



Report to the Audit and Risk Management Committee

# CITY OF LONDON CORPORATION PENSION FUND

Audit Completion:

Year ended 31 March 2021

IDEAS | PEOPLE | TRUST



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# WELCOME

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We have pleasure in presenting our Audit Completion Report to the Audit and Risk Management Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2021, specific audit findings and areas requiring further discussion and/or the attention of the Audit and Risk Management Committee. At the completion stage of the audit it is essential that we engage with the Audit and Risk Management Committee on the results of audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit and Risk Management Committee meeting on 30 November 2021, and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

We would also like to take this opportunity to thank the management and staff of the Pension Fund for the co-operation and assistance provided during the audit.

**David Eagles, Partner**  
For and on behalf of **BDO LLP**

25 November 2021



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Audit Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

# OVERVIEW

## Executive summary

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This summary provides an overview of the audit matters that we believe are important to the Audit and Risk Management Committee in reviewing the results of the audit of the financial statements for the Pension Fund for the year ended 31 March 2021.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.



### Overview

Our audit work is substantially complete and subject to the successful resolution of outstanding matters we anticipate issuing an unmodified audit opinion on the Pension Fund’s financial statements for the year ended 31 March 2021 in line with the agreed timetable.

Outstanding matters are listed on page 33 in the appendices.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

### Audit report

We anticipate issuing an unmodified audit opinion on the individual financial statements of the Pension Fund as set out on page 34.

# THE NUMBERS

## Executive summary

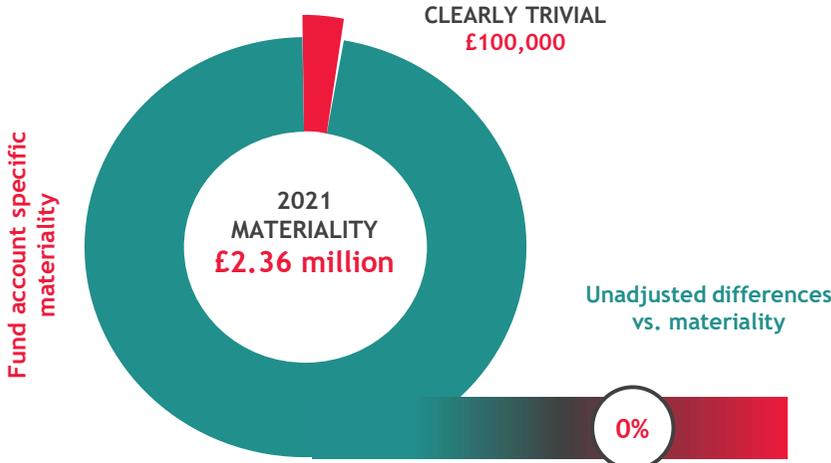
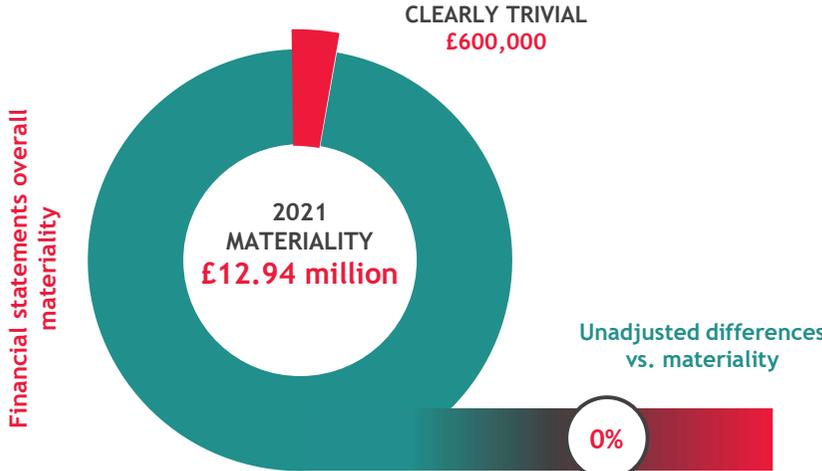
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### Final Materiality

Final financial statement materiality was determined based on 1% of the value of investments in the net assets statement.

Specific materiality on the fund account was based on 5% of contributions.

We increased our materiality from the planning materiality of £12.6 million to £12.94 million for financial statement materiality and from £2.20 million to £2.36 million for fund account materiality as the planning materiality was based on the estimated net assets and expenditure.



### Audit Adjustments

We have not identified any audit differences based on the work completed to date.

# OTHER MATTERS

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### Financial reporting

- We have not identified any non-compliance with group accounting policies or applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.



### Other matters that require discussion or confirmation

- Control deficiencies identified in relation to controls over the IT application and our walkthrough.
- In March 2021 we followed up on five IT related control recommendations arising from our 2019/20 audit work. While these recommendations were shared with Management during the 2019/20 audit cycle, these have not been formally reported to Those Charged With Governance before inclusion in this Audit Completion Report. None of the findings represented significant deficiencies but we encourage the Audit & Risk Management Committee and the successor auditor to monitor progress on these going forward.
- Significant control deficiency with respect to the fact no evidence is retained of management review of journals.
- Control deficiency with respect to the timely completion of bank reconciliations.
- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

### Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Pension Fund and the City of London Corporation in accordance with the Financial Reporting Council's (FRC's) Ethical Standard.

