHORITY**
Report of the Chamberlain.
- For Decision**
(Pages 197 - 198)
21. **NON-PUBLIC APPENDIX - PENSION SCHEME ADMINISTRATOR'S UPDATE**
Report of the Chamberlain. To be read in conjunction with item 9.
- For Information**
(Pages 199 - 200)
22. **NON PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
23. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT AND THAT THE COMMITTEE AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**
- For Decision**

Agenda Item 3

MAINELLI, Mayor	RESOLVED: That the Court of Common Council holden in the Guildhall of the City of London on Thursday 25 th April 2024, doth hereby appoint the following Committee until the first meeting of the Court in April, 2025
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PENSIONS COMMITTEE

1. **Constitution**

A non-ward committee consisting of:

- Up to seven Members elected by the Court of Common Council, at least one of whom shall have fewer than five years' service on the Court at the time of their appointment
- Up to three independent members (i.e., non-Members of the Court of Common Council) co-opted to the Committee on the advice of the Chamberlain, with voting rights.

The Chairman and/or Deputy Chairman of the Local Government Pensions Board shall be permitted to attend the Committee on an observing capacity.

N.B. - No Member of the Pension Committee shall be a Member of the Local Government Pensions Board, or be the Chair or Deputy Chair of the Corporate Services Committee, the Finance Committee, or the Policy & Resources Committee simultaneously.

2. **Quorum**

The quorum consists of any three elected Members.

3. **Membership 2024/25**

- 3 (3) James Henry George Pollard, Deputy
- 3 (3) David James Sales
- 2 (2) Christopher Boden, Deputy
- 2 (2) Timothy McNally
- 3 (1) Timothy Butcher, Deputy
- 3 (1) Madush Gupta, Deputy
- 1 (1) Gregory Jones KC, Alderman

Together with the following independent Members referred to in paragraph 1 above:-

Independent Members

Clare James

4. **Terms of Reference**

To undertake statutory functions on behalf of the Local Government Pension Scheme (LGPS) and ensure compliance with the Local Government Pensions Scheme Regulations ("the Regulations"), relevant legislation, and best practice as advised by the Pensions Regulator.

To be responsible for: -

- a) formulating, publishing and periodically review strategies and policies around the Pension Fund, for example (but not limited to) investments, responsible investment, funding, and administration.
- b) selecting and appointing suitability qualified external service providers, such as investment managers and advisors as required.
- c) monitoring the Pension Fund's investment arrangements including asset allocation, the performance of investment managers and advisors, and asset pooling arrangements (noting that the Pension Fund is a shareholder of the London CIV pool).
- d) monitoring liabilities, making arrangements for the triennial actuarial valuation of the Pension Fund, and considering and approving the required employer contribution levels for each employer within the Fund.
- e) dealing with the admission and cessation of employers as and when necessary and to review the ability of admitted bodies to meet their obligations to the Pension Fund.
- f) ensuring the Corporation effectively discharges its obligations to scheme members and employers as an administrating authority.
- g) considering and approving the Pension Fund's Annual Report as well as all other statutory statements required under the Regulations.
- h) working with, receiving and considering comments from the Local Government Pensions Board (a scrutiny and non-decision-making body established under the Regulations) in pursuit of good governance of the LGPS.
- i) ensuring that arrangements are in place for consultation with stakeholders as necessary.
- j) developing and maintaining the appropriate level of knowledge and understanding to carry out their duties effectively (including completion of the Pensions Regulator's Public Service toolkit).

NOTE: whilst it is the expectation and intention that corporate policies are applied in respect of the Pension Committee's activities, such matters must always be considered in light of the specific regulatory requirements that apply to the administration of the LGPS. Therefore, where relevant and insofar as such policies impact the Pension Fund, they will need to be reviewed by the Pension Committee.

PENSIONS COMMITTEE **Tuesday, 19 March 2024**

Minutes of the meeting of the Pensions Committee held at Committee Room - 2nd Floor West Wing, Guildhall on Tuesday, 19 March 2024 at 2.00 pm

Present

Members:

Deputy Timothy Butcher (Chairman)
David Sales (Deputy Chairman)
Clare James
Deputy Henry Pollard
Deputy Christopher Boden
Timothy James McNally

Officers:

Kate Limna	- Chamberlain's Department
Graham Newman	- Chamberlain's Department
Amanda Luk	- Chamberlain's Department
Sarah Port	- Chamberlain's Department
Raquel Pinto	- Town Clerk's Department

In attendance:

Steve Turner – Mercer
Gregory Hall – Mercer
Deputy Madush Gupta

1. APOLOGIES

Apologies were received from Deputy Madush Gupta, who was observing online.

The Chairman welcomed the new Members to the Committee, Deputy Christopher Boden and Timothy McNally. The Chairman also welcomed Steve Turner from Mercer who is the interim Investment Consultant following Lucy Tusa's departure. The Chairman wished to extend the Committee's thanks to Lucy Tusa (Mercer) for all her work.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

There were no declarations.

3. MINUTES

RESOLVED:

- That the public minutes and non-public summary of the Pensions Committee meeting on 21 November 2023 be approved as an accurate record.
- That the draft public minutes and non-public summary of the Local Government Pensions Board meeting on 19 January 2024 be noted.

4. **WORK PROGRAMME**

The Committee considered a report of the Chamberlain detailing a forward-looking Pensions Committee work programme.

RESOLVED: That Members: -

- Received the report and noted its content.

5. **RISK REGISTER FOR THE PENSIONS COMMITTEE**

The Committee considered a report of the Chamberlain which reviewed the Risk Register for the Pensions Committee, and asked Members of the Committee to review the risks and actions and confirm that appropriate measures are in place.

The Committee noted that there had been one change in the register, which related to the McCloud Remedy (CHB009) with the risk being reduced from 16 (red) to 12 (amber) as a result of the regulations around McCloud being issued.

A Member raised a query round the clarity of the risk matrix commentary (p21 of the agenda pack), particularly for the “Likelihood” criteria and how the numerical figures were achieved, as this was not easy to understand. Members were advised that this matrix is the City’s corporate standard, which looks at both impact and likelihood. Officers would take this point away and come back with a response.

A Member asked why currency exchange risk was not included in the risk register as some underlying assets of the Pension Fund were held in foreign currency or based on assets denominated in foreign currencies. The Chamberlain assured Members that the vast majority of the Pension Fund was invested in funds that are in sterling, not US Dollars, and therefore the Fund did not undertake any currency hedging so this was not an issue. It was understood that any investments in foreign currencies would be hedged back into sterling, however Mercer would review and confirm. Mercer advised that for any future new investments, currency risk would be considered as part of the suitability of the investment. Officers agreed to consider whether or not a reference to currency risk should be included in the risk register.

It was suggested that consideration should be given to the inclusion of a risk on a potential change of government to acknowledge the impact this may have.

A Member noted that CHB001, which looked at the Pension Fund’s absolute return needed updating due to the triennial valuation. The Member also enquired with regards to cyber risk, if there was an incident response plan for pensions. The Chamberlain advised that there was not a specific plan for pensions, but there was a corporate City of London risk plan which covered pensions. Officers agreed to confirm this.

