

The Interim Audit Findings (ISA260) Report for City of London Corporation Pension Fund

Year ended 31 March 2024

12 September 2024





City of London Corporation Pension Fund
Pensions Office
Chamberlain's Department
Guildhall
London EC2P 2EJ
September 2024

Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG
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Dear Alderman Prem Goyal OBE,

Audit Findings for City of London Corporation Pension Fund for the 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Risk Management Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

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 for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2023.pdf).

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

Grant Patterson

Grant Patterson

Director
For Grant Thornton UK LLP

Contents



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- I. Management Letter of Representation
- II. Audit opinion
- III. Consistency opinion

This Interim Audit Findings Report (AFR) 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 (A&RM) Committee. If there are no significant changes we would propose to agree a final version with the Chamberlain and Chair of the A&RM Committee.

Grant Patterson

Grant Patterson

For Grant Thornton UK LLP

Date: 12 September 2024

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 Corporation Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2024 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 2024 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 in a hybrid approach during July-September. Our findings are summarised on pages 9 – 14.

As at 12 September 2024, we have identified no adjustments to the financial statements which have resulted in adjustment to the key statements and the reported net assets for the year ending 31 March 2024. We have identified nine disclosure adjustments in the course of our audit procedures, these have been detailed in Appendix D.

As at 12 September 2024, we have not identified any unadjusted misstatements we are required to report to you.

As at 12 September 2024, we have raised one best practice recommendation for management as a result of our 2023/24 audit work, as highlighted in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

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 outlined on pages 5 and 6.

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.

Once 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 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. The statutory deadline requires that the Pension Fund Annual Report is published by 1 December 2024. We have received a draft of the Annual Report from the Pension Fund and are completing our work upon it. We are therefore not yet in a position to give this separate opinion at this time. The separate opinion cannot be given until our opinion on the pension fund financial statements within the City Fund financial statements is given, which in turn is dependent upon the finalisation of the City Fund audit as the two opinions are issued simultaneously. We anticipate completing both ahead of the 1 December Annual Report deadline. We do note that whilst an opinion on the administering authority's financial statements can be issued by their auditor the formal certificate confirming completion of the audit of the administering authority cannot be given until our work on the Annual Report has been completed.

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 will be discussed with management and 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.

For City of London Corporation Pension Fund, the Audit and Risk Management Committee fulfil the role of those charged with governance. We note that there is a separate Pension Committee which considers the draft financial statements and is part of the overall member oversight process.

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 Audit and Risk Management Committee meeting on 23 September 2024 and finalisation of the administering authority audit. Our draft unqualified audit opinion is tabled as a separate agenda item.

The outstanding queries are documented overleaf.

2. Financial Statements: audit progress

Our work is largely complete and there are currently no matters of which we are aware that would require further modification of our audit opinion, subject to the more significant outstanding matters detailed below.

- Finalisation of our work regarding Level 3 investments – in the absence of audited financial statements for one investment we have undertaken alternative procedures to gain assurance (see page 13 for detail). If audited accounts become available before our opinion is issued we will need to revisit.
- Finalisation of our work regarding Benefits Payable
- Finalisation of our work regarding Financial Instruments
- Finalisation of our work regarding P&L on disposal and changes in values of investments
- Finalisation of our work regarding Management Override of Controls
- Manager and Engagement review of above following team completion

- Finalisation of our work regarding technical review of the financial statements
- Other non -material disclosures to review, including disclosure checklist.
- Completion of our work on subsequent events
- Completion of our work on litigation and claims
- Completion of our work regarding IAS 19 responses
- Receipt of letter of representation
- Manager and Engagement review of above following team completion

- Status:
- Significant elements outstanding – high risk of material adjustment or significant change to disclosures within the financial statements
 - Some elements outstanding – moderate risk of material adjustment or significant change to disclosures within the financial statements
 - Not considered likely to lead to material adjustment or significant change to disclosures within the financial statements

Subject to the receipt of the outstanding items and satisfactory completion of the above points, we anticipate issuing an unqualified opinion on the pension fund financial statements and an unqualified consistency opinion for the Annual Report.

2. Financial Statements: Materiality



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.