# OVERVIEW

As identified in our Audit Planning Report dated 14 March 2021 we assessed the following matters as being the risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the directing of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported in Management letter	Specific Letter of Representation Point
Management override of controls	Significant	Yes	No	No	No	No
Pension liability valuation	Significant	Yes	Yes	No	No	Yes - confirm material assumptions used
Pension liability valuation	Significant	Yes	No	No	No	No
Valuation of investments (Private equity, infrastructure and property funds)	Significant	Yes	No	No	No	No
Valuation of investments (Pooled investment vehicles and other investments)	Normal	No	No	No	No	No
Contributions receivable	Normal	No	No	No	No	No

 Areas requiring your attention

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# MANAGEMENT OVERRIDE OF CONTROLS

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**ISA (UK) 240 notes that management is in a unique position to perpetrate fraud.**  
**[Significant risk]**

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings to be reported in Mgmnt letter
Letter of Representation point

## Risk description

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.

## Details

We carried out the following planned audit procedures:

- Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation to ensure that they were appropriate. We determined key risk characteristics to filter the population of journals. We used our IT team to assist with the journal extraction;
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Reviewed unadjusted audit differences that may represent a risk of material misstatement due to fraud for indications of bias or deliberate misstatement.

## Results

We have not found any indication of management bias in accounting estimates. Our views on significant management estimates are set out in this report.

We have identified no significant or unusual transactions from our work, including that on journals, which we consider to be indicative of fraud or indicate potential management override of controls.

## Conclusion

Our audit work on journals, estimates and management override of controls did not identify any issues.

# PENSION LIABILITY VALUATION

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**There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.**

**[Significant risk]**

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
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Significant Control Findings to be reported in Mgmt letter
Letter of Representation point

## Risk description

An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the Pension Fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

The most recent actuarial valuation of the pension fund liability was carried out during the 2019/20 year to calculate the liability as at 31 March 2019. This involved the provision of membership and cash flow data from the pension fund to the actuary, data cleansing by the actuary and re-setting the financial and actuarial assumptions related to the valuation. The estimate of the pension fund liability at 31 March 2021 is based on a roll-forward of data from the 2019 triennial valuation, updated where necessary.

There is a risk the valuation is not based on appropriate membership data (where there are any significant changes) or uses inappropriate assumptions to value the liability.

## Work performed

We carried out the following planned audit procedures:

- Assessed the qualifications and competence of the actuary through the use of PwC consulting actuary (auditor's expert);

## Work performed (continued)

- Reviewed the reasonableness of the assumptions used by Barnett Waddingham (management's expert) for the calculation of the liability against other local government and police pension actuaries' assumptions and other observable data using the benchmark range of acceptable assumptions provided by PwC consulting actuary (auditor's expert);
- Reviewed the processes and controls in place for providing accurate membership data to the actuary and agreed cash flow data provided to the actuary;
- Checked the accuracy and completeness of the data set submitted to the actuary;
- Checked whether any significant changes in membership data have been communicated to the actuary since the 2019 LGPS submission;
- Agreed the disclosure of the pension liability to the information provided by the actuary;
- Assessed the impact of Goodwin and O'Brien cases regarding same sex couple discrimination on the pension fund liability and impact on employer fund;
- Discussed with the actuary the continuing impact of GMP equalisation and the McCloud judgement regarding age discrimination on the pension fund liability and impact on employer fund; and
- Checked the accuracy of the calculations relating to the allocation of the share of the net assets across the funds in proportion to the membership of the scheme.

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**There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.**

**[Significant risk]**

Significant management judgement
Use of experts
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## Results

We have agreed the disclosures to the information provided by the actuary and identified no issues.

We have agreed the completeness and accuracy of the information provided to the actuary and identified no issues.

Management confirmed there have been no significant changes in the membership of the fund in the year.

The actuary has not included the potential additional liability arising from the Goodwin case and our assessment have found the impact to be immaterial.

The actuary has applied full GMP indexation for members at state pension age and this is consistent with the previous year.

We have confirmed that an allowance was made for the potential impact of the McCloud judgement in the results provided to the Fund at the last accounting date and therefore is already included in the starting position for this report.

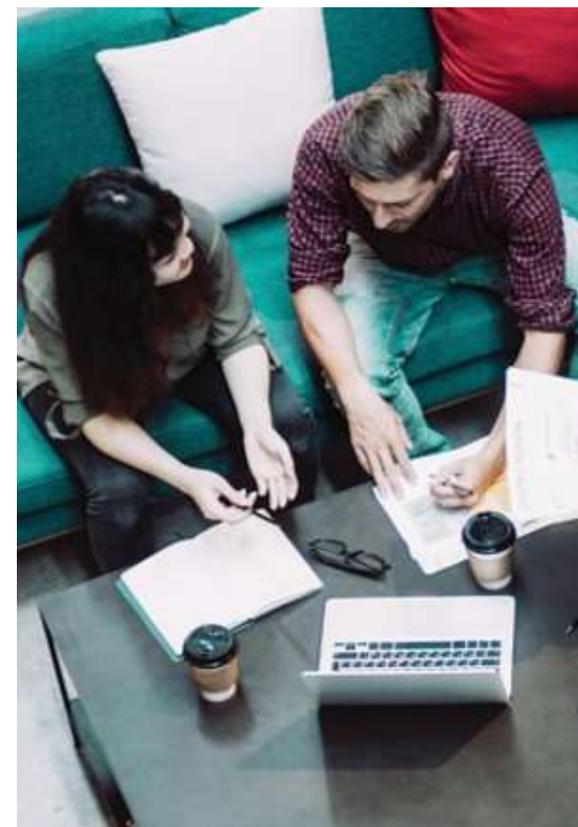
Our review of the assumptions used to calculate the present value of future pension obligations is noted in the following page, and were found to fall within a reasonable range.

