



Report to the Audit and Risk Management Committee

CITY'S CASH AND THE SUNDRY TRUSTS

Audit for the year ending 31 March 2019

Completion report

IDEAS | PEOPLE | TRUST



CONTENTS

1	Introduction	3
	Welcome	3
2	Executive summary	4
	Overview	4
	The numbers	5
	Other matters	6
3	Audit risks	7
	Overview - Significant risks	7
	Management override of controls	8
	Revenue recognition	9
	Revenue recognition 2	10
	Investment property valuation	11
	Pension liability valuation	12
4	Audit risks	13
	Overview - Other risks	13
	Accounting for leases	14
	Acquisition of barking power limited and Thames power services limited	15
	City's cash basis of consolidation	16
	Investment Valuations	17
	Related parties transactions	18
	Pension Contributions	19

	Significant judgements, Key Assumptions & Estimates	20
	Matters requiring additional consideration	21
	Overview: Unadjusted audit differences and disclosures	22
	Unadjusted audit differences: Hampstead Heath Group	23
	Unadjusted audit differences: Epping Forest	24
	Unadjusted audit differences: Keat's House	25
	Unadjusted audit differences: West Wickham Common and Spring Park Coulsdon & Other Commons	26
	Adjusted audit differences: City's cash	27
	Adjusted audit differences: Barking Power Limited	28
	Adjusted disclosure omissions and improvements	29
5	Control environment	30
	Control environment: Observations noted	30
	Audit report overview	31
	Independence	32
6	Outstanding matters	33
	Outstanding matters	33
7	Appendices	34

Contents
Introduction
Welcome
Executive summary
Audit risks
Audit risks
Control environment
Outstanding matters
Appendices contents

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

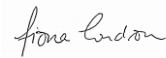
It summarises the results of work undertaken in respect of the planned audit approach for the year ended 31 March 2019, specific audit findings and areas requiring further discussion and/or the attention of the Audit and Risk Management Committee.

As we approach the completion stage of the audit it is essential that we engage with the Audit and Risk Management Committee on the results of audit work on key risk areas, including significant estimates and judgements made by Management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

The matters contained in this report were discussed with you at the Finance Committee meeting on 12 November 2019 and the Audit and Risk Management Committee meeting on 19 November 2019. Following those meetings a further adjustment was identified which has now been reflected in the accounts of City’s Cash and therefore this report has been subsequently updated for the purposes of presenting our final conclusions to the Finance Committee on 10 December 2019.

This report contains matters which should properly be considered by the City of London Corporation.

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



Fiona Condron - 27 November 2019

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



Fiona Condron
Partner

t: +44(0)1293 591 102
m: +44(0)7979 706 565
e: fiona.Condron@bdo.co.uk



James Hay
Audit Manager

t: +44(0)207 893 2934
m: +44(0)7855 517 028
e: james.hay@bdo.co.uk

OVERVIEW

Executive summary

Contents
Introduction
Executive summary
Overview
The numbers
Other matters
Audit risks
Audit risks
Control environment
Outstanding matters
Appendices contents

This summary provides an overview of the audit matters that we believe are important to the Audit and Risk Management Committee in reviewing the results of the audit of the financial statements for City’s Cash and the Sundry Trusts for the year ended 31 March 2019.

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

Overview

Our audit work is substantially complete. Subject to the successful resolution of outstanding matters we anticipate being in a position to issue an unmodified audit opinion on the financial statements of City’s Cash and the individual Sundry Trusts for the year ended 31 March 2019.

Outstanding matters are listed on page 33 in the appendices.

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

Recommendations regarding systems and internal controls are detailed on page 30.

Adjusted and unadjusted audit differences are listed on pages 22.

No restrictions were placed on our work.

Audit report

We are unaware of any matters which would prevent us from issuing an unmodified audit opinion on the financial statements of City’s Cash and any of the individual financial statements of the sundry trusts.