We have revised the performance materiality due to the actual gross investment assets changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for the Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	£28,000k	This benchmark is determined as a percentage of the Fund's investment assets which has been set at approximately 1.9%.
Performance materiality	£19,600k	Performance Materiality is based on a percentage (70%) of the overall materiality.
Trivial matters	£1,400k	Triviality is based on a percentage (5%) of the overall materiality.
Specific materiality for fund account	£7,200k	This benchmark is determined as a percentage of the fund expenditure which has been determined as 10%.
Specific performance materiality for fund account	£5,040k	Performance Materiality is based on a percentage (70%) of the overall materiality of the fund account.



2. Financial Statements: Overview of audit risks

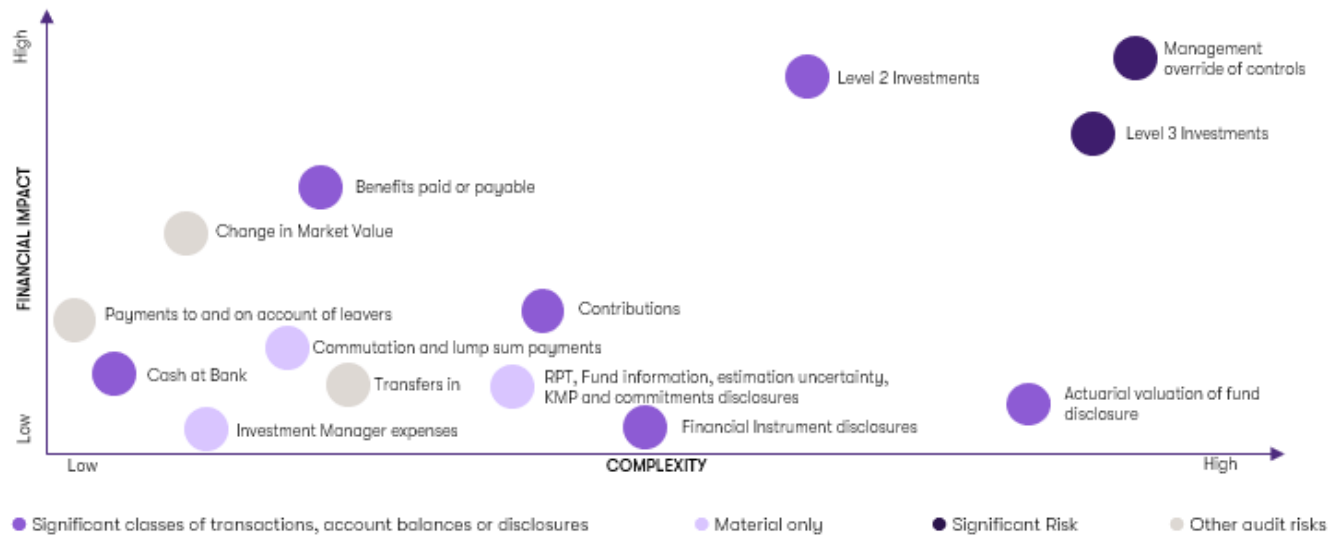
Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Significant classes of transactions, account balances, and disclosures, are associated with risks of material misstatement but are not always significant risks.

Material financial statement line items not associated with risks of material misstatement.

Other audit risks are accounts that are not associated with any SCOT + or with a material only financial statement line item or disclosure.

In the graph below, we have presented the significant risks, SCOT+ and material only and other risks relevant to the audit.



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
The revenue cycle includes fraudulent transactions - Rebutted	There have been no changes to our assessment reported in the audit plan. Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of the pension fund, we have determined that it is likely that the presumed risk of material misstatement due to improper recognition of revenue (and expenditure under PN 10) can be rebutted.
Management over-ride of controls	<p>In response to this risk, we have:</p> <ul style="list-style-type: none"> • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. <p>We have not identified changes to the accounting policies or the estimation process for 2023/24</p> <p>As at 12 September 2024, our work has not identified any issues except for the ongoing control deficiency identified in 2021/22 financial statements audit and by the predecessor auditor (see page 24 of the report for further detail).</p> <p>Our work is in progress, however there are no other items to bring to your attention regarding this matter at this time.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 investments	<p>In response to this risk, we have:</p> <ul style="list-style-type: none"> • evaluated the design and implementation effectiveness of management's processes and controls for valuing Level 3 investments, including gaining 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 2023 and we have reconciled any cash movements between the intervening period to 31 March 2024, for all accounts. • where appropriate, performed additional testing for the 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. <p>As at 12 September 2024, our audit work has not identified any issues in respect of the valuation of Level 3 investments. Our work is in progress, however there are no items to bring to your attention regarding this matter at this time.</p>