## Representations required

We have sought specific representations over material assumptions used in the valuation of the pension liability including the financial and mortality assumptions.

## Conclusion

Our audit work on pension liability valuation did not identify any issues.



# PENSION LIABILITY VALUATION

## Significant estimate - LGPS pension liabilities

### Scheme pension liabilities (£2,304.4 million)



The pension liability has increased from £1,703.4 million to £2,304.4 million. This includes an increase of £573.9 million arising from changes to financial assumptions for salary increases of 3.85% (previously 2.90%), pension decreases of 2.85% (previously 1.90%), and a change in the rate of discounting scheme liabilities to 2.00% (previously 2.35%). It also includes a gain on demographic assumptions of £19.3 million arising from reduced mortality assumptions of approximately 0.2 years for males and 0.1 years for females as increases in life expectancy have stalled in recent years. The actuary has allowed for actual pension increase experience for the period from 2019-2021. This assumes that pension increases are in line with the annual pension increases set by HM Treasury Revaluation Order and this has decreased the liability for 'experience gains and losses' by £22.3 million.

We have compared the key financial and demographic assumptions used to an acceptable range provided by our consulting actuary, PwC.

	Actual used	Acceptable range	Comments
<b>Financials:</b>			
- RPI increase	3.20%	3.15% - 3.35%	Reasonable
- CPI increase	2.85%	2.80% - 2.85%	Reasonable
- Salary increase	3.85%	3.80% - 3.85%	Reasonable
- Pension increase	2.85%	2.80% - 2.85%	Reasonable
- Discount rate	2.00%	1.95% - 2.05%	Reasonable
Commutation:	50%	50%	Reasonable
<b>Mortality:</b>			
- Male current	22.9 years	21.9 - 24.4 years	Reasonable
- Female current	25.7 years	24.8 - 26.4 years	Reasonable
- Male retired	21.6 years	20.5 - 23.1 years	Reasonable
- Female retired	24.3 years	23.3 - 25.0 years	Reasonable

As for mortality gains, the actuary used the CMI\_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%. The acceptable range indicated by our consulting actuary is based on the CMI\_2020 Model, allowing for a long-term rate of improvement of 1.25% - 1.5% p.a., smoothing parameter of 7.0 - 7.5, an initial addition parameter of 0% - 0.5% p.a. and a 2020 weighting of 25%. Therefore the assumption used for mortality gain appears reasonable.

We consider that the assumptions and methodology used by the actuary are appropriate and will result in an estimate of the net pension liability which falls within a reasonable range.

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# VALUATION OF INVESTMENTS (PRIVATE EQUITY, INFRASTRUCTURE AND PROPERTY FUNDS)

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**The valuation of private equity, infrastructure and property funds investments is a significant risk as it involves a high degree of estimation uncertainty.**

**[Significant risk]**

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings to be reported in Mgmt letter
Letter of Representation point

## Risk description

The investment portfolio includes unquoted private equity, infrastructure and pooled property funds which are valued by the fund managers. The valuation of these assets may be subject to a significant level of assumption and estimation, and valuations may not be based on observable market data. Due to significance of these valuations, even a small change in assumptions and estimates could have a material impact on the financial statements.

In some cases, the valuations are provided at dates that are not coterminous with the pension fund's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) since the latest available valuations. Due to current market volatility the valuation received can quickly become outdated.

As a result, we consider there to be a significant risk that investments are not appropriately valued in the financial statements.

In the case of the Pension Fund, the year end disclosures included £189.2m of such assets, all of which were Level 3 investments. These comprised £38.0m held in Private Equity funds, £62.8m in Infrastructure Funds and £88.2m held in Pooled Property Investments.

## Details

We carried out the following planned audit procedures:

- Obtained direct confirmation of valuations from General Partners or fund managers and requested copies of the audited financial statements of the partnerships (and member allocations);

- We confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds;
- Where available, obtained independent assurance reports over the controls operated by the General Partners (private equity) or fund managers for valuations and existence of investments;
- Reviewed the valuation completed by the fund manager and any significant assumptions made in the valuation; and
- Agreed the allocation of amounts for each fund where there is pooling of investments across the Corporation.

## Results

For all Private Equity, Infrastructure and Property Fund investments we obtained direct confirmation of investment valuations from the General Partners or fund managers.

For Private Equity and Infrastructure investments, we obtained the most recently audited financial statements (generally 31 December 2020) for each of the funds and traced the Pension Fund's share of assets to the closing position as at 31 March 2021. We have also considered the general movement in private equity valuations between 31 December 2020 and 31 March 2021 against wider industry trends.

For Property Fund investments, we consulted an internal property valuations specialist in order to benchmark the fair value movement of Property Fund investments against wider industry trends.

# VALUATION OF INVESTMENTS (PRIVATE EQUITY, INFRASTRUCTURE AND PROPERTY FUNDS)

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**The valuation of private equity, infrastructure and property funds investments is a significant risk as it involves a high degree of estimation uncertainty.**

**[Significant risk]**

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings to be reported in Mgmt letter
Letter of Representation point

## Results (continued)

For Private Equity, Infrastructure and Property Fund investments, where commissioned, we obtained assurance reports over the controls operated by General Partners or fund managers for valuations.