RESOLVED: That Members: -

- review the existing risks and actions present on the Pensions Committee's Risk Register, and confirm that appropriate control measures are in place;
- Task Officers to look into whether or not currency risk should be included in the Risk Register;
- and confirm that following consideration of the above changes that there are no further risks relating to the services overseen by the Pensions Committee.

6. **PENSION SCHEME ADMINISTRATOR'S UPDATE**

The Committee received a report of the Chamberlain providing a summary of general information around a range of topics in relation to the administration of the Scheme since the last Committee meeting.

Members noted that since the Committee papers had been published, an Internal Dispute Resolution Procedure (IDRP) case had been received, and an update would be provided in the non-public session of the meeting.

RESOLVED: That Members –

- Received the report and noted its content.

7. **INVESTMENT CONSULTANT STRATEGIC OBJECTIVES (PREVIOUSLY CMA) - ANNUAL REVIEW**

The Committee considered a report of the Chamberlain which updated the Committee on the performance of the Fund's Investment Consultant.

The Chamberlain explained that the CMA's (Competition & Market Authority's) Investment Consultancy and Fiduciary Management Market Investigation Order 2019, required administrative authorities of the Local Government Pensions Scheme (LGPS) to set strategic objectives for its consultants. These had been reviewed with Mercer, and Officers were pleased with the work produced by the consultant. The Chamberlain was seeking delegation from the Committee to sign the Compliance statement.

RESOLVED: That Members –

- Approve the Investment Consultant Review for 2023.
- Delegate authority to the Chamberlain to sign the Compliance Statement.

8. **GOVERNMENT RESPONSE - DLUHC CONSULTATION ON LGPS**

The Committee received a report from the Chamberlain which provided a summary of the Government's response issued on the 22 November 2023, following DLUHC's consultation on the Local Government Pension Scheme.

The Chairman suggested that for the Committee to be able to discuss the item fully, it be moved to the non-public section of the meeting. The Committee unanimously agreed.

RESOLVED: That Members –

- Received the report and noted its content.

9. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

10. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT**

The Chairman advised that there was a clerical error, and that the Committee's Terms of Reference were included in the Non-Public Report of Action Taken at item 20 (a). The Chairman invited Members to note the item at this stage and advised this would be made public.

RESOLVED – That the Committee's Terms of Reference be noted.

11. **EXCLUSION OF THE PUBLIC**

RESOLVED- That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

12. **MINUTES**

RESOLVED:

- That the public minutes and non-public summary of the Pensions Committee meeting on 21 November 2023 be approved as an accurate record.
- That the draft public minutes and non-public summary of the Local Government Pensions Board meeting on 19 January 2024 be noted.

13. **TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT TO 31 MARCH 2023**

The Committee received a joint report of the Chamberlain and the Executive Director of Innovation & Growth, which provided the Pensions Committee with the City's second '*Climate Action - Managing Climate Risk for our Financial Investments*' (TCFD) report following its first publication 2021.

14. **PRI 2023 ASSESSMENT REPORT UPDATE**

The Committee received a report of the Chamberlain which introduced the Principles for Responsible Investment (PRI) Assessment Report for 2023.

15. **PERFORMANCE MONITORING**

The Committee received a presentation from Mercer regarding the Pension Fund Quarterly Monitoring Report Q4 2023 and a report of the Chamberlain relating to the Investment Performance of the Pension Fund as at 31 January 2024.

16. **LCIV UPDATE**

The Committee received a report of the Chamberlain providing an update on the London CIV, the asset pool operator for London LGPS Funds and in which the Pension Fund is invested in.

17. **LCIV GLOBAL ALPHA GROWTH FUND (BAILLIE GIFFORD) - MERCER'S REVIEW**

The Committee considered a report of the Chamberlain which provided Members of the Committee with a deep dive into the manager of the London CIV Global Alpha Growth (GAG) Fund, managed by Baillie Gifford.

18. **PENSION FUND CASHFLOW FORECAST 2023/24 TO 2026/27**

The Committee considered a report of the Chamberlain which detailed the cashflow for the Pension Fund for the four-year period 2023/24 to 2026/27.

19. **ACTUARIAL TENDER**

The Committee received a report of the Chamberlain, which reviewed the timeline for tendering the actuarial services contract.

20. **REPORT OF ACTION TAKEN**

The Committee received a report of the Town Clerk which advised Members of action taken by the Town Clerk in consultation with the Chairman and Deputy Chairman, in accordance with Standing Order Nos. 41(a) and 41(b) since the last meeting.

RESOLVED: That Members

- Received the report and noted its content.

21. **NON-PUBLIC APPENDIX - PENSION SCHEME ADMINISTRATOR'S UPDATE**

The Committee received a non-public appendix which was read in conjunction with agenda item 6.

22. **NON PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

23. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT AND THAT THE COMMITTEE AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

Three items were raised relating to correspondence received regarding divesting from companies involved in Israel/Gaza, an IDR case and the DLUHC response to consultation paper.

The meeting ended at 15:56.

Chairman

Contact Officer: Raquel Pinto
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PENSION COMMITTEE WORK PROGRAMME 2023/24

Timescale	Funding	Investment	Governance	Administration & Communication	Training Items #
Standing items		<ul style="list-style-type: none"> Investment Monitoring (inc. CAS update) LCIV/Pooling Update 	<ul style="list-style-type: none"> Work programme 	<ul style="list-style-type: none"> Administration Update 	
2024/25					
Q1 2024/25 (June)	<ul style="list-style-type: none"> Funding Update 2023/24 (Part of Investment Monitoring) 	<ul style="list-style-type: none"> Investment Manager Review (Artemis & Lindsell Train) Broad Private Markets Review LCIV & M&G: delegated authority 	<ul style="list-style-type: none"> City Fund and Pension Fund Accounts update 2023/24 	<ul style="list-style-type: none"> Admitted Body status: delegated authority 	
Q2 2024/25 (September)	<ul style="list-style-type: none"> Cashflow forecast 	<ul style="list-style-type: none"> Responsible Investment Policy Review* 	<ul style="list-style-type: none"> tPR General Code Policies review Risk Register Pension Fund Annual Report 2023/24 	<ul style="list-style-type: none"> Updates to member communication letters (if required) 	<ul style="list-style-type: none"> Responsible investment/climate action (in house)
Q3 2024/25 (December)			<ul style="list-style-type: none"> PRI Update Section 13 Update (TBC) 		<ul style="list-style-type: none"> Pooling (LCIV)
Q4 2024/25 (tbc)	<ul style="list-style-type: none"> Cashflow forecast 		<ul style="list-style-type: none"> Risk Register Investment Consultant Strategic Objectives 	<ul style="list-style-type: none"> Updates to member communication letters (if required) 	

In addition to training provided either in house or by third party organisations, all Members will be expected to register for tPR online training and complete the modules in respect of **public sector pension schemes** within 12 months of joining the Committee. Members are also required to complete the Barnett Waddingham 'Enlighten!' online training within 12 months.

*Responsible investment activities are undertaken in conjunction with Investment Committee.

Notes

Pensions Administration Strategy to be reviewed every 2 years. Next review: February 2025.

Future Triennial Review to be taken at same time as Investment Strategy review (2025).

Cashflow forecast and Risk Register are reviewed every 6 months.

