

A photograph of a modern office building's interior, featuring a long, brightly lit hallway with a polished floor and glass walls. The hallway is empty, and the ceiling has recessed lighting. A yellow rectangular overlay is positioned on the left side of the image, containing text.

London Pensions Fund Authority

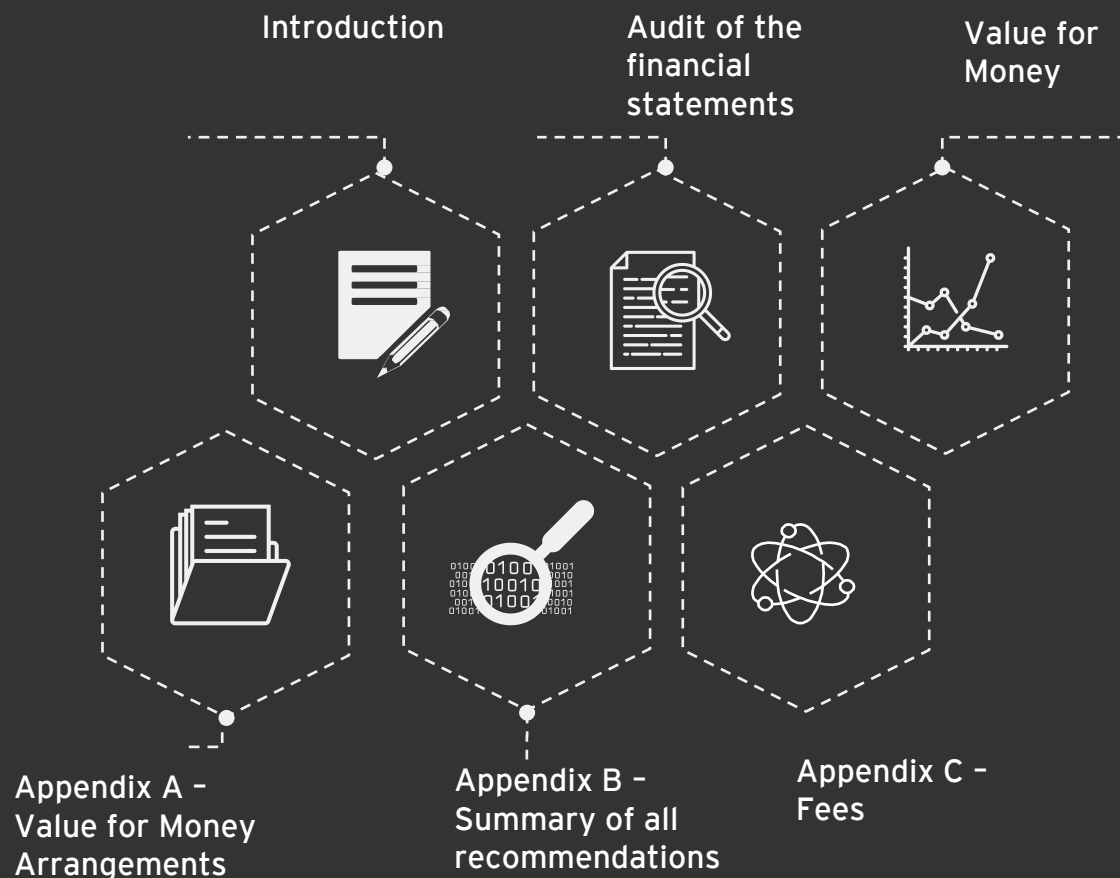
Auditor's Annual Report

**Covering both the Administering Authority
and Pension Fund**

Year ended 31 March 2024

10 January 2025

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of London Pensions Fund Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit Committee and management of London Pensions Fund Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than Audit Committee and management of London Pensions Fund Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Introduction

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on Value for Money (VFM) arrangements, which aims to draw to the attention of the Authority, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2023/24 audit work in accordance with the Audit Plan that we tabled 20 June 2024. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2023/24 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Authority;
- If we identify a significant weakness in the Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2023/24 Conclusions

Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Administering Authority's Operational Account and the Pension Fund Account as at 31 March 2024 and of its expenditure and income for the year then ended. We issued our auditor's reports on 29 November 2024.
Going concern	We have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Consistency of the Pension Fund annual report and other information published with the financial statements	Financial information in the Pension Fund Annual report and published with the financial statements was consistent with the audited Pension Fund accounts.
Value for money (VFM)	We had no matters to report by exception on the Authority's VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Authority.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Certificate	We issued our certificate on 29 November 2024.