Where these assurance reports are not available, we reviewed the most recently audited financial statements of the fund to assess whether the auditor had provided an unqualified opinion on the accounts. This applied to £8.4m of Private Equity investments, £20.8m of infrastructure investments and £0.0m of Property Funds.

Where an assurance reports were received but were not coterminous with the Pension Fund's 31<sup>st</sup> March 2021 year end, we obtained bridging letters from the General Partners or fund managers to confirm whether the conclusions of the assurance reports remained valid for the bridging period.

Our review of the valuation completed by the fund manager and significant assumptions made in the valuation have not identified any issues.

We have agreed the split of pooled investments between the relevant funds.

## Conclusion

Our audit work on valuation of private equity, infrastructure investments and property funds did not identify any issues. We are awaiting responses on four follow up questions with respect to tracing the Pension Fund's share of private equity fund net assets as at 31/12/2020 to the share as at 31/03/2021.

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**There is a risk that pooled investments may not be appropriately valued and correctly recorded in the financial statements.**

**[Normal risk]**

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings to be reported in Mgmnt letter
Letter of Representation point

## Risk description

The fair value of funds (principally pooled investments) is provided by individual fund managers and reviewed by the Custodian (BNY Mellon). These valuation are reported on a monthly/quarterly basis.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

In the case of the Pension Fund, the year end disclosures included £1,105.4m of such assets, of which £1,105.2m were held as Level 2 investments and £0.2m as Level 1.

## Details

We carried out the following planned audit procedures:

- Obtained direct confirmation of investment valuations from the fund managers including any subsequent final valuations to ‘flash’ valuations in the draft accounts (where applicable);
- Verified that investments have been correctly valued in accordance with the relevant accounting policies; and
- Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.

## Results

We obtained direct confirmation of investment valuations from the General Partners or fund managers. We obtained assurance reports over the controls operated by General Partners or fund managers for valuations.

Our review of the valuation completed by the fund manager and significant assumptions made in the valuation have not identified any issues.

## Conclusion

Our audit work on valuation of pooled investment vehicles and other investments did not identify any issues.

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**There is a risk that employers may not be calculating contributions correctly and paying over the full amount due to the pension fund.**

**[Normal risk]**

Significant management judgement
Use of experts
Unadjusted error
Adjusted error
Additional disclosure required
Significant Control Findings to be reported in Mgmnt letter
Letter of Representation point

## Risk description

Employers are required to deduct amounts from employee pensionable pay based on tiered pay rates and to make employer normal and deficit contributions in accordance with rates agreed with the actuary.

Additional contributions are also required against pension strain for unreduced pensions for early retirements and augmentation of pensions.

There is a risk that employers may not be calculating contributions correctly and paying over the full amount due to the pension fund.

## Details

We carried out the following planned audit procedures:

- Tested a sample of normal contributions due (and additional deficit contributions where included in a higher employer rate) for active members including checking to employer payroll records;
- Reviewed contributions receivable and checked that income is recognised in the correct accounting period where the employer is making payments in the following month; and
- Carried out audit procedures to review contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

## Results

Our testing has not identified any issues with the calculation of normal contributions receivable from employers or employees or pension strain contributions.

Our testing has not identified any issues with the timings of contributions receivable to the fund.

Our review of contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rate to cover minimum contributions to be paid as set out in Certificate did not identify and issues.

We have also agreed the total contributions payable by the Corporation to the amounts received in the pension fund.

## Conclusion

Our audit work did not identify any issues.

# MATTERS REQUIRING ADDITIONAL CONSIDERATION

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### Fraud

Whilst the Chamberlain and Members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud.

We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Planning Report on 31 March 2021.

### Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

### Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud.

We did not identify and significant matters in connection with related parties.



# ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

## Disclosure omissions and improvements

**We are required to bring to your attention other financial reporting matters that the Audit and Risk Management Committee is required to consider.**

The following adjusted disclosure matters were noted:

- In the Local Government Pensions Board membership list, the name of the LGPB member “Jon Avern” is incorrectly spelt as “John Avern”.
- In Note 1 Membership of the Fund table, the table shows that Skanska has 4 actives, 1 deferred and 0 pensioner and it should actually be 4 actives 0 deferred and 1 pensioner. As for Veolia, the notes show 4 actives 0 deferred and 0 pensioner and it should be 4 actives 0 deferred and 1 pensioner.
- Additional voluntary contributions are managed externally. The confirmation from the external entities was not received prior to the draft account being published. The value has increased from £1.9m to £2.1m for Prudential and from £0.4m to £9.6m for Standard Life Investment.
- In Note 17 disclosure of the neutral estimate of discount rate based on long-term investment strategy, the calculation has included expenses in its real return assumption when it should not have. Therefore the real neutral estimate of discount rate based on long-term investment strategy should increase from 3.7% to 3.9%.
- In Note 13 disclosure of the reconciliation of fair value measurements within level 3 is incorrect. The -£0.6m under sales should be changed to £1.1m and the £0.4m under unrealised gains should be changed to £0.9m.

- In Note 16 disclosure of interest rate risk for bonds, the calculation was incorrect and the correct figures should be £230.2m and 240.2m respectively.
- Net return on investment disclosed in Financial Performance Report needs to be updated from £280.2m to £283.3m.
- Net assets of fund needs to be updated from £1,298.0m to £1301.1m in Financial Performance Report.
- Total investment assets needs to be updated from £1,291.5m to £1,294.6m in Financial Performance Report.
- The funding level stated at 2016 needs to be updated from 85% to 84% in Financial Performance Report.
- The undrawn investment commitments figure stated on p.9 of the Financial Performance report needs to be updated from £7.2m to £8.0m.
- A wording change has been made to Note 22 related party transactions, where the nature of the transaction is clarified as management expenses.
- A wording change has been made to Note 23 key management personnel to better reflect that management costs were done on an apportionment basis.