Entity key

- City’s Cash and consolidated trusts and companies
 - City’s Cash (CC)
 - Ashtead Common (AC)
 - Burnham Beeches (BB)
 - Epping Forest (EF)
 - Hampstead Heath consolidated (HHG)
 - Hampstead Heath Trust (HHT)
 - Highgate Wood and Queens Park Kilburn (HWQP)
 - West Ham Park (WHP)
 - West Wickham Common and Spring Park Coulsdon & Other Commons (WWC)
 - Sir Thomas Gresham Charity (STG)
 - Keats House (KH)
 - Barking Power (BPL)
 - Thames Power Services Limited (TPS)
 - City Re Limited (CR)

Entity key (continued)

- Other Sundry Trusts
 - The City Of London Charities Pool (CLCP)
 - King George’s Field (KGF)
 - Guildhall Library Centenary Fund (GLCF)
 - City Educational Trust Fund (CETF)
 - Combined Relief of Poverty (CRP)
 - City of London School Education Trust (CET)
 - Charities Administered ICW the City of London Freeman’s School (FS)
 - The City of London Freeman’s School Bursary Fund (FSBF)
 - The City of London School Bursary Fund (BF)
 - The City of London School for Girls Bursary Fund (GBF)
 - The City of London Corporation Combined Education Charity (CEC)
 - Emmanuel Hospital (EH)
 - Sir William Coxen Trust Fund (WC)
 - Signor Pascale Favale Bequest (SPFB)
 - The Vickers Dunfee Memorial Benevolent Fund (VD)
 - The City of London Almhouses (COLA)
 - Ada Lewis Winter Distress Fund (AL)
 - Samuel Wilson’s Loan Trust (SW)

THE NUMBERS

Executive summary

Contents

Introduction

Executive summary

Overview

The numbers

Other matters

Audit risks

Audit risks

Control environment

Outstanding matters

Appendices contents

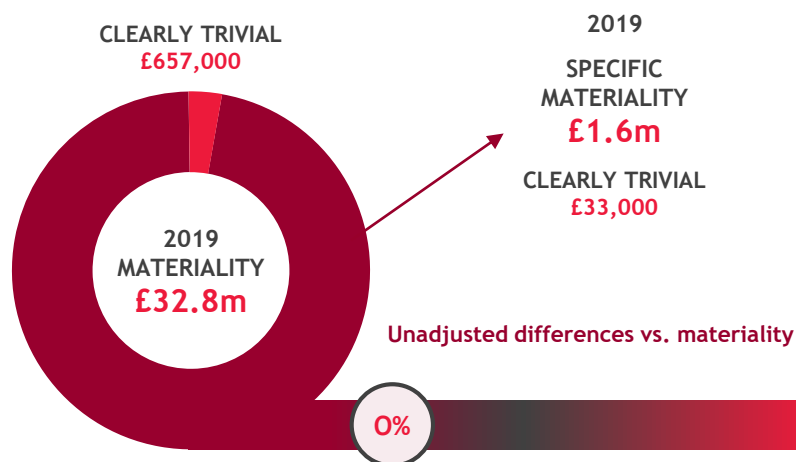
Final Materiality

Materiality was determined as follows:

- Financial statement materiality: 1% of gross assets
- Specific materiality for items impacting the Statement of Comprehensive Income: 1% of total income

There were no changes to final materiality and triviality from that reported in our planning report other than being updated for the results for the year ended 31 March 2019.

City's Cash group materiality is set out below and for the other group entities, see the appendix.



Final Materiality

Our approach was designed to ensure we obtained the required level of assurance across the components of the group in accordance with ISA (UK) 600 (Audits of Group Financial Statements). This objective has been achieved for City's Cash and each of the sundry trusts.

Unadjusted audit differences

Clearly trivial was set at 2% of financial statement materiality (£657k) and specific materiality (£33k). It is only unadjusted differences that are above clearly trivial that we report to the Committee on the unadjusted differences summary.

We have identified audit adjustments in respect of the consolidated accounts of City's Cash that, if posted, would:

- Decrease the reported net expenditure by £35.5k and net assets by £35.5k (HHG)

Details of unadjusted audit differences can be found on page 22.

A number of audit differences were identified in respect individual City Cash subsidiaries during the course of the audit. The financial statements have not been adjusted for these differences due, in part to the timing of audit findings. Details can be found on page 22.



OTHER MATTERS

Executive summary

Contents

Introduction

Executive summary

Overview

The numbers

Other matters

Audit risks

Audit risks

Control environment

Outstanding matters

Appendices contents

Financial reporting

- We have not identified any non-compliance with accounting policies or applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- We note however that due to the identification of a deferred tax liability pertaining to the revaluation of land in Barking Power Limited, the City's Cash accounting policies now incorporate an appropriate accounting policy to reflect this as well as reference to a prospective policy on goodwill amortisation.



Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letters of Representation.
- Completion of post balance sheet event review up to point of signing the financial statements.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of City's Cash and the Sundry Trusts in accordance with the FRC's Ethical Standard.


Contents
Introduction
Executive summary
Audit risks
Overview - Significant risks
Management override of controls
Revenue recognition
Revenue recognition 2
PPE and investment property valuation
Pension liability valuation
Audit risks
Control environment
Outstanding matters
Appendices contents

OVERVIEW - SIGNIFICANT RISKS

As identified in our audit planning report dated 28 February 2019 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the directing of the efforts of the engagement team.

Significant Audit Risk	Entities	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported in Management letter	Specific Letter of Representation Point	Discussion points for Audit and Risk Management Committee
Management override of controls	All	Yes	Yes	No	No	No	No
Revenue recognition	All	Yes	No	Yes, adjusted (page 9/10)	No	Yes	No
Investment property valuations	CC	Yes	Yes	No	No	Yes	No
Pension liability valuation	CC	Yes	Yes	Disclosure amendments noted (page 12)	No	Yes	No



 Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

Contents
Introduction
Executive summary
Audit risks
Overview - Significant risks
Management override of controls
Revenue recognition
Revenue recognition 2
PPE and investment property valuation
Pension liability valuation
Audit risks
Control environment
Outstanding matters
Appendices contents

ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmnt letter

Letter of Representation point

Risk description

- ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Details

Our audit procedures included the following:

- Consideration of estimates and judgements applied in the financial statements to assess their appropriateness and the existence of any systematic bias;
- Review and checking of unusual journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals. We used our IT team to assist with the journal extraction; and
- Considered unadjusted audit differences for indications of bias or deliberate misstatement.

Results

- We have identified no significant or unusual transactions which we consider to be indicative of fraud in relation to management override of controls.
- We have not found any indication of management bias in accounting estimates. Our views on significant management estimates are set out in this report.
- We have assessed and corroborated significant management estimates and judgements - see page 20 for further details.

REVENUE RECOGNITION

Contents
Introduction
Executive summary
Audit risks
Overview - Significant risks
Management override of controls
Revenue recognition
Revenue recognition 2
PPE and investment property valuation
Pension liability valuation
Audit risks
Control environment
Outstanding matters
Appendices contents

Under auditing standards there is a presumption that income recognition presents a fraud risk.

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmnt letter

Letter of Representation point

Risk description

- Under auditing standards there is a presumption that there is a risk of fraud in revenue recognition.
- For City's Cash, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the Comprehensive Income and Expenditure statement (CIES).
- For City's Cash, we consider there to be a significant risk in respect of the completeness of education income (including tuition fees, grants, donations and charges for the use of facilities) and investment income. Together these account for approximately 88% of total income.
- The Sundry Trusts we consider there to be a significant risk in respect of the completeness of the contribution from City's Cash, grants, donations and legacies, fees and charges (including admissions), rental income and investment income. For grants, donations and legacies we also consider there to be a risk that any relevant restrictions are not correctly identified.

Details

Our audit procedures included the following:

- Carried out audit procedures to gain an understanding of the internal control environment for the significant income streams, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period. Audit procedures included substantive testing on the material income streams and cut off testing to ensure income is recognised in the correct period and appropriately classified as restricted (charity entities only);

- Tested a sample of fees and charges to ensure that income has been recorded in the correct period and that all income that should have been recorded has been;
- We selected a sample of grants and donations to ensure completeness, accuracy, existence and classification (as restricted or unrestricted) in the financial statements;
- We selected a sample of investment income and confirmed to third party investment manager reports;
- A sample of property rental income was agreed to lease agreements and recalculations performed to determine whether the amounts are accurate and recorded in the correct period.
- We selected a sample of properties from the property management system and agreed these to the general ledger and supporting leases to ensure completeness.

Results

Investment Property Income

- We traced a sample of rental income amounts through to lease agreements. We also obtained a report from the tenant system and developed an expectation of the rental income for the year and compared this to the general ledger.
- Testing was completed satisfactorily however we identified one audit adjustment:
 - Incorrect/missing income accruals (£0.13m) for investment property income at year-end (adjusted - see page 28).