Audit of the financial statements

Key findings

The Narrative Statement and Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

On 29 September 2024, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 25 September 2024 Audit Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported 4 internal control recommendations and areas for improvement in the control environment in the Audit Results Report.

Significant risk

Conclusion

Misstatements due to fraud or error

We have not identified any instances of inappropriate judgements being applied in the preparation of the financial statements.

Pension Fund

We completed our work on journals testing. We have not identified misstatements or material weaknesses in controls relating to this work.

Administering Authority (AA) -
Operational Account

Management override and incorrect posting of investment income journals

We have not identified any misstatements relating to management override in the financial statements.

We have completed our work on investment income journal testing and we have not identified any misstatements.

Pension Fund

Valuation of complex (Level 3) investments

We completed all of the audit procedures as set out in the audit plan. We do not have any concerns with the competence of fund managers and did not identify any internal control issues.

Pension Fund

Upon performing procedures using the latest available financial statements, we identified audit differences above our threshold for reporting. This is mainly as a result of Management using values from the latest available fund manager and custodian confirmations at 31 March 2024 for their estimate of the year end position, while we have used the subsequent audited financial statements. The net difference is a £33.2 million understatement of Investment Assets and changes in market value and includes both corrected and uncorrected misstatements.

The Local Pensions Partnership Investments Ltd fund audits concluded prior to the authorisation of the LPFA Pension Fund account, providing de facto final audited figures, which Management have updated the financial statements for to reflect the correct position.

Valuation of Asbestosis Provision

We have not identified any misstatements relating to the Asbestosis Provision.

AA - Operational Account

We did not identify any risks of significant weaknesses in the Authority's VFM arrangements for 2023/24.

Our VFM commentary highlights relevant issues for the Authority and the wider public.

We have no matters to report by exception in the audit report.

Scope

We are required to report on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 20 June 2024 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Authority committee reports, meetings with management and evaluation of associated documentation through our regular engagement with management and the finance team.

Reporting

We completed our risk assessment procedures and did not identify any significant weaknesses in the Authority's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2023/24 is set out over pages 7 to 10. The commentary on these pages summarises our conclusions over the arrangements at the Authority in relation to our reporting criteria (see below) throughout 2023/24. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Authority ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Authority uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



Value for Money (continued)

Financial Sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services

The London Pensions Fund Authority (LPFA) has established a robust framework for financial sustainability, ensuring that it can continue to deliver its services effectively. This framework is built on meticulous planning and strategic resource management. The Authority's operational costs for the year were below budget, primarily due to proactive measures such as addressing staff vacancies and optimizing pension contributions. This careful management of operational expenses has allowed the LPFA to allocate resources more efficiently, ensuring that financial constraints do not hinder service delivery.

A key component of the LPFA's financial planning is the Medium-Term Financial Plan (MTFP), which provides a forecast of investment returns and budgetary needs over a multi-year period. The MTFP allows the Authority to anticipate future financial requirements and make informed decisions about resource allocation. For instance, the strategy highlights significant forecasted increases in net returns on investments for the upcoming years, driven by improved fund performance. This forward-looking approach ensures that the LPFA can maintain financial stability and continue to meet its obligations to members and stakeholders.

The MTFP highlights a reduction in deficit contributions due to many historic employer deficits becoming surpluses as of the 31 March 2022 triennial valuation. This reduction in deficit contributions helps in bridging funding gaps.

In addition to strategic planning, the LPFA leverages its joint venture with the Local Pensions Partnership (LPP) to enhance financial sustainability. This partnership has resulted in substantial savings, with pooling resources providing significant economies of scale. Since its inception, the joint venture has reported savings of £153 million, with a target of £200 million by 2025. These savings are reinvested into the fund, further strengthening its financial position. The LPFA's commitment to continuous improvement and efficiency ensures that it can adapt to changing financial conditions and continue to deliver high-quality services to its members.

Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



Value for Money (continued)

Governance: How the Authority ensures that it makes informed decisions and properly manages its risks

LPFA ensures it makes informed decisions and properly manages its risks through robust governance practices that facilitate informed decision-making and effective risk management. The Authority adheres to the seven principles of good governance, as reflected in its Annual Governance Statement (AGS), which complies with all relevant financial disclosure requirements.