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# CONTROL ENVIRONMENT: SIGNIFICANT DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Significant deficiency	No evidence is retained of management review of journals.	Evidence of the review of journals should be retained.	[xx]

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# CONTROL ENVIRONMENT: OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Other deficiency	There is an unexplained £15 in the bank reconciliation at year end.  Bank reconciliation is a key control for good financial governance.	All reconciling differences should be investigated in a timely manner.	[xx]
Other deficiency	Oracle EBS - CBIS  No formal user access reviews are performed on a periodic basis. The risk is heightened as user activity logs also are not monitored on a periodic basis.	We recommend that user access reviews are performed at least quarterly and should include: <ul style="list-style-type: none"> <li>• Both administrator, Generic Account (if any) and standard user accounts;</li> <li>• User group and individual customised levels of access reviews to identify any users who do not possess an appropriate level of access;</li> <li>• Checks against HR leavers lists to identify any users that should have been disabled.</li> </ul>	[Detailed management responses to both current year and prior year recommendations are currently in the process of being agreed and will be reported to the Audit & Risk Management Committee separately.]

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# CONTROL ENVIRONMENT: OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Other deficiency	<p>Oracle EBS - CBIS</p> <p>BDO noted that there is no audit logging on the system of user actions, which has been turned off due to system performance considerations and resulting in lack of monitoring of privileged and generic account access.</p>	<p>We recommend that audit trail should be enabled for privileged users and access activities to be reviewed on a defined frequency.</p>	[See above (p.19)]
Other deficiency	<p>Oracle EBS - CBIS</p> <p>Access is not timely removed from the application, it takes around 6-8 business days to remove access post the HR termination date</p>	<p>We recommend that access deprovisioning needs to be performed on the same date the user has left the organization. The processes that are interlinked with removal of access from the application needs to be worked upon by City of London team so that there is no dependency to keep the account active post termination.</p>	[See above (p.19)]
Other deficiency	<p>Oracle Database Server - CBIS</p> <p>No external or independent party has been engaged to perform security assessment on Oracle database supporting central accounting application CBIS.</p>	<p>It is advisable for the management to consider whether a one-off or regular security assessment or penetration testing of key infrastructure elements supporting accounting applications. This testing should be carried out no less frequently than annually and should also be carried out following any significant systems change.</p> <p>Any test findings should be addressed in a timely manner and a remediation plan should be formally documented and approved by management.</p>	[See above (p.19)]

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# CONTROL ENVIRONMENT: OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Other deficiency	<p>Oracle Database Server - CBIS</p> <p>It is noted that there are no database user access reviews performed.</p>	<p>We recommend that database user access reviewed should be performed at least quarterly and should include:</p> <ul style="list-style-type: none"> <li>• Both administrator, Generic Account and standard user accounts (apart from Weir application users);</li> <li>• User group and individual customised levels of access reviews to identify any users who do not possess an appropriate level of access;</li> <li>• Checks against HR leavers lists to identify any users that should have been disabled.</li> </ul>	[See above (p.19)]
Other deficiency	<p>Oracle Database Server - CBIS</p> <p>Auditing is enabled for the Oracle database supporting CBIS but access to make changes to the log is with the DBA's.</p>	<p>It is recommended by BDO to make the logs non-editable or access to the logs restricted outside of the DBA team to ascertain that logs are complete and accurate.</p>	[See above (p.19)]
Other deficiency	<p>Oracle Database Server - CBIS</p> <p>It is noted that no Data Encryption is enabled on the database supporting CBIS.</p>	<p>We recommend to upgrade the database version and enforce appropriate encryption technologies for enhancement of security.</p>	[See above (p.19)]

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# CONTROL ENVIRONMENT: FOLLOW UP OF PRIOR YEAR DEFICIENCIES

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Area	Issue and impact	Original recommendation	Progress	Management response
Prior year deficiency	No evidence is retained of management review of the data submitted to the actuary for the triennial valuation.	Evidence of the review of the data submitted to the actuary should be retained.	Evidence of management's review of the data submitted to the actuary has been retained. [Closed]	N/A
Prior year deficiency	No evidence is retained of management review of the IAS26 report received from the actuary.	Evidence of the review of the IAS26 report should be retained.	Evidence of management's review of IAS 26 report has been retained. [Closed]	N/A
Prior year deficiency (IT General Controls)	Altair No formal user access reviews are performed on a periodic basis.	It is therefore recommended that user access reviewed are performed at least quarterly and should include:  1. Both administrator, Generic Account(if any) and standard user accounts;  2. User group and individual customised levels of access reviews to identify any users who do not possess an appropriate level of access;  3. Checks against HR leavers lists to identify any users that should have been disabled.	[Detailed management responses to both current year and prior year recommendations are currently in the process of being agreed and will be reported to the Audit & Risk Management Committee separately. As noted in the Executive Summary, in March 2021 we followed up on five IT related control recommendations arising from our 2019/20 audit work. While these recommendations were shared with Management during the 2019/2020 audit cycle, these have not been subject to formal agreement and have therefore not previously been formally reported to Those Charged With Governance, or specific management actions agreed, prior inclusion in this Audit Completion Report.]	
Prior year deficiency (IT General Controls)	Altair There is no encryption of sensitive information.	Management should ensure that sensitive information is encrypted.	[As above]	