REVENUE RECOGNITION 2

Contents
Introduction
Executive summary
Audit risks
Overview - Significant risks
Management override of controls
Revenue recognition
Revenue recognition 2
PPE and investment property valuation
Pension liability valuation
Audit risks
Control environment
Outstanding matters
Appendices contents

Under auditing standards there is a presumption that income recognition presents a fraud risk.

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmnt letter

Letter of Representation point

Results Continued

Financial Investment Income

- We selected a sample of investments income and agreed these through to investment manager reports. A reclassification of investment income was identified during our work which was agreed with management. Management confirmed that the previous treatment had been adopted following advice from auditors at that time.

Education income (including tuition fees, grants, donations and charges for the use of facilities)

- No issues noted from our work on City of London Girls School, City of London Boys School, City of London Freeman's School and Guildhall School of Music and Drama.

Market income

- No issues noted from our sample testing performed

Grants, donations and legacies (including contribution from City's Cash)

- No issues noted from our sample testing performed

Fees and charges (including admissions)

- A proof in total was undertaken satisfactorily considering the number of visitors and the published admissions rates. No issues noted.

Other Income

- We traced a sample of other income through to supporting documentation. No issues were noted.

INVESTMENT PROPERTY VALUATION

Contents
Introduction
Executive summary
Audit risks
Overview - Significant risks
Management override of controls
Revenue recognition
Revenue recognition 2
PPE and investment property valuation
Pension liability valuation
Audit risks
Control environment
Outstanding matters
Appendices contents

There is a risk over the valuation of investment properties where valuations are based on significant assumptions.

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmnt letter

Letter of Representation point

Risk description

Investment properties are reported at fair value at the balance sheet date.

The Corporation applies an annual revaluation process for investment properties to provide assurance that carrying values are not materially misstated. The Corporation has appointed four different valuers for investment property - one of which is used specifically to value the portfolio within City's Cash.

Due to the significant value of investment properties and the high degree of estimation uncertainty, there is a risk over the valuation of these assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year-end.

Details

Our audit procedures included the following:

- Assessed the qualifications and competence of the valuer used;
- Reviewed the instructions provided to the valuer and reviewed the valuers' skills and expertise in order to determine if we can rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewed accuracy and completeness of asset information provided to the valuer such as rental agreements and land plot / building sizes;
- Compared movements in the valuation of assets year-on-year and investigated unusual movements;

- Reviewed assumptions used by the valuers and movements against relevant indices for similar classes of assets and follow up valuation movements that appear unusual; and
- Discussed with the BDO specialist Real Estate Team the reasonableness of assumptions for benchmark and yields range for investment properties

Results

- Our review of instructions to the valuer including the valuer's skills and expertise did not identify any issues. We also confirmed the basis of valuation for assets valued in year is appropriate.
- No issues were identified in respect of our work carried out on the accuracy and completeness of asset information used as the basis of valuations.
- Investment properties are valued by reference to highest and best use market value using an income based approach. Investment properties increased in value by £157.0 million to £1,974.6 million (7%) in 2018/19 primarily due to the addition of the Barking Power Station property, £123.7m.
- We set investment property yield expectations, based on market evidence, for office, retail, industrial and mixed commercial space. To support the valuations, we agreed a sample of rental amounts used in the valuation to the lease or rent agreements and reviewed the data for properties where the movement in value appeared unusual compared to expectations.
- Based on our work, we are satisfied that the valuations of investment properties are reasonable.

PENSION LIABILITY VALUATION

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

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

Risk description

The LGPS pension fund is required to report the pension liability for estimated promised future benefits for the whole fund. The Corporation's share of the net liability, including its share of the assets held in the pension fund, is allocated across the funds in proportion to the payroll cost for each fund. This is currently 47% for City's Cash.

An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate is based on the roll forward of membership data from the 2016 triennial valuation exercise for the LGPS, updated at 31 March 2019 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

The proportion of the Pension Fund that relates to City's Cash is not separately identifiable and therefore the share of pension contributions paid to the scheme by the Trust is calculated pro rata to employer's contributions paid by each of the Corporation contributors to the scheme. The risk is therefore also focussed on the accuracy of this calculation.