Regular internal audits, conducted by PWC, provide reasonable assurance and highlight areas for improvement, particularly in liquidity management. The LPFA maintains a comprehensive risk register, identifying and mitigating moderate risks such as cyber security, resourcing, and service quality through detailed action plans.

LPFA outsources its investment management activities to Local Pensions Partnership Investments (LPPI) and its pension administration services to Local Pensions Partnership Administration (LPPA). Both entities are subsidiaries of the Local Pensions Partnership (LPP). LPFA maintains oversight of LPP's activities through regular reporting and the presence of an LPFA-appointed director on the LPP Board.

LPFA ensures that it makes properly informed decisions by ensuring that it has the necessary oversight over LPP. In August 2024 the LPP Shareholder agreement (SHA) was amended. The amendments to the SHA enhance governance practices, including annual reviews, updated board meeting procedures, and detailed schedules on financial decision-making principles. These measures improve transparency and accountability. Additionally, LPFA's governance framework includes arrangements for effective challenge from those charged with governance, such as the Audit and Risk Committee (ARC), which provides oversight and ensures that decisions are based on appropriate evidence, allowing for challenge and transparency.

Additionally, the Authority's governance framework includes continuous oversight of investment strategies and third-party performance assessments, ensuring that all decisions are well informed and risks are managed proactively.

Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2023/24 to enable it to make informed decisions and properly manage its risks.



Value for Money (continued)

Improving economy, efficiency and effectiveness: How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

LPFA is committed to improving economy, efficiency, and effectiveness by leveraging detailed information about its costs and performance. The Authority's business plan, which is part of the Local Pensions Partnership 'Pool', reports significant savings and strong investment performance, reflecting the benefits of pooled resourcing for Local Government Pension Schemes.

LPFA ensures that services provided by the LPP Group are governed by detailed Service Level Agreements (SLAs), which outline the expectations, performance metrics, and reporting requirements. These SLAs are reviewed regularly to ensure they remain relevant and effective.

The LPFA uses this data to set and achieve key performance indicators (KPIs), such as the target of £200 million in savings by 2025. Regular performance reviews and client satisfaction surveys ensure that the Authority remains responsive to the needs of its members. Additionally, the LPFA's treasury management strategy, which includes effective daily cash flow management and long-term forecasting, ensures that resources are allocated efficiently and that the Authority can adapt to changing financial conditions.

This continuous improvement approach ensures that the LPFA can deliver high-quality services while maintaining Improving economy, efficiency and effectiveness.

Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2023/24 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices

Appendix A - Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria	Findings
<p>How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them</p>	<p>LPFA maintains a comprehensive Corporate Risk Register that is reviewed regularly by the Audit and Risk Committee (ARC). This register includes all known risks that could impact LPFA's ability to achieve its corporate objectives, including financial pressures.</p> <p>The Risk Register is integrated into the ongoing risk management process, with monthly reviews by the management team to ensure that all significant financial pressures are identified and addressed in a timely manner.</p> <p>LPFA conducts regular financial reviews and environmental scanning to identify significant financial pressures. This involves analysing current financial performance, market conditions, and external economic factors that could impact the organization's financial health.</p> <p>LPFA integrates identified financial pressures into its short and medium-term plans through scenario planning and sensitivity analysis. This ensures that potential financial challenges are considered and addressed proactively.</p>
<p>How the body plans to bridge its funding gaps and identifies achievable savings</p>	<p>LPFA employs regular budget monitoring and adjustments to bridge any funding gaps. This includes identifying achievable savings through various strategies such as insourcing certain functions, rationalizing operations and achieving savings through pooling of funds to save on investment management expenditure.</p> <p>The MTFP highlights a significant reduction in deficit contributions due to many historic employer deficits becoming surpluses as of the 31 March 2022 triennial valuation. This reduction in deficit contributions helps in bridging funding gaps.</p>
<p>How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>Financial planning is aligned with strategic and statutory priorities to ensure the sustainable delivery of services. The MTFP provides a detailed outline of budget allocations and financial strategies to support LPFA's objectives.</p> <p>The investment strategy is kept under review to protect assets and deliver growth, ensuring the ability to pay pension benefits and provide efficient and effective service to members. The strategy includes provisions for addressing key areas of focus, such as governance, regulation, and responsible investment.</p>
<p>How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system</p>	<p>The financial plan is designed to be consistent with other key plans, including workforce, capital, investment, and operational planning as reflected in the strategic policy statement. This ensures a cohesive approach to achieving LPFA's strategic objectives.</p> <p>Regular updates and reviews of the financial plan ensure that it remains aligned with broader strategic goals and any changes in the operational environment.</p>