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Agenda Item 8

Committee(s): Audit and Risk Management Committee – For information Finance Committee – For information Pensions Committee – For information	Dated: 13 May 2024 04 June 2024 18 June 2024
Subject: City Fund and Pension Fund Statement of Accounts Update	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: The Chamberlain	For information
Report author: Iain Jenkins, Chief Accountant	

Summary

This report provides an update on the production of the 2023-24 Statement of Accounts and planning for the 2023-24 audit of the City Fund and Pension Fund.

The attached External Auditor’s reports outline their work plan for undertaking the audit of the City Fund and Pension Fund Accounts for 2023-24. In addition, the reports outline the work they will undertake to reach a Value for Money conclusion on the Authority’s arrangements to secure economy, efficiency and effectiveness in the use of resources. The report also identifies specific risks and includes a statement of their fees.

The election of the Auditor of Chamberlain’s and Bridgemasters’ Accounts takes place on 1st May, after which point the reappointment of Crowe to audit City’s Estates and Sundry Trusts statement of accounts can continue for 2023-24. An update on the production of the 2023-24 City’s Estates and Sundry Trusts Statement of accounts and planning will be provided at the July committees.

Recommendation(s)

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

- **Note** the Indicative City Fund Audit Plan for 2023-24 as set out in Appendix 1
- **Note** the Indicative Pension Fund Audit Plan for 2023-24 as set out in Appendix 2
- **Note** the responses from Management for both the City Fund and Pension Fund as per Appendix 3 and Appendix 4

The **Finance Committee** is asked to:

- **Note** the responses from Management for the City Fund as per Appendix 3

The **Pensions Committee** is asked to:

- **Note** the indicative Pension Fund Audit Plan for 2023-24 as set out in Appendix 2
- **Note** the responses from Management for the Pension Fund as per Appendix 4

Main Report

Background and current position

1. The Audit and Risk Management Committee oversees the City of London Corporation's systems of internal control and makes recommendations to the Finance Committee relating to the approval of the City Fund Annual Statement of Accounts – this includes the Pension Fund accounts.
2. The Authority will publish its draft accounts for the City Fund for the 2023-24 financial year on or before the statutory deadline of 31 May 2024.
3. Grant Thornton (GT) will be carrying out the external audit of the City Fund and Pension Fund accounts for 2023-24. The audit is due to commence in July 2024 and is scheduled to run through to September 2024. It is considered good practice and part of the assurance framework for the External Auditor to report to the Audit and Risk Management Committee at regular intervals.
4. Grant Thornton will report the findings arising from their work on the 2023-24 audit to this Committee following the conclusion of the audit.
5. As the Pension Fund accounts form part of the City Fund accounts as a whole, the Audit and Risk Management Committee retain ultimate responsibility for receiving and considering audit plans as well as receiving any reports arising from the audit. The Pension Fund Audit Plan for 2023-24 is included in Appendix 2; the audit plan and any reports arising from the audit will also be reported to the Pension Fund Committee.
6. As part of their audit planning procedures, the auditors have engaged in a series of inquiries with the management regarding various aspects such as fraud and compliance with laws and regulations. The responses to these inquiries are presented in Appendices 3 and 4 (for the City Fund and the Pension Fund respectively) for your review. Members are encouraged to take note of these responses and provide any additional comments for further consideration.

Corporate & Strategic Implications

7. 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.
8. Financial implications – The fees for the audits are included within the appendices and can be met from the existing budget provision.

9. Legal implications – The recommendations of the report request the Audit and Risk Management Committee to note indicative Audit Plans for 2023-24, which outlines Grant Thornton’s planning and approach to the audit, including the audit timetable. The Committee is not requested to make any decision and there are no significant legal implications arising from the content of this report.

Conclusion

10. The attached External Auditor’s report outlines their work plan for undertaking the audit of the City Fund and Pension Fund Accounts for 2023-24. In addition, the report also outlines the work they will undertake to reach a Value for Money conclusion on the Authority’s arrangements to secure economy, efficiency and effectiveness in the use of resources. The report also identifies specific risks and includes a statement of their fees which have been reviewed and queried by officers as appropriate.

Appendices

- Appendix 1 - City Corporation City Fund Audit Plan 2023-24
- Appendix 2 - City Corporation Pension Fund Audit Plan 2023-24
- Appendix 3 - City Corporation City Fund Inquiries of Management 2023-24
- Appendix 4 - City Corporation Pension Fund Inquiries of Management 2023-24

Background Papers

Audit and Risk Management Committee – 11 September 2023 – City Fund and Pension Fund Audit Plans 2022-23

Iain Jenkins
Chief Accountant

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City of London Corporation Pension Fund audit plan

Year ending 31 March 2024

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10 April 2024



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Section

Key matters

Introduction and headlines

Significant risks identified

Other risks identified

Other matters

Progress against prior year recommendations

Our approach to materiality

IT audit strategy

Audit logistics and team

Audit fees

Independence and non-audit services

Communication of audit matters with those charged with governance

Escalation policy

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

National context

The national and international economic context continues to present challenges for pension funds. Inflationary pressures at home and abroad and wider geopolitical issues mean there is volatility in global markets with a consequential impact on the investments held by pension funds.

In November 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the outcome of their consultation on local government pension scheme investments. The government will now implement proposals which include revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025 on a comply or explain basis, regulation to require funds to set a plan to invest up to 5% of assets in levelling up the UK and revised investment strategy statement guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity. The Chancellor has also outlined plans that local government pension funds will be invested in pools of £200bn or more by 2040.

DLUHC have also consulted on proposals to require local government pension scheme administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The City Corporation already voluntarily reports on TCFD every two years with the second report about to be published. It has been confirmed that disclosure requirements will not be mandated for the 2023/24 financial year with the earliest starting point being the 2024/25 financial year but this is likely to require regulations to be in place by December 2024.

In April 2024 DLUHC, in association with the Scheme Advisory Board and CIPFA, published updated guidance on preparing the pension fund Annual Report. This guidance applies to 2023/24 annual reports and later years but for annual reports covering 2023/24, funds are required to only use their best endeavours to comply fully with this guidance. We are also aware that administration teams will be tasked with implementing the McCloud remedy for qualifying members' pensions which came into force from 1 October 2023.

In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

Local authorities which administer local government pension funds are required to publish full pension fund accounts in the same document as their local authority accounts. This requirement means that the audited accounts of the host authority and related fund cannot be finalised until both audits have been completed. This co-dependency has compounded delays in the conclusion of pension fund audits and publication of audited accounts and annual reports.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Key matters - continued

Our Responses

- In 2022 Grant Thornton were awarded a contract of audit for City of London City Fund and Pension Fund to begin with effect from 2021/22. As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out on page 19 of this Audit Plan.
 - To ensure close working with our local audited bodies and an efficient audit process, our preference as a firm is to work on site with you and your officers. We will discuss logistics and arrangements with management to provide an efficient and effective audit.
 - At an appropriate point within the audit and assuming diaries can be aligned, we would also like to meet informally with the Chair of your Audit & Risk Management Committee, to brief them on the status and progress of the audit work to date.
- Page 82 We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of City of London Corporation Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