2. Financial Statements: Other risks

Risks identified	Commentary
Valuation of Level 2 investments	<p>In response to this risk, we have:</p> <ul style="list-style-type: none"> • Gained an understanding of the Fund's process for valuing Level 2 investments; • Reviewed the nature and basis of estimated values and consider the assurance management has over the year end valuations provided for these types of investments; • Independently requested year-end confirmations from investment managers and custodian; • Reviewed the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records. No variances noted; • Tested a sample of the underlying investments to quoted prices; and • Reviewed the investment manager service auditor report on design effectiveness of internal controls. <p>Our audit work has not identified any issues in respect of the valuation of Level 2 investments.</p>
Contributions	<p>In response to this risk, we have:</p> <ul style="list-style-type: none"> • Evaluated the Fund's accounting policy for recognition of contributions for appropriateness; • Gained an understanding of the Fund's system for accounting for contribution income; • Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence; and • Tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained. <p>Our audit work has not identified any issues in respect of Contributions.</p>

2. Financial Statements: Other risks

Risks identified	Commentary
<p>Benefits Payable</p>	<p>In response to this risk, we have:</p> <ul style="list-style-type: none"> • Evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • Gained an understanding of the Fund's system for accounting for pension benefits expenditure; • Tested a sample of lump sums and associated individual pensions in payment by reference to member files; and • Tested relevant member data to gain assurance over management information to support our predictive analytical review. Including reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained. <p>As at 12 September 2024, our audit work has not identified any issues in respect of Benefits Payable. Our work is in progress, however there are no items to bring to your attention regarding this matter at this time.</p>
<p>Actuarial Present Value of Promised Retirement Benefits</p>	<p>In response to this risk, we have:</p> <ul style="list-style-type: none"> • Documented our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluate the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assessed the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • Assessed the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • Tested the consistency of disclosures with the actuarial report from the actuary; and • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. <p>Our audit work has not identified any issues in respect of Actuarial Present Value of Promised Retirement Benefits.</p>

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Level 3 Investments – £221.6m

The Pension Fund has investments in the following:

- Infrastructure funds that in total are valued on the balance sheet as at 31 March 2024 at £78.2m;
- Private equity funds that in total are valued on the balance sheet as at 31 March 2024 at £24.4m; and
- Pooled property investments that in total are valued on the balance sheet as at 31 March 2024 at £119m;

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.

The values of pooled property investments are based on valuations provided by the fund managers which in turn represent estimates by independent professional valuers of the open market value of those investment as at the reporting date.

The values of the investment in private equity and infrastructure funds are based on valuations provided by the general partners to the private equity funds in which City of London Pension Fund has invested.

The Pension Fund uses a custodian to obtain the valuations provided by fund managers/general partners. Service auditor reports (for investment managers and custodians) are obtained and considered by the Pension Fund .

The value of the investment has increased by £8.6m in 2023/24, largely due to a new Pooled property investments during 2023/24.

From the procedures undertaken:

- Obtain an understanding of the management processes for valuing Level 3 investments and evaluate the design and implementation effectiveness of the associated controls
- 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 2024 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.

During our challenge procedures, we compared the investment manager confirmation as of 31 March 2024 with the draft financial statement and found a discrepancy of £742k (PY £5m), which falls below our trivial level. We also conducted an analysis of the latest financial statements of the fund manager versus the valuation of the assets held. We observed slightly different figures, but they were within our tolerable difference. We are therefore satisfied with management's estimation processes.