Appendix A - Summary of arrangements

Financial Sustainability (Continued)

Reporting Sub-Criteria

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Findings

LPFA identifies and manages risks to financial resilience through the Risk Register and regular scenario planning. This includes assessing the impact of unplanned changes in demand and other potential financial shocks.

The Audit and Risk Committee (ARC) reviews these risks and ensures that appropriate mitigation strategies are in place, such as maintaining adequate reserves and developing contingency plans. This includes LPFA's strategic asset allocation intended to have a high degree of inflation participation, both directly and indirectly, to manage economic uncertainties.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
<p>How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>LPFA has a robust Risk Management Strategy and Corporate Risk Register in place to monitor and assess risks. These documents are reviewed regularly by the ARC to ensure they remain effective.</p> <p>The ARC gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, through regular internal and external audits. Recommendations from these audits are responded to appropriately and in a timely manner.</p> <p>The internal audit function, provided by PwC, monitors and assesses the effective operation of internal controls. Regular updates and reports are provided to the ARC, ensuring continuous improvement.</p> <p>LPFA outsources its investment management activities to Local Pensions Partnership Investments (LPPI) and its pension administration services to Local Pensions Partnership Administration (LPPA). Both entities are subsidiaries of the Local Pensions Partnership (LPP). LPFA maintains oversight of LPP's activities through regular reporting and the presence of an LPFA-appointed director on the LPP Board.</p> <p>LPP provides a compliance statement as part of its governance and reporting framework. This compliance statement outlines how LPP adheres to relevant legislation, regulations, and internal policies to ensure effective governance and operational integrity.</p>
<p>How the body approaches and carries out its annual budget setting process</p>	<p>The annual budget setting process involves detailed reviews and approvals by senior management and the Board. This process includes consideration of historical trends, risk analysis, and alignment with the MTFP.</p> <p>The budget setting process is informed by the medium-term financial plan and linked with the annual business planning process to ensure coherence and strategic alignment.</p>
<p>How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed</p>	<p>LPFA has effective processes and systems in place for budgetary control. This includes the communication of relevant, accurate, and timely management information to all stakeholders.</p> <p>Corrective actions are taken as needed to address any variances from the budget, ensuring that financial performance remains on track.</p> <p>LPFA holds regular formal and informal meetings with senior executives from LPP, LPPI, and LPPA to discuss performance, address any issues, and ensure alignment with LPFA's strategic objectives.</p>

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria	Findings
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	<p>Decisions are made based on appropriate evidence, allowing for challenge and transparency. The ARC and Board provide effective oversight and challenge to ensure that decisions are in the best interest of LPFA.</p> <p>Detailed papers and reports support informed decision-making, and there is a clear process for documenting and reviewing decisions.</p> <p>LPFA ensures that it makes properly informed decisions by ensuring that it has the necessary oversight over LPP. In August 2024 the LPP Shareholder agreement (SHA) was amended. The amendments to the SHA enhance governance practices, including annual reviews, updated board meeting procedures, and detailed schedules on financial decision-making principles. These measures improve transparency and accountability. Additionally, LPFA's governance framework includes arrangements for effective challenge from those charged with governance, such as the Audit and Risk Committee (ARC), which provides oversight and ensures that decisions are based on appropriate evidence, allowing for challenge and transparency.</p>
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	<p>LPFA ensures compliance with legislative and regulatory requirements through a range of policies, including the Constitution and Whistleblowing Policy. These policies are regularly reviewed and updated to maintain high standards of officer and member behaviour.</p> <p>LPFA has arrangements in place for officers and members to make declarations of interest, ensuring transparency and accountability.</p>