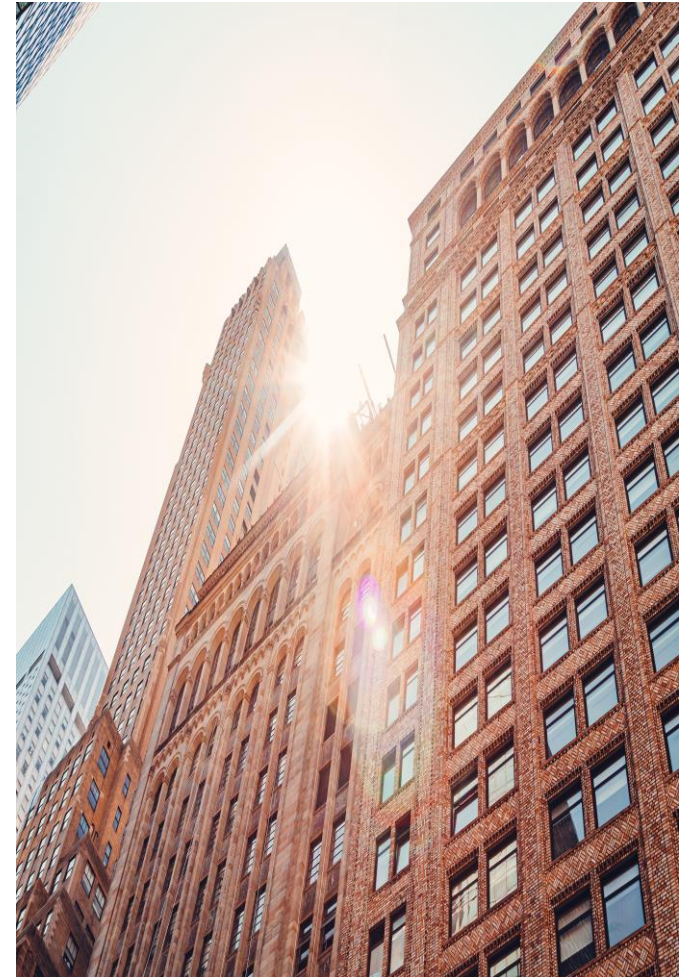
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code, any implications of their revised Code will be communicated in due course.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Risk Management Committee).

The audit of the financial statements does not relieve management or the Audit and Risk Management Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £25m (PY £15.8m) for the Pension Fund, which equates to 1.9% (PY: 1.3%) of your gross investment assets as at 31 March 2023.

We have determined a lower specific planning materiality for the Fund Account of £6.4m (PY £4.3m), which equates to 10% (PY: 7.5%) of prior year gross expenditure including management expenditure on the fund account.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.25m (PY £0.8m) for the pension fund and £224k (PY £216k) for the fund account.

We will revisit our determination of materiality after receipt of your draft financial statements. If we make a revision to materiality we will communicate this to you in our audit findings report.

Audit logistics

Our planning visit will take place in March-April 2024 and our final visit will take place in July – September 2024. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our preference is for all our work to take place on site alongside your officers.

Our proposed fee for the audit will be £49,000 (PY: £49,000 - £41,000 has been billed and final variation to be agreed and finalised) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

Our understanding is that the Custodian does not independently value the Pension Fund's investments, meaning we are not able to rely on the triangulation of the valuations included in the financial statements to investment manager and custodian confirmations for these investments. As a result, we carry out further audit procedures to gain assurance over the valuations of these investments.

For Level 1 and Level 2 investments we will agree these to available market information where available and we will supplement this with other information (e.g. the financial statements for pooled property funds) where market information is not readily available.

See page 8 for further details regarding our approach to auditing the valuation of Level 3 Investments.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions - Rebutted	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition for public sector bodies.</p>	<p>Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of the pension fund, we have determined that it is likely that the presumed risk of material misstatement due to improper recognition of revenue (and expenditure under PN 10) can be rebutted.</p> <p>Because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical framework of public sector bodies, including City of London Corporation and Pension Fund, mean that all form of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be significant risk for the Pension Fund.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Fund faces external scrutiny of its spending and stewardship of assets, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management control over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 Investments	<p>The Pension Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature level 3 investment valuations lack observable inputs. These valuations therefore represent significant estimates by management in the financial statement due to the size of the numbers involved (PY: £213.2m) and the sensitivity of this estimates to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2024</p>	<p>We will:</p> <ul style="list-style-type: none"> Obtain an understanding of the management processes for valuing Level 3 investments and evaluate the design and implementation effectiveness of the associated controls; review the nature and basis of estimated value and consider what assurance management has over the year end valuations provided for these types of investments to ensure that the requirements of the CIPFA Code are met; independently request year-end confirmations from investment managers and the custodian; for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2024 with reference to known movements in the intervening period; in the absence of available audited accounts, evaluate the competence, capabilities and objectivity of the valuation expert; and, where available review investment manager service auditor report on design and operating effectiveness of internal controls.

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Other risks identified

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 2 investments	<p>While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.</p> <p>We therefore identified the valuation of the Fund's Level 2 investments as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> gain an understanding of the Fund's process for valuing Level 2 investments; review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; independently request year-end confirmations from investment managers and custodian; review the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records and seek explanations for variances; test a sample of the underlying investments to quoted prices; and review investment manager service auditor report on design effectiveness of internal controls.

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA (UK) 315) .

Other risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Contributions	<p>Contributions from employers and employees represents a significant percentage of the Fund's revenue.</p> <p>We therefore identified the completeness and accuracy of the transfer of contributions as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Fund's accounting policy for recognition of contributions for appropriateness; • gain an understanding of the Fund's system for accounting for contribution income; • test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and • test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained.
Benefits Payable	<p>Pension benefits payable represents a significant percentage of the Fund's expenditure.</p> <p>We therefore identified the completeness, accuracy and occurrence of the transfer of pension benefits payable as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • gain an understanding of the Fund's system for accounting for pension benefits expenditure; • test a sample of lump sums and associated individual pensions in payment by reference to member files; and • test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.

Other risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Actuarial Present Value of Promised Retirement Benefits	<p>The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements.</p> <p>The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (£1,518m) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> document our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluate the design of the associated controls; evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; test the consistency of disclosures with the actuarial report from the actuary; and undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Other matters

Other work

The Pension Fund is administered by the City of London Corporation (the 'Authority'), and the Pension Fund's accounts form part of the Authority's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Authority's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.