Details

Our audit procedures undertaken as part of the Pension Fund audit and reviewed for the purposes of the City's Cash audit included the following:

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

- Reviewed the inputs into the calculation;
- Reviewed the reasonableness of the assumptions used by Barnett Waddingham (management's expert) for the calculation of the liability against other local government actuaries' assumptions and other observable data using the benchmark range of acceptable assumptions provided by PwC consulting actuary (auditor's expert);
- Reviewed the controls for providing accurate membership data to the actuary;
- Checked whether any significant changes in membership data have been communicated to the actuary;
- Checked the accuracy of the calculations relating to the allocation of the share of the net assets across the funds in proportion to the employer's contribution's paid to the scheme; and
- Reviewed the reasonableness of the relevant disclosures in City's Cash relating to the basis of apportioning the net pension liability of the Corporation.

Results

- We have agreed the disclosures to the information provided by the actuary and identified some disclosure amendments which were included in the initial draft of the consolidated accounts which have been subsequently adjusted by management.
- We have taken assurance from the work undertaken on the Pension Fund audit regarding the review of the controls to ensure data provided to the actuary is complete and accurate.
- The allocation of the Corporation's share of LGPS assets and liabilities as 47% in City's Cash is reasonable based on the proportion of payroll costs for each Fund.
- A full assessment of the pension scheme assumptions is set out in the BDO report to the Committee on the City's Fund. These are also set out in the representation letter.

OVERVIEW - OTHER RISKS

As identified in our audit planning report dated 28 February 2019 we assessed the following matters as being normal risks of material misstatement in the financial statements.

Other Audit Risk	Entities	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported in Management letter	Specific Letter of Representation Point	Discussion points for Audit and Risk Management Committee
Accounting for leases	CC	No	No	No	No	No	No
Acquisition of Barking Power Limited	CC	Yes	No	No	No	Yes	Yes, amortisation of goodwill
City’s Cash basis of consolidation	CC	Yes	No	No	No	Yes	No
Investment valuations	CC	No	Yes	No	No	No	No
Related Party transactions disclosure	All	No	No	No	No	Yes	No
Pension contributions	CC	No	Yes	No	No	Yes	No



 Areas requiring your attention

ACCOUNTING FOR LEASES

There is a risk leases may not be correctly accounted.

Risk description

City's Cash have a significant number of leases i.e. is party to a significant number of lease arrangements as lessor. The premiums and rents are apportioned between the land element, which will ordinarily be an operating lease recognised as revenue, and the building element which is likely to be a finance lease and recorded as a capital disposal. The element of the premium relating to the land is treated as deferred income and released to revenue over the term of the lease. There is also likely to be complex calculations relating to the recognition of rental income, rent free calculations, lease extension/ lease premiums, dilapidations and the relevant disclosures.

Details

- Lease income was tested substantively by selecting a sample of leases, obtaining the relevant agreements, calculating the expected income and agreeing it to the accounts, including any amounts of deferred income, rent free calculations, lease extension/ lease premiums, dilapidations and the relevant disclosures.
- We checked the disclosures to ensure that these are in line with the relevant accounting standard.

Results

No issues were noted from our testing.

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmt letter

Letter of Representation point

Contents

Introduction

Executive summary

Audit risks

Audit risks

Overview - Other risks

Accounting for leases

Acquisition of Barking Power Limited

City's Cash basis of consolidation

Investment Valuations

Related parties transactions

Pension Contributions

Significant judgements, Key Assumptions & Estimates

Matters requiring additional consideration

Overview: Unadjusted audit differences and disclosures

Unadjusted audit differences: Detail

Adjusted audit differences: Detail

Adjusted disclosure omissions and improvements

Control environment

Outstanding matters

Appendices contents

ACQUISITION OF BARKING POWER LIMITED AND THAMES POWER SERVICES LIMITED

There is a risk the assets and liabilities acquired may not be identified and recorded as well as assets and liabilities may not be correctly valued.

Risk description

During the year, City's Cash acquired Barking Power Limited and Thames Power Services Limited. The acquisition is a business combination and the results of the companies will be consolidated in the Group results for City's Cash for the year ended 31 March 2019.

The key assumptions relating to fair value measurement of the assets and liabilities at acquisition date will be an area of focus. Additionally, goodwill may not be correctly calculated.

Details

We obtained and reviewed board minutes relating to the purchase and well as due diligence reports prepared prior to acquisition;

- A copy of the sales agreement and other supporting documents relating to the sale were obtained and reviewed to determine information such as details of purchase consideration and assets acquired;
- We reviewed the financial statements of the companies acquired;
- We reviewed management's assessment of the fair value of assets and liabilities recognised at acquisition date as required by the financial reporting standards; and
- We performed a review of the calculation of the amounts recorded such as goodwill.