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	<p>Financial and performance information is used to assess and improve service delivery. Regular reports and reviews identify areas for improvement and ensure that actions are taken to address performance gaps.</p> <p>LPFA uses key performance indicators (KPIs) and other metrics to monitor performance and drive continuous improvement.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>LPFA evaluates the services it provides to assess performance and identify areas for improvement. This includes regular reviews of service delivery against expectations and taking necessary actions to improve.</p> <p>LPFA's treasury management strategy, which includes effective daily cash flow management and long-term forecasting, ensures that resources are allocated efficiently and that the Authority can adapt to changing financial conditions.</p> <p>The evaluation process involves engaging with stakeholders and using feedback to inform service improvements.</p>
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>LPFA engages with stakeholders and significant partnerships to ensure effective service delivery. This includes regular communication and collaboration with partners to address common challenges and design improvements.</p> <p>Performance is monitored, and actions are taken to address any issues identified through stakeholder engagement.</p> <p>LPFA's role within significant partnerships, such as with LPP, LPPI, and LPPA, is crucial. LPFA monitors the performance of these entities through regular reporting and meetings, ensuring that they meet the required standards and deliver value for money.</p>
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>Procurement and commissioning of services are conducted in accordance with relevant legislation, professional standards, and internal policies. LPFA assesses whether expected benefits are realized and takes corrective actions as needed.</p> <p>LPFA ensures that services provided by LPP, LPPI, and LPPA are governed by detailed Service Level Agreements (SLAs), which outline the expectations, performance metrics, and reporting requirements. These SLAs are reviewed regularly to ensure they remain relevant and effective.</p>

Appendix B – Summary of all recommendations

Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2023/24. All recommendations have been agreed by management.

Issue	Recommendation	Management Response
<p>Financial statements: Fair value Hierarchy disclosures:</p> <p>During the audit of the fair value hierarchy disclosures in Note 16, as well as the valuation of investments, the audit team identified that credit investments valued at £736 million, relating to LPPI Credit Investments LLP, were incorrectly classified as Level 2 instead of Level 3 investments in accordance with the fair value hierarchy definitions provided by the reporting framework, the CIPFA Code.</p>	<p>We recommend that Management perform an assessment of the classification of each investment held against the reporting framework definitions for each level and document considerations. Management should also challenge the classification if received directly from fund managers.</p>	<p>The fair value level was changed to Level 3.</p>
<p>Financial statements: Severance Payment:</p> <p>As part of our testing of ex gratia payments we identified that the payment made to the former Director of Finance was not approved in line with HM Treasury Guidance. As the severance payment exceeding the £100,000 threshold and included a Special Severance Payment element, and because the employee's salary exceeded a £150,000 threshold, Treasury pre-approval should have been sought in line with HM Treasury Guidance on Public Sector Exit Payments: Use of Special Severance Payments (May 2021).</p>	<p>We recommend that Management implements the required controls to ensure the requirements within the HM Treasury Guidance on Public Sector Exit Payments: Use of Special Severance Payments (21 May 2021) are adhered to.</p>	<p>This was notified to the Board and appropriate changes are now in place.</p>

Appendix B – Summary of all recommendations (Continued)

Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2023/24. All recommendations have been agreed by Management.

Issue	Recommendation	Management Response
<p>Financial statements: Receivables control:</p> <p>Our audit of receivables and the related provision for impairment revealed a large amount of unallocated cash and a significant portion of debtor balances outstanding for more than the standard 30-day terms. This did not lead to the identification of misstatements but suggests weaknesses in the current cash allocation and credit control processes.</p>	<p>Management should enhance cash allocation processes to ensure timely and accurate matching of payments to debtor accounts. Management should also strengthen credit control policies to address and reduce the number of long-outstanding debtor balances.</p>	<p>Prior to the audit we had identified this was an issue as cash could not be allocated via the automated process if the invoice was raised after the cash receipt. This was commonly the case with contributions income. The need for an additional resource to undertake this task had already been identified and someone had already been engaged in February. Significant progress has been made.</p>
<p>Financial statements: Basis of Preparation - Operational and Residual liabilities accounts:</p> <p>LPFA historically prepared its Operational Accounts and Residual Liabilities Accounts as two separate sets of accounts. However, in accordance with IAS 1 and extant statutory legislation (Local Accountability and Audit Act 2014), these accounts should have been consolidated into a single set of accounts to fairly represent the financial position of the Administering Authority role, in line with the LPFA legal framework. This governance oversight has necessitated the restatement of the prior year figures, including the presentation of a third balance sheet that was previously presented separately. This governance oversight has necessitated the restatement of the prior year figures, including the presentation of a third balance sheet that was previously presented separately. Management did not correctly assess the statutory framework set out in legislation, which led to the misstatement. We have also included an Emphasis of Matter section within our Audit Report, bringing this fundamental change in basis of preparation to the awareness of key readers of the Authority's financial statements.</p>	<p>Management should ensure that its financial statements are prepared in accordance with IAS 1, consolidating the Operational and Residual Liabilities accounts into a single set of accounts. This will provide a true and fair view of the financial position of LPFA. Additionally, management should implement a review process to ensure ongoing compliance with and understanding of relevant accounting standards and statutory frameworks.</p>	<p>Management was concerned that this issue was not raised at the commencement of the audit as this has resulted in significant duplication of work.</p> <p>The accounts have now been prepared on merged basis and a second set of designed accounts have been produced.</p>