We consider our other duties under legislation and the Code, as and when required, including:

- Giving electors the opportunity to raise questions about your 2023/24 financial statements, consider and decide upon any objections received in relation to the 2023/24 financial statements;
- Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
- Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
- Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the Pension Fund financial statements included in the Pension Fund Annual Report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Progress against prior year audit recommendations

We identified the following issues in our 2022/23 audit of the Pension Fund's financial statements, which resulted in one recommendation being reported as not yet addressed in our 2022/23 Audit Findings Report

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partial	<p>Journals authorisation The predecessor auditor identified that there was no evidence retained of management's review of journals over £100k. These findings were presented to management in March 2023 and therefore there was limited time to respond to these reports in the 2022/23 financial year.</p> <p>As part of our 2022/23 testing we determined, linked to the above, that the matter had not been fully resolved i.e. the Authority has a process whereby all journals where individual lines are over £100k are flagged retrospectively by the system and shared with the approver automatically via email for their approval, but evidence of this happening was not available for the audit. Arrangements have been established during 2023/24 to ensure that evidence of this control operating is retained.</p>	We will review implementation progress in 2023/24 and report an update as part of our audit findings report.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross assets as at 31/03/2023 for the Pension Fund. Materiality at the planning stage of our audit is £25m which equates to 1.9% of your gross assets as at 31/03/2023.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required. We have determined a lower specific planning materiality for the Fund Account of £6.4m, which equates to 10% of prior year gross expenditure on the fund account. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole will be applied.</p>
2	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
3	<p>Other communications relating to materiality we will report to the Audit & Risk Management Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit & Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.25m.</p> <p>If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Headline materiality for the financial statements	£25,000,000	This benchmark is determined as a percentage of the funds investment assets which has been set at approximately 1.9%.
Performance materiality for the financial statements	£17,500,000	Performance Materiality is based on a percentage (70%) of the overall materiality.
Materiality for the fund account	£6,400,000	This benchmark is determined as a percentage of the fund expenditure which has been determined as 10%
Performance materiality for the fund account	£4,480,000	Performance Materiality is based on a percentage (70%) of the overall materiality of the fund account.



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 18.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

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IT system	Audit area	Planned level IT audit assessment
Oracle E-Business Suite (General ledger)	Financial reporting	The IT Audit Team have carried out a review of the design and implementation of the City of London Corporation's (administering authority) general ledger, Oracle EBS - CBIS (Main ERP system hosted by City of London Corporation, used by the City of London Corporation Pension Fund).
Altair	Pension Administration	We will review the general IT controls in place for Altair.

Audit logistics and team



Zargham Malik, Audit Incharge

Zargham will support Jasmine in her work to ensure the early delivery of the audit testing and lead on several complex accounting issues. In additions, Zargham will also liaise with key members of the finance team to ensure audit testing and reviews are conducted on a timely basis.



Jasmine Kemp, Audit Manager

Jasmine is responsible for overall audit management, quality assurance of audit work and output. Jasmine will undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable.



Grant Patterson, Key Audit Partner

Grant is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the audit and governance committee. Grant will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Grant will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes.
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with management
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit.
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2022, we were awarded a contract of audit for City of London Corporation Pension Fund to begin with effect from 2021/22. The fee agreed in the contract was £35k. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2023/24 audit.

For details of the changes which impacted please see our prior years Audit Plans and Audit Findings Reports. The major change impacting on our audit since 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes included:

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Enhanced requirements around understanding the Pension Fund's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.

Additional documentation of our understanding of the Pension Fund's business model, which may result in us needing to perform additional inquiries to understand the Pension Fund's end-to-end processes over more classes of transactions, balances and disclosures.

- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These were significant changes which required us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. Maintaining and updating this work continues into on-going audit years and, in line with the additional days required for 2022/23, for a Pension Fund of your size we agreed an increase of £4,500 is appropriate to address this additional work. The other element of on-going work is providing IAS 19 assurances to other auditors that the National Audit Office have confirmed should be considered work undertaken under the Code of Audit Practice for 2022/23 audits onwards.

Taking into account the above, our proposed work and fee for 2023/24 is detailed overleaf (and subject to finalisation of the 2022/23 position has been agreed with the Financial Services Director).

Audit fees

	Final fee 2022/23	Proposed fee 2023/24
City of London Corporation Pension Fund tendered Audit fee	£35,000	£35,000
ISA 315 – same as prior year	£4,500	£4,500
Sub-total	£39,500	£39,500
Assurances Provided to Other Auditors		
Core Audit Work to Support Pension Fund Letters requested by other auditors	£6,000	£6,000
IAS 19 letters requested by BDO – assumed to be the same as prior year	£1,000	£1,000
IAS 19 letters requested by Crowe – assumed to be the same as prior year	£1,000	£1,000
Additional file sharing requested by Crowe – assumed to be the same as prior year	£1,500	£1,500
Sub-total	£9,500	£9,500
Total audit fees (excluding VAT)	£49,000	£49,000

- As Auditor of the pension fund, we are required to provide assurance to the auditors of admitted bodies in the of IAS 19 Assurance letters. This is an additional requirement to provide assurance for the pension fund financial statements. As this additional work is to support the IAS 19 for admitted bodies, the Pension Fund will need to determine whether to recharge the cost to these bodies.
- Note that fees for IAS 19 letters for admitted bodies were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 audits onwards.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – Billing timetable and Assumptions

Billing

We will agree stage payments of the fee, based on delivery of specified audit milestones, with the Pension Fund.

Assumptions

In setting these fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		<p>ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.</p> <p>This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.</p> <p>We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.</p> <p>Respective responsibilities</p> <p>As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	

Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit Committee (at next available Audit and Risk Management Committee meeting or in writing to Audit and Risk Management Committee Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the Audit and Risk Management Committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 - Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

Addressing the local audit backlog - consultation

Consultation

The Department for Levelling Up, Housing and Communities (DLUHC), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

FRC landing page - [Consultations on measures to address local audit delays \[frc.org.uk\]](https://www.frc.org.uk/consultations/consultations-on-measures-to-address-local-audit-delays)

DLUHC landing page - [Addressing the local audit backlog in England: Consultation - GOV.UK \[www.gov.uk\]](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)

NAO landing page - [Code of Audit Practice Consultation - National Audit Office \[NAO\]](https://www.nao.org.uk/consultations/code-of-audit-practice-consultation)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect.

Preparing for the backstop

For any outstanding years up to 2022/23, local authorities should:

- Prepare, adopt and publish financial statements in line with Code and Statutory requirements (Accounts and Audit Regs 2015 – ‘true and fair’)
- Support statements with a proper set of working papers and audit trail
- Work with the auditor to support the completion of outstanding audit work (where possible) and for the completion of Value for Money Work.

For 2023/24, local authorities should:

- Agree a timetable and working paper requirements with the auditor
- Put project planning and key milestones in place
- Consider the implications of CIPFA consultation (property valuation and pensions)
- Ensure the Audit and Risk Management Committee is properly briefed and prepared

As your auditor we will:

- Keep you updated on all national developments
- Set out clear expectations of the information we will require to conclude our work
- Agree a plan for the delivery of our work programme with a commitment to key milestones

Next steps

We await the government’s response to the consultation. We will discuss next steps including any implications for your audit once we have further information.



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Informing the audit risk assessment for City of London Corporation Pension Fund 2023/24



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between City of London Corporation Pension Fund's external auditors and City of London Corporation Pension Fund's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the City of London Corporation Pension Fund's oversight of the following areas:

General Enquiries of Management

Fraud,

Laws and Regulations,

Related Parties,

Going Concern, and

Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from City of London Corporation Pension Fund's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2023/24?	There have been no key events or issues that have a significant impact on these statements.
2. Have you considered the appropriateness of the accounting policies adopted by City of London Corporation Pension Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Accounting policies are reviewed as part of the preparation of the accounts. No changes have been made in 2023/24.
3. Is there any use of financial instruments, including derivatives? If so, please explain	The pension fund monies are invested with fund managers within different asset classes such as equity, multi asset, private equity and infrastructure
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by City of London Corporation Pension Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	No external solicitors are used by the Pension Fund.

