

The Audit Findings Report for City of London Pension Fund

Year ended 31 March 2023

October 2023



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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Risk Management Committee.

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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of City of London Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely primarily in September. Our findings are summarised on pages 5 to 13.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- completion of the 2020/21 financial statements audit by your predecessor auditor;
- completion of the 2021/22 financial statements by Grant Thornton UK LLP ;
- receipt of management representation letter;
- review of the final set of financial statements.
- consideration of any post balance sheet events that arise prior to the sign off date.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority (the City Fund) is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](#)

We would like to thank everyone at the Pension Fund for their support in working with us to work constructively with the Pension Fund to not to fall behind and to issue the assurance letters and issue a timely audit opinion.

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by , Barnett Waddingham LLP, and showed that and found that the Pension Fund’s funding position had improved to 98% (from 90% as at 31 March 2019). Employers’ contributions are set based on Triennial actuarial funding valuations. Since the last such valuation was at 31 March 2022, employer contribution rates resulting from this exercise will apply from 1 April 2023. For 2022/23, employer contribution rates range from 15.0% to 21.0% of pensionable pay. The results of the latest triennial valuation are reflected in note 18 of the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work providing assurances to auditors of employer bodies. As part of this work, we tested a sample of this data and found the source data to be complete and accurate/or include a summary of findings. This additional testing is only required after each triennial review, rather than annually and this work was done as part of the completion of the 2021-22 audit, as the prior year figures required restatement due to the audit still being open.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be discussed with the Audit and Risk Management Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the completion of the following items:

- completion of the 2020/21 financial statements audit by your predecessor auditor and our review of their workpapers;
- receipt of management representation letter;
- review of the Annual report; and
- review of the final set of financial statements.
- consideration of any post balance sheet events that arise prior to the sign off date.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



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.

Materiality levels remain the same as reported in our audit plan in September 2023.

Pension Fund Amount (£)

Materiality for the financial statements	15.8m
Fund Account Materiality	4.3m
Trivial matters	0.8m

As set out in our audit plan we have set two materiality's. This reflects the fact that there is a disparity between the asset values at the Pension Fund and the figures that go through the Fund Account. Therefore to ensure our work on the Fund Account is sufficiently detailed a lower materiality has been set for this balance, as set out above.



2. Financial Statements - Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.

We have:

- Evaluated the design effectiveness of management controls over journals.
- Analysed the journals listing and determine the criteria for selecting high risk unusual journals.
- Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.
- Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence.
- Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our work has not identified any issues except for the ongoing control deficiency identified in 2021/22 financial statements audit by the predecessor auditor. Our work is now complete and we have no other items to bring to your attention regarding this matter,

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of Level 3 investments

You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.

By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

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.

We therefore have identified Valuation of Level 3 Investments as a significant risk.

Commentary

We have:

- evaluated management's processes for valuing Level 3 investments and gain an understanding over the role of the custodian in the valuation process;
- reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met;
- independently requested year-end confirmations from investment managers and the custodian for all investments held;
- for the private equity and infrastructure funds, obtained audited financial statements for the investments as at 31 December 2022 and we have reconciled any cash movements between the intervening period to 31 March 2023, for all accounts.
- performed additional testing for the full pooled property investments by using indices obtained externally to benchmark against those used by the Fund Manager. The indices reports we have used are from the GT Real Estates Team.
- evaluated the competence, capabilities and objectivity of the valuation expert; and
- reviewed investment manager service auditor report on design and operating effectiveness of internal controls.

Our audit work has not identified any issues in respect of the valuation of Level 3 investments.

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £1,153m	<p>The Pension Fund have investments in pooled funds that in total are valued on the balance sheet as at 31 March 2023 at £1,153m.</p> <p>The underlying investments are traded on an open exchange/market although the pooled valuation of the investment is subjective.</p> <p>The Fund obtains valuations from the fund manager and custodian to ensure that valuations are materially fairly stated.</p>	<p>From the procedures undertaken:</p> <ul style="list-style-type: none"> We have reviewed the estimation process for the Level 2 investments and are satisfied that these are in line with industry standards. We have compared the valuations provided by the fund managers with the custodian and are satisfied that there are no significant differences in the valuations. We have reviewed the accounting policies and valuation techniques stipulated within the financial statements and these are in line with expectations. <p>Our audit work has not identified any issues in respect of the valuation of Level 2 investments.</p>	Light purple

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £213.2m	<p>The Pension Fund has investments in the following:</p> <ul style="list-style-type: none"> Infrastructure funds that in total are valued on the balance sheet as at 31 March 2023 at £75.6m; Private equity funds that in total are valued on the balance sheet as at 31 March 2023 at £29.2m; and Pooled property investments that in total are valued on the balance sheet as at 31 March 2023 at £108.2m; <p>Management have reviewed the year end valuations provided by the Fund Managers and have treated them as management experts. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs.</p>	<p>From the procedures undertaken:</p> <ul style="list-style-type: none"> We have deepened our risk assessment procedures performed including understanding processes and controls around the valuation of Level 3 investments. We have obtained audited accounts for all Infrastructure and Private Equity funds and are satisfied that the movements between 31 December 2023 and 31 March 2023 are reconciled to appropriate and known movements in the intervening period. We have performed additional testing for pooled property investments by using indices obtained externally to benchmark against those used by the Fund Manager. We are satisfied that the method, data and assumptions used by management to derive the accounting estimate is appropriate. We are satisfied that the disclosure of the estimate in the Fund's financial statements is sufficient. We have reviewed the accounting policies and valuation techniques stipulated within the financial statements and these are in line with expectations. <p>In our challenge procedures we perform analysis of the latest financial statements versus the valuation of the assets held. From this a variance of £5m was identified which is below our materiality levels.</p> <p>Our audit work has not identified any issues in respect of the valuation of Level 3 investments.</p>	Light Purple

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Risk Management Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Pension Fund to be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.
Audit evidence and explanations	We requested from management permission to send confirmation requests to your custodian, fund managers and banks. This permission was granted and the requests were sent.