Appendix C - Fees

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships which meet the criteria of the Ethical Standard at the Authority. However, for transparency, we highlight the following relationships that is a permitted service.

Description of relationship	Related independence threat	Safeguards adopted and reasons considered to be effective
EY provides tax services to Local Pensions Partnership Investment Limited (LPPI).	Self-review threat	<ul style="list-style-type: none"> ▶ LPPI is not classified as an affiliate of the Authority, given the joint venture arrangement, and is therefore not an audited body, thereby ensuring that the existing relationship remains within the bounds of regulatory compliance. <p>In addition:</p> <ul style="list-style-type: none"> ▶ Grant Thornton LLP functions as the independent auditor for LPPI, with oversight extending to the review of services rendered by the EY tax team. ▶ The audit team assigned to the Authority operates independently from the personnel providing tax advisory services, thereby upholding the integrity and objectivity of the audit process.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2024 in line with the disclosures set out in FRC Ethical Standard and in statute. There are no services provided by EY to London Pension Fund Authority or affiliates from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted. We confirm that we have not undertaken non-audit work.

Appendix C - Fees

Fees

We carried out our audit of the Authority's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated July 2021)". As outlined in our Audit Results Report we were required to carry out additional audit procedures to address audit risks and misstatements identified. As a result, we have determined an associated additional fee which remains subject to approval by PSAA Ltd. Details of the Scale fee, fee variations and any non-code work is set out in the table below:

Description	Planned Fee 2023/24 £'s
Total Fee - Code work (Scale Fee)	£170,000
Proposed scale fee variation - Note 1	£67,800
Additional fee for IAS 19 assurance work on behalf of admitted bodies - Note 2	£48,000
Total audit fees	£285,800

All fees exclude VAT

Notes

(1) For 2023/24 the planned fee represents the base fee, i.e. not including any extended or unanticipated testing. At the conclusion of the audit we performed an assessment of the work performed that was not included in the scale fee. We are in the process of following the PSAA scale fee variation process accordingly and are reporting the areas in which we are seeking a fee variation to the Authority. Details of the components of the additional fee include:

- Group risk assessment, instructions, and involvement planned and executed. This included audit file reviews for LPP group and subsidiaries.
- Pre-issuance reviews performed on the accounts as an initial audit of a Major Local Audit body.
- Initial audit procedures including review of predecessor auditor's files and procedures on opening balances.
- Additional work and consultations to address the misstatement in the classification of a Level 2 investments and associated Prior Period Adjustments.
- Basis of preparation of the Statement of Accounts and associated audit reports in relation to the Consolidated Operational and Residual liabilities accounts, adjusted prior years' financial statements, and corrected disclosure misstatements.
- Misstatement in the classification of the LTLF cash investment, resulting in reclassification and disclosure adjustments.
- Engagement of our pension's specialist team for IAS 19 liabilities and evaluated actuary's work to address the audit risk.
- Various disclosure adjustments including the audit of final designed versions.

(2) We are requiring an additional fee of £48,000 in 2023/24 in respect of our role in providing IAS19 assurance reports to LPFA admitted bodies auditors in respect of their work on 2023/24 financial statements under the NAO Code of Audit Practice. This is based on the number and complexity of requests received from these admitted body auditors and in line with the figure reported in both the Audit Plan and the Audit Results Report. This element of audit fee can be re-charged by the Authority to the Admitted bodies.

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ED None

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