# CONTROL ENVIRONMENT: FOLLOW UP OF PRIOR YEAR DEFICIENCIES

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Area	Issue and impact	Original recommendation	Progress	Management response
Prior year deficiency (IT General Controls)	Altair A standardised, formal access provisioning or de-provisioning is currently not in place for Altair. A Senior Accountant creates /disables user accounts based on their knowledge of new starters and leavers	Formal access provisioning or de-provisioning process should be implemented. Any user accounts that needs to created should have a formal approval before the accounts are created. All the leavers should be communicated to system admin who would revoke the access of the user based on the last working date of the user.	[As above (p.23)]	
Prior year deficiency (IT General Controls)	Altair Weak password parameters configured for the identified systems.	Passwords parameters should be updated to meet the current best practice guidance	[As above (p.23)]	
Prior year deficiency (IT General Controls)	Altair There are no formal user access reviews of the database carried out.	It is recommended that user access reviewed are performed at least quarterly and should include: <ul style="list-style-type: none"> <li>Both administrator, Generic Account (if any) and standard user accounts;</li> <li>User group and individual customised levels of access reviews to identify any users who do not possess an appropriate level of access; and</li> <li>Checks against HR leavers lists to identify any users that should have been disabled.</li> </ul>	[As above (p.23)]	

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A draft copy of our report is included in the appendices on page 34.

### Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

There are no matters disclosed in the financial statements that we wish to draw attention to by way of ‘emphasis of matter’.

### Going concern

Our report will:

- state our conclusion that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate
- state that we have not identified a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

### Irregularities, including fraud

Our report will contain an explain to what extent the audit was considered capable of detecting irregularities, including fraud. Irregularities in this context means non-compliance with laws or regulations.

### Other information

We have reviewed the other information accompanying the financial statements in the Pension Fund’s annual report. We have not identified any material misstatements that would need to be referred to in our report.

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**Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.**

Under ISAs (UK) and the FRC’s Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2021.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our planning report. Since this planning report, the previously named manager (Francesca Palmer) has been replaced by a new manager (Sebastian Evans) for whom this is year one of involvement with a mandatory rotation period of 10 years. No other changes to key members of the audit team have occurred.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the City of London Corporation and the Pension Fund.

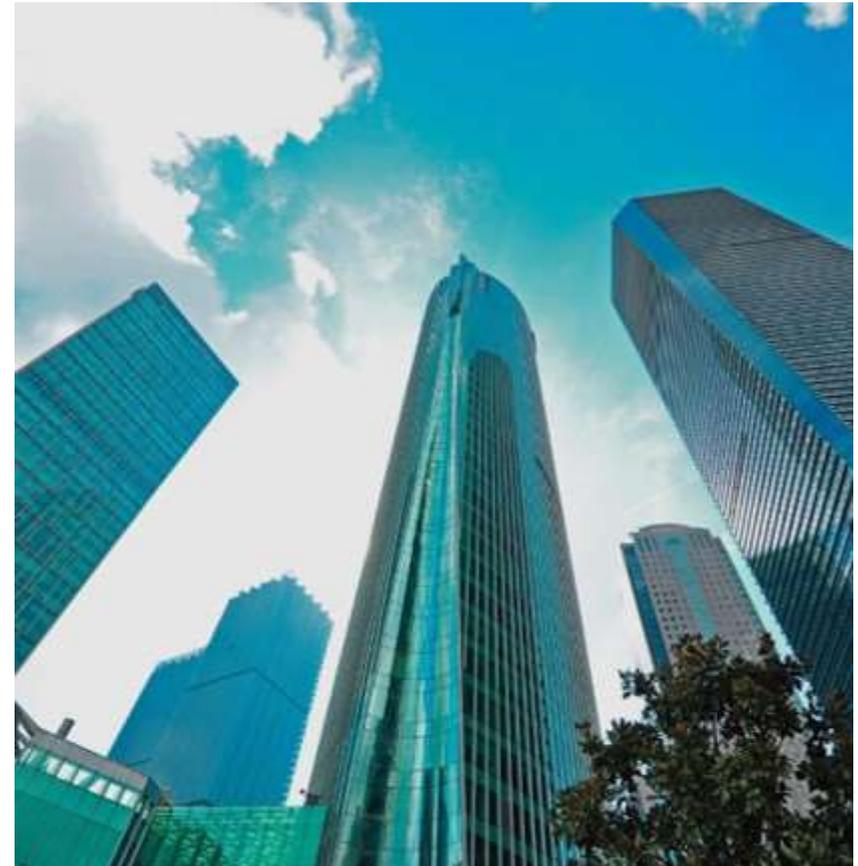
We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the City of London Corporation and the Pension Fund.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

# FEES

## Fees summary for year ended 31 March 2021

	£	£
Audit fee for period ending 31 March 2021		
• Code audit fee	22,000	
• Covid-related costs	3,300	
<b>Total fees</b>		<b>25,300</b>



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# FRC ETHICAL STANDARD

## Issued in December 2019

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In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitional provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines.