2. Financial Statements: other communication requirements



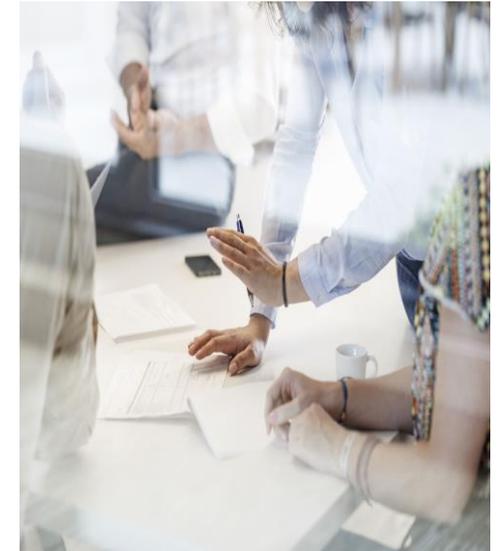
Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> 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 entity'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, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Pension Fund and the environment in which it operates the Pension Fund's financial reporting framework the Pension Fund's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>The Pension Fund is administered by the City of London Corporation- City Fund (the 'Authority'), and the Pension Fund's accounts form part of the Authority's financial statements. We are required to read any other information published alongside the Council'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 will ensure this information is fully reviewed prior to signing the audit opinion.</p>
Matters on which we report by exception	<p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We have not yet reviewed this yet but will prior to the completion of the audit work.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters</p>



3. Independence and ethics

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 and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of 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.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

Appendices

- A. Communication of audit matters to those charged with governance
- B. Follow up of prior year recommendations
- C. Audit Adjustments
- D. Fees and non-audit services
- E. Auditing developments
- F. Audit opinion

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
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 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 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		•

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.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

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.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Follow up of prior year recommendations

The prior year audit identified the following issues in the audit of City of London Pension Fund's 2021/22. We note these findings were presented to management in March 2023 and therefore there was limited time to respond to these points in the 2022/23 financial year.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Journals authorisation</p> <p>The predecessor auditor has identified that there is no evidence is retained in the management's review of journals.</p>	<p>As part of our journals testing, we have determined that this is not resolved, and we recommend that management implement a control where all journals over £100k are sent over approvals and the approval logs are reviewed on a frequent basis. This control should also be documented to ensure a clear audit trail.</p> <p>Note this issue applies both to the Pension Fund and the City Fund.</p>
✓	<p>Management of generic database administrator accounts.</p> <p>Whilst the passwords for privileged generic accounts for both the Oracle EBS application and supporting Oracle database are held in a KeePass password manager, we were unable to verify whether access to the password manager is restricted to the DBA team as it is held in a shared network drive.</p> <p>Management should implement suitable controls to restrict access to the KeePass password manager.</p> <p>This could be through limiting access (i.e. a specific network folder or SharePoint site) to the KeePass password manager to only authorised members of the DBA team.</p>	<p>Management response</p> <p>The password database is itself password protected so regardless of where it lives on the network only persons who know the password (the current 3 dbas) have the ability to open it.</p> <p>The password database has now been moved to the DBA SharePoint site..</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Note in our level 3 Investments testing to provide further challenge to the valuations provided we have obtained other information to challenge the Pension Funds valuation of the Investments. This includes reviewing the most up to date financial statements of the investment and using the Pension Fund's percentage holding to calculate the expected value. In doing so we expect to identify differences but use this process to challenge/identify if further work is required on the level 3 Investment valuations. From this work an overall £5m variance was identified which was within our accepted thresholds and therefore no further testing was identified. As this procedure is not a full valuation of the asset and a method we use to challenge the valuation we do not consider this to be a factual misstatement in the Pension Fund's accounts.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Minor disclosure and narrative adjustments	In our review of the accounts, we raised with management a number of minor disclosure adjustments and other such narrative amendments.	✓
Critical Judgements note	Enhancements were identified to the Critical judgements note to comply with IAS 1 requirements.	✓
Note 10 Management expenses	Audit fees in the note do not tie back to our overall fees by £14k. We note the fee used was the most accurate information management had at the time to make the assessment and this is why no adjustment has been made to the fee.	X
Note 16 – Interest rate risks	Prior year figures did not tie to the prior year accounts in error and this required updating.	✓
Note 18 Funded Obligation of the Overall Pension Fund	<ul style="list-style-type: none"> Changes in relation to the triennial valuation which required the prior year figures to be updated along with the key assumptions. The GMP equalisation disclosure required updating as more up to date information was available 	✓
Note 24 Contingent liabilities and contractual commitments	The commitment of £15m to Lime property purchase fund units was cancelled as at 15 March 2023 but the client has still disclosed it as outstanding commitment as at 31 March 2023, which is not correct.	✓

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Indicative Final fee
Pension Fund Audit	£39,500	£39,500
Total audit fees (excluding VAT)	£39,500	£39,500

Non-audit fees for other services	Proposed fee	Final fee
IAS19 Assurance letters for Admitted Bodies	£9,500	£9,500
Total non-audit fees (excluding VAT)	£9,500	£9,500

E. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

Status of the audit and opinion

Appendix F - Audit opinion

Our anticipated audit report opinion will be unmodified



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