As at 12 September 2024, one set of audited financial statements is outstanding with the fund manager. We are undertaking alternate procedures but will also revisit our approach should their audited accounts become available before our opinion is issued. The associated investment represents £40.7m of the level 3 investments balance. Our alternate procedures currently identify a possible estimation uncertainty of £1.1m. This is within our tolerable difference and we are therefore satisfied with management's estimation processes based upon the work conducted to date.

As at 12 September 2024, our audit work has therefore not identified any issues in respect of the valuation of Level 3 investments. Our work is in progress in respect of the above matter but we note that there are no items to bring to your attention regarding this significant estimate at this time.


TBC
(Currently GREEN on work completed)

Assessment





- **[Red]** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **{Amber}** 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
- **[Green]** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report shared with management.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Oracle (Finance System)	ITGC assessment (design and implementation effectiveness only)					All significant and other risks utilise the oracle software within their process	The non-significant deficiency related to there being a lack of formal documentation for batch job changes. This is detailed further in our separate 'IT Audit Findings' report which has been shared with management. There was no direct impact on the planned financial audit approach of the Fund. We have also provided suggestions for improving password controls.
Altair (Pension Administration System)	ITGC assessment (design, implementation and operating effectiveness)					Contributions and benefits payable utilise the Altair software within their process	N/A

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

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 has been requested from the Pension Fund , which is appended within this document. This will be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.
Audit evidence and explanations	All information and explanations requested from management was provided.
Confirmation requests from third parties	We requested from management permission to send (a) confirmation request(s) to your custodian, fund managers and banks. This permission was granted, and the requests were sent. These requests were returned with positive confirmation, with the exception of one fund manager that was unable to provide audited financial statements due to the timing of our request. We are undertaking alternate procedures but will also revisit our approach should their audited accounts become available before our opinion is issued. The associated investment represents £40.7m of the level 3 investments balance. We requested management to send letters to those internal legal counsel who worked with the Pension Fund during the year. All responses have been received with no issues noted.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found two disclosure adjustments which have been documented within Appendix D

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 City of London Corporation (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 Authority's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to our draft unqualified audit opinion is tabled as a separate agenda item.</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. The statutory deadline requires that the Pension Fund Annual Report is published by 1 December 2024. We have received a draft of the Annual Report from the Pension Fund and are completing our work upon it. We are therefore not yet in a position to give this separate opinion at this time. The separate opinion cannot be given until our opinion on the pension fund financial statements within the City Fund financial statements is given, which in turn is dependent upon the finalisation of the City Fund audit as the two opinions are issued simultaneously. We anticipate completing both ahead of the 1 December Annual Report deadline. We do note that whilst an opinion on the administering authority's financial statements can be issued by their auditor the formal certificate confirming completion of the audit of the administering authority cannot be given until our work on the Annual Report has been completed.</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 considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms).

In this context, 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 7 September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

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](#).

3. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified which were charged from the beginning of the financial year to September 2024.

Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

Service	Fees £	Threats identified	Safeguards
Audit related			
IAS 19 Assurances (requested by Crowe and BDO)	£9,500	Self-Interest & Advocacy	Self-Interest – Work is awarded as part of the audit contract; additional fees are not significant compared to the audit of the financial statements and is fixed based on the number of admitted bodies. Advocacy - Work is subject to internal review by qualified accountants. Template letters and methodology are created centrally to support the teams in wording communications objectively.
Non-audit related			
None noted			

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved within the External Audit Services Agreement.

None of the services provided are subject to contingent fees.

I confirmed that the non-audit fees pertain to IAS19 assurances for admitted bodies of the pension fund. As these costs are passed onto those admitted bodies, the fund are effectively acting as an agent and therefore there will be no fees in PF account.

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff [that would exceed the threshold set in the Ethical Standard]

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. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

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

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. Action Plan – Audit of Financial Statements

As at 12 September 2024, we have identified one best practice recommendations for the Pension Fund during the course of our audit.

As outlined on page 6, our audit work in remains in progress for the highlighted matters. We will revisit the above assessment as part of the conclusion of our audit.