General Enquiries of Management

Question	Management response
<p>9. Have any of the City of London Corporation Pension Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>No</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>The Pension Fund has Mercer as its investment consultant. Mercer provide general advice around the investments of the fund, state of the market etc. Barnett Waddingham are the Pension Fund actuary</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>Assessment of expected credit losses are made on all non-statutory account debtors as per the requirements. Provision are made based on backward and forward looking factors</p>

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors' responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As City of London Corporation Pension Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures, we are required to consider risks of fraud. This includes considering the arrangements management has put in place regarding fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from City of London Corporation Pension Fund's management.

Fraud risk assessment

Question	Management response
<p>1. Has City of London Corporation Pension Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the City of London Corporation Pension Fund's risk management processes link to financial reporting?</p>	<p>Reliance is placed on the controls in place to prevent fraud e.g. systems/processes/financial monitoring/procurement practice etc and any concerns would be flagged to the Chamberlain and Audit and Risk committee, which would be factored into the financial statements preparation.</p> <p>A fraud register is maintained of any actual or suspected fraud cases.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>See response to Question 5 below</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within City of London Corporation Pension Fund as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>	<p>See response to Question 5 below</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Biannual counter fraud and investigation reports delivered to the Audit & Risk Management Committee.</p> <p>Corporate risk report as standard item at each meeting of the Audit & Risk Management Committee.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within City of London Corporation Pension Fund where fraud is more likely to occur?</p>	<p>Yes – those areas where there is an inherent risk of fraud, despite having a sound control framework, the risks of human fraud or error can still exist</p> <ul style="list-style-type: none"> • Continued payment of pensions following death • Over payment of pensions • Scammers targeting scheme members to persuade them to transfer their benefits to other arrangements that may be unusual or high risk or allow the scammers to steal the funds outright. <p>No</p>
<p>6. What processes do City of London Corporation Pension Fund have in place to identify and respond to risks of fraud?</p>	<p>Fraud risks are considered as part of each internal audit assignment, with appropriate testing undertaken to assess the scale of the fraud risks in that service.</p> <p>Internal Audit's counter fraud team consider fraud risks as part of corporate fraud investigation activity and these are reported as appropriate to management, with recommendations made as appropriate to improve the control framework.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for City of London Corporation Pension Fund, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Delivery of a programme of Internal Audit work, this incorporates assurance work reviewing controls within key financial systems as well as a risk based programme of activity (the approach to the latter still focusses on the adequacy of the Internal Control environment). Segregation of duties is built into many of our existing processes, often driven/enforced by the design and implementation of our IT systems.</p> <p>The review of the effectiveness of the system of internal control is based upon review and analysis of completed Internal Audit work and other relevant information that the Head of Internal Audit becomes aware of, this is a judgement/opinion based assessment so does not follow a specific process.</p> <p>Refer to Head of Internal Audit Annual Opinion report to Audit and Risk Management Committee to identify risk areas from absent/weak internal controls. Mitigating actions are usually to implement /improve the controls identified as weak.</p> <p>There is always the potential for override or inappropriate influence, some of the City Corporation's financial arrangements are complicated and not necessarily transparent, that said, Internal Audit work has not identified any specific instances</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Not to my knowledge</p>

Fraud risk assessment

Question	Management response
<p>9. How does City of London Corporation Pension Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Both the Corporate Anti-Fraud & Corruption Strategy and the Whistleblowing Policy provide confidential routes for staff to report any fraud concerns to the Internal Audit & Counter Fraud division for consideration of further investigation.</p> <p>A mandatory fraud awareness eLearning package is in place to raise staff awareness of fraud risks and acts as a reminder to staff about what risks they need to report. This eLearning is repeated periodically for staff employed in high fraud risk areas, such as housing, benefits, accounts payable etc.</p> <p>Staff are encouraged to report any concerns they may have, these are triaged by the Internal Audit & Counter Fraud division upon receipt with appropriate action taken.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Posts where there is an inherent risk of fraud through misappropriation of funds or the Pension Fund's assets. These include, pensions administration, cashiers and investments.</p> <p>Staff in high risk posts are required to submit a declaration of interest return on an annual basis to their Chief Officer, any third party interests are considered on the basis of the risks posed and appropriate safeguards put in place.</p> <p>The mandatory fraud awareness eLearning training is repeated periodically for staff employed in high fraud risk posts.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>Self declaration of conflicts of interests/ third party interests expected to be reported by officers and Members.</p> <p>The City utilises the NFI AppCheck as part of its recruitment checks to see if staff have a third party interest (recorded within NFI data) that may impact their duties at CoL. Scope exists to use AppCheck periodically for high risk posts, but not known if this is being done holistically at present.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Audit & Risk Management Committee (ARMC) receive an annual counter fraud & investigation report to its May committee and a half yearly report to its November committee.</p> <p>Regular updates on follow up work and have the power to hold officers to account, through calling management to committee to explain why recs not implemented</p> <p>Overall arrangement for reporting and responding to recs has been positive and not required further intervention by ARMC</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that City of London Corporation Pension Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures, we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does City of London Corporation Pension Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the City of London Corporation Pension Fund's regulatory environment that may have a significant impact on the City of London Corporation Pension Fund's financial statements?</p>	<p>The 'McCloud Remedy' regulations were implemented with effect from 1 October 2023, however these have had no noticeable effect on the 2023/24 accounts.</p> <p>No</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>See corporate risk management procedure.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-going impact on the 2023/24 financial statements? If so, please provide details</p>	<p>No</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>No</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does City of London Corporation Pension Fund have in place to identify, evaluate and account for litigation or claims?	Management and insurance arrangements - see annual governance statement.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No, not that we are aware.

Related Parties

Matters in relation to Related Parties

City of London Corporation Pension Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by City of London Corporation Pension Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Pension Fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Pension Fund, or of anybody that is a related party of the Pension Fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Pension Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in City of London Corporation Pension Fund's 2023/24 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and City of London Corporation Pension Fund Whether City of London Corporation Pension Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>Members have agreed to disclose all related party transactions of £10k to ensure transparency so our disclosures go above the strict accounting requirement. The disclosure in the accounts makes clear the movements from the previous year.</p>
<p>2. What controls does City of London Corporation Pension Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members are required to complete these disclosures as part of their role. Related parties linked to roles obtained through the Corporations are included by default</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Corporation does not operate single member decision making so all decisions are routed through the committee system. All procurement activity follows procurement rules which would usually result in a tender or approved framework being utilised with a transparent selection process.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Whilst delegation limits are in place for Officers to action transactions most if not all significant transactions would be routed through a committee process. An audit trail of approvals will be required in order for payments to be processed</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern –Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government pension scheme bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work, and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by the City of London Corporation Pension Fund will no longer continue?</p>	<p>The Pension Fund undergoes a triennial valuation to set the employer contribution rates for the following three years. Each year an IAS 19 and IAS26 is produced as are FRS102 (for some of the admitted bodies).</p>
<p>2. Are management aware of any factors which may mean for the City of London Corporation Pension Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>No</p>
<p>3. With regard to the statutory services currently provided by City of London Corporation Pension Fund, does City of London Corporation Pension Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the City of London Corporation Pension Fund to cease to exist?</p>	<p>The City of London Pension Fund is a local government pension scheme and is governed by regulations. There are no plans for it to “cease to exist”. The administration of the pension fund will continue to be provided in house.</p>
<p>4. Are management satisfied that the financial reporting framework permits City of London Corporation Pension Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	These are disclosed in the accounts.
2. How does the City of London Corporation Pension Fund risk management process identify and address risks relating to accounting estimates?	This is disclosed in the accounts under Critical Judgements in apply accounting policies and Assumptions about other major sources of estimation uncertainty
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	This is mainly driven by technical reporting requirements (IAS19, IAS26 and FRS 102) which are undertaken by the actuary (Barnett Waddingham)
4. How do management review the outcomes of previous accounting estimates?	Many of these areas are constantly evolving and therefore these estimates only reflect a point in time. Previous years values form the starting point against current year estimates will be measured,. See also Question 3 above.
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	No