Key headlines	Impact
<b>The objective, reasonable &amp; informed third party test</b>	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles.
<b>Extra-territorial impact</b>	For group audits where the audited entity has overseas operations, the ES will require all BDO Member firms to be independent of the UK audited entity and its UK and overseas affiliates in accordance with the UK Ethical Standard, irrespective of if their audit work is relied upon.
<b>Contingent fees</b>	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
<b>Secondments</b>	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
<b>Recruitment and remuneration services</b>	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.
<b>Non-audit services to a public interest entity (PIE)</b>	Moving to a "white-list" of permitted non-audit services for PIEs. The white-list largely consists of services which are either audit-related or required by law and/or regulation. The provision of services not on the white-list are prohibited. The ES separates those permitted services which are exempt from the 70% fee cap and those services which are subject to the fee cap.
<b>Other entities of public interest ('OEPI')</b>	OEPI is a new term in the Ethical Standard. The FRC have imposed the 'white-list' applicable to PIE audited entities to also apply to OEPIs. OEPIs are entities which, according to the FRC, do not meet the definition of a PIE but nevertheless are of significant public interest to stakeholders. They include AIM listed entities which exceed the threshold to be an <i>SME listed entity</i> - generally those with a market cap of more than €200m; Lloyd's syndicates; Private sector pension schemes with more than 10,000 members and more than £1billion of assets; Entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860), excluding fund management entities which are included within a private equity or venture capital limited partnership fund structure. These would be entities which: <ul style="list-style-type: none"> <li>- Have more than 2000 employees; and / or</li> <li>- Have a turnover of more than £200 million and a balance sheet total of more than £2 billion.</li> </ul> The FRC have noted that the rules applicable to OEPIs will apply from periods commencing on or after 15 December 2020.

# FRC PRACTICE AID FOR AUDIT COMMITTEES

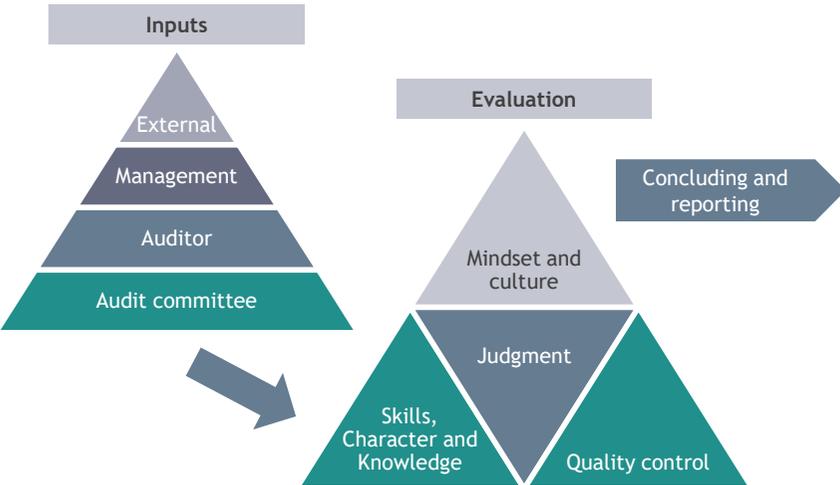
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The Financial Reporting Council (FRC) issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the [FRC website](#). In their practice aid the FRC note: ‘The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company’s internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and trustworthy basis for taking decisions.’

The practice aid then discusses how the role of audit committees in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for Audit Committees in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding



- Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the [FRC website](#)

# OUR RESPONSIBILITIES

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### Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of the Corporation (as the Administering Authority).

We read and consider the ‘other information’ contained in the Annual Report such as the additional narrative reports. We will form an opinion on whether the information given in the other information is consistent with the financial statements and our knowledge obtained in the audit and whether the reports have been prepared in accordance with applicable requirements.

We are additionally required to include in our report:

- Where we conclude there is no material uncertainty in relation to going concern, a statement to that effect
- A conclusion that Pension Fund’s use of the going concern basis of account is appropriate.
- An explanation of the extent to which the audit was capable of detecting irregularities, including fraud.

### What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Audit and Risk Management Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



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## ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

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### Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the City of London Corporation as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Risk Management Committee.

### Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication required	Date (to be) communicated	To whom	Communication method
Audit Planning Report	14 March 2021	Audit and Risk Management Committee	Presentation
Audit Completion Report	30 November 2021	Audit and Risk Management Committee	Presentation

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We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2021

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Audit and Risk Management Committee meeting at which this report is considered:

- Receipt of year end up date to formal written going concern assessment.
- Receipt of documented explanation of bank reconciling item noted in control deficiencies above.
- Responses to four follow up questions with respect to tracing the Pension Fund’s share of private equity funds’ net assets as at 31/12/2020 to the share as at 31/03/2021.
- Receipt of supporting documentation for post year end transaction and all post year end minutes.
- Completion of senior review process and follow up of issues arising.
- Receipt and review of final financial statements.
- Receipt of signed letter of representation.



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## To the Members of City of London Corporation Pension Fund

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2021 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We have audited the financial statements of City of London Corporation Pension Fund ('the Fund') for the year ended 31 March 2021 which comprise the Fund Account, Statement of Net Assets (available for benefits) and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chamberlain's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chamberlain with respect to going concern are described in the relevant sections of this report.

### Other information

The Chamberlain are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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## Responsibilities of Chamberlain and City of London Corporation (“the Corporation”) as administering authority of the Pension Fund

As explained more fully in the Statement of the Chamberlain’s Responsibilities the Chamberlain is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chamberlain determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chamberlain responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chamberlain either intend to wind up the Fund or have no realistic alternative but to do so.