Assessment	Issue and risk	Recommendations
	<p> Lack of formal documentation in Altair user access provisioning processes</p> <p>During the audit, we noted that the Altair user access request required notification to and approval by the Pension Manager. However, the process was not documented.</p> <p>Risk</p> <p>Documentation provides accountability by establishing a clear trail of who requested access, who approved it, and when it was granted. Without this documentation, accountability and transparency in access management processes are compromised.</p> <p>User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.</p>	<p>The Authority should establish formal policies and procedures for all user access requests and retain relevant documentation. This includes details of the required user access rights, approver authorization, and the effective date for any access changes or removals. These policies and procedures should be communicated to all staff to ensure that activities are consistently performed, logged, and monitored.</p> <p>Management response</p> <p>As recommended by the auditors, the Pensions Office will look to establish & implement formal policies & procedures to document any changes made to the system.</p>

Controls

-  High – Significant effect on financial statements
-  Medium – Limited Effect on financial statements
-  Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of City of London Corporation Pension Fund's 2022/23 financial statements, which resulted in one recommendations being reported in our 2022/23 Audit Findings Report. We have followed up on the implementation of our recommendations and the item is still yet to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Journals authorisation</p> <p>The predecessor auditor identified that there is no evidence retained in management's review of the journals. For all journals where individual lines are over £100k, this is flagged retrospectively by the system provider and shared with the approver automatically via email for their approval.</p> <p>As of 2023/24, we were still unable able to obtain documentation to confirm the implementation of this control where the approver has confirmed their authorisation of the journal lines. We recommend that this control is documented by the approver for a clear audit trail.</p> <p>This audit finding for the pension fund is consistent with the City of London Corporation.</p>	<p>Management response</p> <p>Management will provide a verbal update on progress made at the Audit and Risk Management Committee.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

D. 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.

Impact of adjusted misstatements

As at 12 September 2024, we have identified no adjustments to the financial statements which have resulted in adjustment to the key statements and the reported net assets for the year ending 31 March 2024

As outlined on page 5, our audit work in remains in progress for the highlighted matters. We will revisit the above assessment as part of the conclusion of our audit.

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?
Note 10 Management expenses The audit fee disclosure was not in line with the audit plan.	Update the audit fee disclosure to be in line with the audit plan. Management response Management have agreed to update the disclosure to reflect the audit plan.	✓
Accounting Policies The following material balances/disclosures did not have corresponding accounting policies: - Cash and Cash Equivalents - Contingent Assets, Contingent Liabilities, and Contractual Commitments - Actuarial Present Value of Promised Retirement Benefits	Accounting policies should be prepared for all material balances/disclosures Management response Management have agreed to update the accounting policies to reflect the this	✓

D. Audit Adjustments

Misclassification and disclosure changes (continued)

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?
<p>Accounting Policies</p> <p>The accounting policy for changes in market value did not provide sufficient detail on how it is accounted for or recognised. e.g. as income</p>	<p>Accounting policies should communicate the accounting treatment to users of the financial statements</p> <p>Management response</p> <p>Management have agreed to update the accounting policy to reflect the this</p>	✓
<p>Note 4 Critical judgements in applying accounting policies</p> <p>Under IAS 1.122 it is confirmed that assumptions about the future are not critical judgements, which would include the net pension fund liability</p>	<p>Critical judgements should reflect significant judgements taken by management in the course of preparing the financial statements</p> <p>Management response</p> <p>Management have agreed to update Note 4 Critical judgements to state that the fund were not required to make any critical judgements when applying its accounting policies.</p>	✓
<p>Note 5 Assumptions made about the future and other major sources of estimation uncertainty</p> <p>The effect of the sensitivity analysis for Private Equity investments, Infrastructure, and pooled property investments did not clearly show the impact of the uncertainty in value.</p>	<p>This disclosure should include percentages and the corresponding value change resulting from the sensitivity analysis to provide a more comprehensive and informative disclosure</p> <p>Management response</p> <p>Management have agreed to provide a clear cross reference to Note 13 where they have undertaken a sensitivity analysis demonstrating the impact of a change in assumptions</p>	✓
<p>Note 14b Net (Gains) and Losses on Financial Instruments</p> <p>The CIPFA Code states that the market value of the assets under the management of fund managers and the proportion managed by each manager must be disclosed. Note 14b in the accounts only discloses the market values and does not include the proportion (%) managed by each fund manager.</p>	<p>Note 14b should be updated to include the proportion (%) managed by each fund manager.</p> <p>Management response</p> <p>Management have agreed to amend the narrative to reflect the proportion (%) managed by each fund manager.</p>	✓
<p>Note 13b Reconciliation of fair value measurements within level 3</p> <p>The draft financial statements omitted the prior period comparator of this note</p>	<p>Note 13b should be updated to include a prior period comparator</p> <p>Management response</p> <p>Management have agreed to amend Note 13b to include a prior period comparator</p>	✓