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	These are largely focused on the key areas of estimation which are material to the accounts requiring specialist training in making assessment (e.g. property and actuarial valuations) or where access to specialist knowledge provides support and advice when linking into the estimations process (e.g. NNDR provisions) Actuarial valuations must be undertaken by an actuary – for the City of London Pension Fund, the actuary is Barnett Waddingham.
7. How does the City of London Corporation Pension Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The pension valuations are largely formulaic, but we do ensure that significant movements between years are understood. At the triennial valuation, the draft valuation is subject to review and challenge by officers and a small group of Members.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	See Question 7 above
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	See Question 7 above Actuary Actuary Accounting policies

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	These are established processes which are supported by external advice adhering to professional standards
12. How is the audit and risk committee provided with assurance that the arrangements for accounting estimates are adequate ?	The Audit & Risk Committee are aware of any prior audit issues raised with accounting and are informed of changes made to address these issues. Briefing sessions are held on the accounts prior to sign off which can enable Members (within and outside of the committee) to challenge the approach to any aspect of the accounts. Member appoint senior staff within Chamberlain's with appropriate skills and qualifications to provide the relevant assurance around the statement of accounts. The Audit & Risk committee also maintains 3 independent members with appropriate skills and experience to provide challenge to all element of the Audit & Risk Committee remit including the approval of the statement of accounts.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Change in accounting method in year?
Actuarial PV of Retirement Benefits	Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	Underlying data is provided by CoL, estimates are reviewed and challenged once provided by Actuary.	Yes, Barnett Waddingham	There is a degree of uncertainty involved due to the long-term nature of pension liability.	No
Level 2 investments	The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).	Underlying data provided by Fund Manager and Custodian. CoL challenge any variances between Custodian and Fund Managers values.	Fund Manager/Custodian	Degree of uncertainty is low as market values are provided by Fund Manager/Custodian, potential differences arise from different foreign exchange rates used (i.e. rounding of decimal places) and whether values have been taken as at MID pricing or BID pricing.	No
Level 3 investments	As above for Infrastructure (IFM) and Property. For Private Equity and Infrastructure (DIF), this is determined by using latest available data and calculated using the latest available market values (31 December, in most cases) and adjusted for cash flow and foreign exchange movements occurring during the period.	Underlying data provided by Fund Manager. The adjustments used for cashflows are reconciled on a quarterly basis.	Fund Manager/Custodian	There is a degree of uncertainty involved due to the adjustment for cash flow and foreign exchange movement.	No
Contribution Accruals	Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate.	N/A, no estimates used	No	Contributions are as per sent by employers/members per rates and adjustment certificates	No



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Agenda Item 9

Committee(s) Pensions Committee	Dated: 18 June 2024
Subject: Pensions Scheme – Administrator’s Update	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: The Chamberlain	For Discussion
Report author: Graham Newman – Chamberlain’s Department	

Summary

The administration of the City of London Local Government Pension Scheme (the Scheme) is undertaken by the Pensions Team within the Chamberlain’s Department.

The table below provides a summary of general information around a range of topics in relation to the administration of the Scheme since the last Committee meeting on 19 March 2024. Members are asked to note the report and provide feedback.

Item	Update
Annual schedule of events for the administration of the Pensions Scheme	Appendix A provides details of the events / dates that form the main diary of the Scheme administration.
Information of Scheme Record Keeping	As the Scheme’s administrating authority, the City is responsible for making sure the scheme has good records. The City is required to ensure it has accurate, complete and up-to-date records and should have controls and processes in place to maintain these standards. Failure to maintain complete and accurate records can risk not meeting legal obligations as set by the Pensions Regulator which could lead to fines and/or enforcement action being taken. The City’s scheme data is measured once a year and the data scores are submitted to the Pensions Regulator (tPR) in the annual scheme return.
Complaints or disputes under the Scheme’s Internal Disputes Resolution Process (IDRP)	One case that was verbally reported to the Committee at the 19 March 2024 meeting.
Public Service Pensions	None to report.

Reporting Breaches of Pension Law	
Any audit reports relating to the administration of the Scheme	None to report.
Any reports relating to the administration of the Pension Scheme which have been considered by other Committees	None to report.
Guaranteed Minimum Pensions (GMP) Reconciliation	The project is still ongoing. A report will be brought to the Committee once the reconciliation has been completed.
Pension Administration System	<p>The Pensions Office is currently in the process of implementing the Member Self-Service system. This system has the potential to allow members to access their pension record, make amendments to selected personal data (i.e. name, partnership status, death grant nominees) and to run their own retirement estimates. It will also provide a platform for providing annual benefit statements and other bulk mailings.</p> <p>In-house User Acceptance Testing of the system has been finalised and the full roll-out for active scheme members has begun, with the roll-out for deferred and pensioner members to follow on at a later date.</p>
Public Sector Pensions Legal Challenge	<p><u>Lord Chancellor and Secretary of State for Justice v McCloud and others</u></p> <p>With effect from April 2015 (April 2014 for the LGPS) all public sector pension schemes were subjected to reforms that changed the way benefits were accrued and the date from which they would become payable.</p> <p>However, the legality of these reforms was successfully challenged and they were found to be discriminatory on the grounds of age. This challenge came to be referred to as 'McCloud'.</p> <p>The government consulted on what method of 'Remedy' should be used to remove the discrimination and on 10 March 2022 the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent.</p> <p>The main purpose of the Act was to set out the intention of the 'McCloud Remedy' and implement it in the public service pension schemes.</p> <p>Further consultation determined the form the Remedy would take in respect of the LGPS and the regulations were formally laid and then implemented with effect from 1 October 2023.</p> <p>For active scheme members retiring after the implementation date, their McCloud eligibility will be assessed by the Pensions Office and if appropriate their benefits will be based upon the terms of the Remedy. In addition, from September 2025 onwards, all Annual</p>