### Auditor’s responsibilities for the audit of the financial statements

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

### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- enquiring of the administrator as to whether:
  - the Fund is in compliance with laws and regulations that have a material effect on the financial statements;
  - they have knowledge of any actual, suspected or alleged fraud;
  - any reports have been made to the Pensions Regulator.
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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A further description of our responsibilities is available on the Financial Reporting Council’s website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor’s report.

## Use of our report

This report is made solely to the Fund’s member of the City of London Corporation, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the Fund’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the City of London Corporation and the Corporation’s member, as a body, for our audit work, for this report, or for the opinions we have formed.

**David Eagles (Senior Statutory Auditor)**

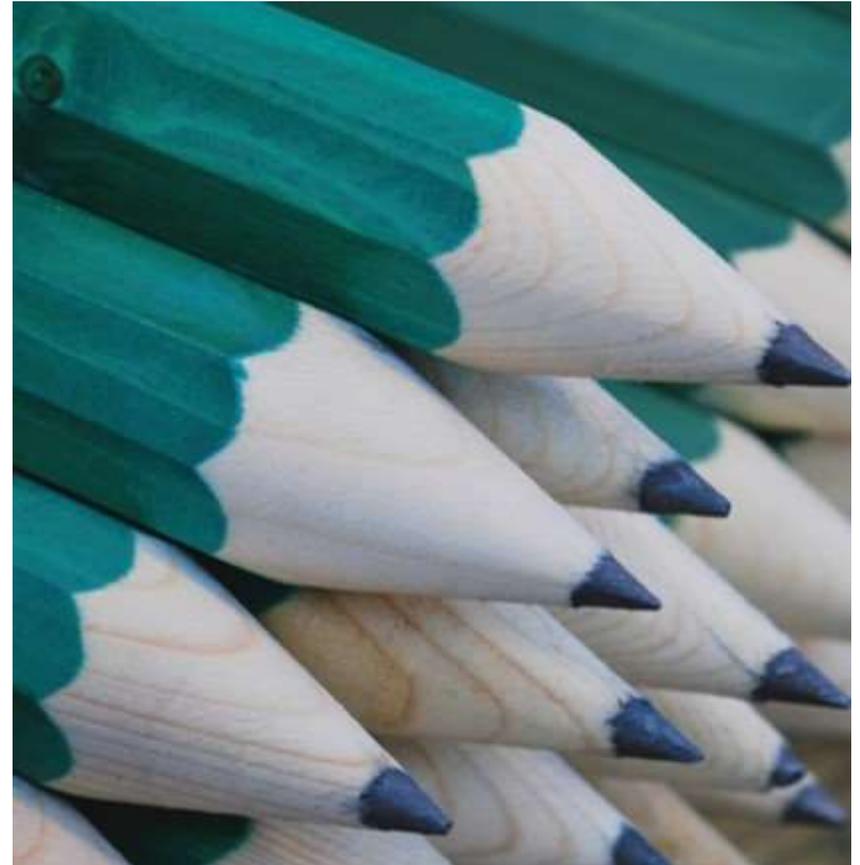
**For and on behalf of BDO LLP, statutory auditor**

Ipswich

United Kingdom

**[Insert Date]**

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)



# AUDIT QUALITY

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**BDO is totally committed to audit quality**

It is a standing item on the agenda of BDO’s Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream’s objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council’s Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk)

BDO LLP  
16 The Havens  
Ransomes Europark  
Ipswich  
IP3 9SJ

Dear Sirs/Madams

**Financial Statements of the City of London Corporation Pension Fund (“the Pension Fund”) for the period ended 31 March 2021**

We confirm that the following representations given to you in connection with your audit of the Pension Fund’s financial statements (the “financial statements”) for the year ended 31 March 2021 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Corporation.

The Chamberlain has fulfilled our responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Pension Fund as at 31 March 2021 and of the results of the Pension Fund’s operations and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Pension Fund, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Pension Fund’s financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Pension Fund have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and shareholders’ meetings have been made available to you.

**Going concern**

We have made an assessment of the Pension Fund’s ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Pension Fund is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note 2 to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Pension Fund’s ability to continue as a going concern.

**Laws and regulations**

In relation to those laws and regulations which provide the legal framework within which our business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

**Post balance sheet events**

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

**Fraud and error**

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

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# LETTER OF REPRESENTATION 2

[Client name and Letter headed paper]

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We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

## Misstatements

You have not advised us of any unadjusted misstatements in the financial statements or other information in the annual report.

## Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable accounting framework.

Other than as disclosed in note 22 to the financial statements, there were no loans, transactions or arrangements between the Pension Fund and the member of the City of London Corporation or their connected persons at any time in the year which were required to be disclosed.

The disclosures in the financial statements concerning the Corporation as the Administering Authority of the Pension Fund are accurate.

## Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

## Accounting estimates

The value at which investment assets are recorded in the net assets statement is the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuations, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the scheme. Any significant changes in those values since the year end date have been disclosed to you.

No assets of the fund has been assigned, pledged or mortgaged.

The following key assumptions have been used to calculate the actuarial present value of future pension benefits disclosed in the financial statements:

- Rate of inflation (CPI): 2.85%
- Rate of increase in salaries: 3.85%
- Rate of increase in pensions: 2.85%
- Rate of discounting scheme liabilities: 2.00%
- Commutation take up option: 50%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 26.

## Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

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# LETTER OF REPRESENTATION 3

[Client name and Letter headed paper]

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## Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each officer and member has taken all the steps that they ought to have taken as an officer or member of the Corporation in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Caroline Al-Beyerty - Chamberlain

[date]

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FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

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