D. Audit Adjustments

Misclassification and disclosure changes (continued)

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?
<p>Note 16. Market risks</p> <p>The presentation of Note 16 Market risks included Credit risk, which is not strictly a Market risk.</p>	<p>The Fund should consider consolidating Note 15 and Note 16, aligning with the "CIPFA LGPS Accounts Example Fund."</p> <p>Management response</p> <p>Management have agreed to amend the narrative to consolidate Note 15 and Note 16, in line with the CIPFA LGPS Accounts Example.</p>	✓
<p>Note 16. Market risks</p> <p>The descriptors used for the asset types in the Price risk sensitivity analysis differ from those used in Note 11, 12, 13, and 14.</p>	<p>Note 16 should be presented in a format in which readers can easily reconcile the asset type to those listed elsewhere in the financial statements</p> <p>Management response</p> <p>Management have agreed to update the presentation of Note 16 to aid comparability.</p>	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

As at 12 September 2024, we have identified no unadjusted adjustments which would result in changes to the reported figures in the key financial statements and the reported net assets of the Fund for the year ending 31 March 2024.

As outlined on page 5, our audit work in remains in progress for the highlighted matters. We will revisit the above assessment as part of the conclusion of our audit.

E. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

	Proposed fee 2023/24	Final fee 2023/24
City of London Corporation Pension Fund tendered Audit fee	£35,000	TBC
ISA 315 – same as prior year	£4,500	TBC
Sub-total	£39,500	TBC
Assurances Provided to Other Auditors		
Core Audit Work to Support Pension Fund Letters requested by other auditors	£6,000	TBC
IAS 19 letters requested by BDO – assumed to be the same as prior year	£1,100	TBC
IAS 19 letters requested by Crowe – assumed to be the same as prior year	£1,100	TBC
Additional file sharing requested by Crowe – assumed to be the same as prior year	£1,500	TBC
Sub-total	£9,700	TBC
Total audit fees (excluding VAT)	£49,200	TBC

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
IAS 19 Assurances (requested by Crowe and BDO)	£9,500	TBC
Total non-audit fees (excluding VAT)	£9,500	TBC

I confirmed that the non-audit fees pertain to IAS19 assurances for admitted bodies of the pension fund. As these costs are passed onto those admitted bodies, the fund are effectively acting as an agent and therefore there will be no fees in PF account.

None of the above services were provided on a contingent fee basis.

F. National context

National context – audit backlog

Consultation

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

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

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

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

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

- [Consultations on measures to address local audit delays \(frc.org.uk\)](https://www.frc.org.uk/consultations/consultations-on-measures-to-address-local-audit-delays)
- [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)
- [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk/consultations/code-of-audit-practice-consultation)

Our response to the consultation

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

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

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect. The timing of the general election has delayed the implementation of these proposals. Once we have a further understanding of the new government's intentions, and its priorities across the sector we will discuss this with you.

Impact on Pension Funds

Pension fund accounts fall within the scope of the outlined backstop legislation. Where an Administering Authority accounts may be required to be backstopped this would not automatically apply to the Pension Fund accounts. We expect to be able to issue a separate opinion on the Fund accounts where the Pension Fund audit can be completed.

Update

Following the general election the Minister of State for Housing, Communities and Local Government has proposed backstop legislation which will revise the date of the first backstop for financial years up to and including 2022-23 to December 13 2024.

National 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 the Pension Fund's funding position had improved to 98% (from 90% as at 31 March 2019). The results of the latest triennial valuation are reflected in note 17 to the financial statements. These valuations also provide updated information for the calculation of the net pension liability on employer balance sheets.