	<p>Benefit Statements issued to active and deferred members must include details in respect of the Remedy and how it affects their individual benefits.</p> <p>With regards to retired members, all retirements since the introduction of the career average scheme in April 2014 will need to be assessed for eligibility for the McCloud Remedy. For those deemed to be eligible, their benefits in payment will need to be recalculated under the terms of the Remedy and any appropriate adjustments made and arrears paid. This process will also apply for the pensions being paid to the survivors/dependants of an eligible member who passed away before the Remedy was implemented.</p> <p>The Pensions Office has implemented the Remedy in respect of active scheme members and all retirements that have occurred since the implementation date (i.e. 1 October 2023) have been processed on this basis.</p> <p>The Pensions Office, in conjunction with each individual Scheme employer, is currently compiling the details of all retirements since April 2014 to assess eligibility and begin the process of re-calculating benefits where appropriate. Active and deferred scheme members must be provided with details by 31 August 2025 and it is expected that all retired scheme member will have been contact by then.</p> <p>Updates regarding the implementation of the McCloud Remedy will continue to be brought to each Committee meeting.</p>
Pension Committee Training	<p>All Members of the Committee are expected to register for tPR online training and complete the modules in respect of <u>public sector pension schemes</u>.</p> <p>The link for the online training is: https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/understanding-your-role/learn-about-managing-public-service-schemes</p> <p>Following a trial period by officers, Members of the Committee have agreed to complete the online LGPS training that has been created by our actuary Barnett Waddingham. The training module is called 'Enlighten' and is specifically directed at LGPS Committees, Boards and officers. There are currently three courses available; each consisting of several bitesize videos and followed by a quiz.</p> <p>Details in respect of training modules completed by each Member are included on the non-public agenda (Appendix B).</p> <p>Members are expected to re-do the tPR training modules every 3 years.</p>
Pensions Office Key Performance Indicators	<p>As requested at the Committee meeting of 29 November 2022, Appendix C provides statistics in relation to the performance of the Pension Scheme Administration.</p> <p>The working processes followed by the Pensions Team are regularly reviewed to ensure the statistics accurately reflect the work involved.</p>

Pensions Dashboards

Introduced by the Department for Work and Pensions (DWP), Pensions Dashboards have been designed to provide an online platform that will allow individuals to access details of their accrued pension benefits from multiple sources in one place. The intention is to support better planning for retirement, and help individuals reconnect with any pension pots they may have lost over time.

In respect of Public Sector Pension Schemes, the initial expectation was that schemes would be required to connect to the online dashboard infrastructure by 30 September 2024.

However, a written Ministerial Statement made on 2 March 2023 stated that delays setting up the dashboard programme has meant that the original timetables have been re-considered.

A revised staging timetable has been set out in guidance with all schemes in scope given a single connection deadline of 31 October 2026, by which time they are legally required to be connected to the pensions dashboard ecosystem and be ready to respond to requests for pensions information.

However, the guidance also sets out a staging timetable which provides a recommended connection date based upon scheme size and type – the connection date for public sector pension schemes is 31 October 2025.

The Pensions Regulator (TPR) updated its 'Failing to comply with dashboards duties' guidance in June 2023: (<https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/dashboards-guidance/failing-to-comply-with-pensions-dashboards-duties>). The purpose of the guidance is to outline what schemes will need to do to demonstrate that they have had regard to the staging timetable that will be set out in the connection guidance.

TPR expectations of schemes to show they 'have regards to the connection guidance' includes:

- Connect to dashboards by the connection deadline of 31 October 2026 that is set out in legislation. Failure to do so could result in regulatory action by TPR.
- A revised staging timetable is set out in guidance which indicates when schemes are scheduled to connect. All trustees and scheme managers must have regard to this guidance. Failure to do so will be a breach.
- Although the timelines in the guidance are not mandatory, schemes will be expected to demonstrate how they have had regard to the guidance.
- A phased approach to staging enables a controlled and well-planned connection, reduces the risk of provider capacity constraints and means savers can realise the benefits of dashboards as early as possible.
- Continuing to prepare for dashboards by engaging with those who will support them and their dashboard duties.

The Pensions Dashboards Programme (PDP) has updated their FAQs to reflect the new connection deadline announcement <https://www.pensionsdashboardsprogramme.org.uk/faqs/>

Recommendation

The Committee is asked to note the report and provide any feedback in relation to this information.

Appendices:

Appendix A – Annual Schedule of Events (Administration)

Appendix B – Member Training (NON PUBLIC)

Appendix C – KPI Details

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Local Government Pension Administration - Schedule of Events 2024/25

Date Due	Event	Completed
30 September 2023	Employee Contribution Band review	29 September 2023
5 October 2023	Issue of Annual Allowance (AA) Saving Statements deadline	4 October 2023
November 2023	Tax return for Quarter 2 (to 30/09/2023)	18 October 2023
1 December 2023	Publication of 2022/23 Pension Fund Accounts and Annual Report	2022/23 City Fund Accounts formally signed off 26 February 2024.
25 January 2024	Scheme Return to the Pensions Regulator	25 January 2024
31 January 2024	HMRC Event 22 Report – List of Annual Allowance cases exceeding the Previous years' threshold.	31 January 2024
February 2024	Tax Return for Quarter 3 (to 31/12/2023)	31 January 2024
1 April 2024	Employee Contribution band review/ implementation.	1 April 2024
6 April 2024	Revaluation of CARE benefits.	6 April 2024
1 Monday in April following Tax Year End	Pensions Increase (PI) – Annual Inflation increase.	8 April 2024
May 2024	Tax return for Quarter 4 (to 31/3/2024)	30 May 2024
31 May 2024	Pensioner P60s distributed	24 May 2024
31 May 2024	Publish draft City Fund Accounts 2023/24 (including the Pension Fund Accounts)	31 May 2024
June/July 2024	Year-end data to the pension fund's actuary	
August 2024	Tax return for Quarter 1 (to 30/06/2024)	
31 August 2024	Issue of Annual Benefit Statements deadline.	
30 September 2024	Employee Contribution Band review	
5 October 2024	Issue of Annual Allowance (AA) Saving Statements deadline	
November 2024	Tax return for Quarter 2 (to 30/09/2024)	
December 2024	Publication of 2023/24 Pension Fund Accounts and Annual Report	
January 2025 (TBC)	Scheme Return to the Pensions Regulator	
February 2025	Tax Return for Quarter 3 (to 31/12/2024)	

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City of London Local Government Pension Scheme - Administration Key Performance Indicators

Task	Target (Working Days)	Result 2022/23	Result 2021/22	Result 2020/21
Initial payment of retirement benefits	5 days	97.35 %	98.61 %	97.58 %
Process refund and make payment	5 days	94.85 %	98.44 %	100.00 %
Statement notifying estimate of retirement benefits	20 days	97.04 %	96.17 %	97.78 %
Statement detailing transfer-in credit	20 days	100.00 %	100.00 %	100.00 %
Transfers-out payments	20 days	100.00 %	100.00 %	100.00 %
Answering general correspondence:	10 days	96.50 %	96.83 %	96.41 %
Payment of lump sum death grants:	5 days	92.59 %	100.00 %	95.45 %
Letters to dependants in respect of benefits due:	5 days	98.36 %	94.44 %	100.00 %

Task	Target (Working days)	Totals for the year – 2023 / 24			
		Cases completed in target	Cases completed outside target	Total number	Percentage
Initial payment of retirement benefits	5 days	249	15	264	94.32 %
Process refunds and make payments	5 days	91	4	95	95.79 %
Statement notifying estimate of retirement benefits	20 days	169	6	175	96.57 %
Statement detailing transfer-in credit	20 days	24	0	24	100.00 %
Transfers-out payments	20 days	34	0	34	100.00 %
Answering general correspondence	10 days	550	29	579	94.99 %
Payment of lump sum death grants	14 days	13	0	13	100.00 %
Letters to dependant's in respect of benefits due	5 days	54	3	57	94.74 %

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