Results

- The audit of Barking Power Limited and Thames Power Services Limited have been completed by another BDO team. We have been provided access to the file and provided all key

documentation. No issues have been noted from our review of the file or discussions with the audit team.

- We have received the financial statements and transactions for Barking Power Limited and Thames Power Services Limited for the year and tested this as part of the consolidation adjustments.
- We reviewed the completion statement, purchase agreement and the 2019 year end statutory accounts for Barking Power Limited and Thames Power Services Limited and compared these to the fair value of assets and liabilities at acquisition. No issues noted.
- We reviewed the calculation of goodwill which has been updated to reflect that the net assets acquired now include a deferred tax liability arising on the revaluation of the land. Whilst we understand that there may be future tax planning opportunities based on decisions which have not yet been taken, accounting standards require that the deferred tax liability is recognised at the balance sheet date. No issues were noted from our updated review.
- Following a deferred tax adjustment of £14.77m, goodwill of £39.3m has been recognised in the financial statements of City's Cash. Goodwill is attributable to the level of competition for the site. The estimated useful life of this goodwill has not been determined by management as the future use of the site has not yet been agreed. The notes to the financial statements state than an appropriate useful life will be determined in FY19/20. We challenged management on this however, given the acquisition took place in the final quarter of the year, any amortisation charge would be immaterial for the 3 month period to 31 March 2019 (£1.97m if amortised over 5 years or £0.98m if amortised over 10 years).
- We recommend that during FY19/20 a policy is agreed so that an appropriate amortisation charge can be expensed in the financial year to March 2020.

CITY'S CASH BASIS OF CONSOLIDATION

There is a risk over the completeness of the consolidation of entities within City's Cash.

Risk description

City's Cash is a non statutory consolidation comprising the results of the services provided directly along with a number of entities and unincorporated charities. In addition there are a number of other unincorporated charities which are not consolidated within City's Cash.

We understand that the rationale for including or excluding entities/charities within City's Cash was last formally considered in 2013. We note that Keat's House was consolidated for the first time in 2017/18.

We therefore consider the risk of the completeness of the consolidated accounts of City's Cash given that circumstances may have changed over time.

Details

Our audit procedures included the following:

- Reviewed the evidence provided by management setting out the current rationale (rolled forward as at 31 March 2019) to support including or excluding entities within the scope of the consolidation of City's Cash;
- Reviewed the attributes which could indicate that City's Cash does or does not have the ability to control the operations, activities and management of each of the sundry trusts or entities; and
- Considered whether the disclosures in both the non statutory financial statements of City's Cash and in each of the Sundry Trusts provides adequate and appropriate explanation to support the accounting treatment adopted.
- We reviewed the consolidation results for City's Cash to ensure that the acquisitions have been consolidated appropriately.

Results

- City's Cash have determined to consolidate 13 entities where the City's Cash has influence over the Trustees and contributes financially to the activities by way of a grant. The Barking Power stations were included for the first time in FY19. Having reviewed management's rationale, and considering all attributes which could indicate control, we are comfortable with the basis of consolidation and completeness of the entities included within this.
- No issues noted from our work on the detailed testing of the consolidation and the consolidation adjustments.

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmnt letter

Letter of Representation point

INVESTMENT VALUATIONS

There is a risk that investment valuations may not be corrected reported at year end.

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmt letter

Letter of Representation point

Risk description

- The investment portfolio within City's Cash includes unquoted infrastructure, private equity holdings and pooled investment vehicle (held through unit trust). The unquoted infrastructure funds and private equity funds are valued by the General Partner or fund manager using valuations obtained from the underlying partnerships and investments. The valuation of other funds are provided by individual fund managers and reported on a monthly basis.
- Valuations for private equity are provided at dates that are not coterminous with the year for City's Cash and need to be updated to reflect cash transactions (additional contributions or distributions received) up to 31 March. There is a risk that private equity investments valuations may not be appropriately adjusted to include additional contributions or distributions at the year end.
- There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements

Details

Our audit procedures include the following:

- For unquoted infrastructure and private equity investments, obtained direct confirmation of investment valuations from the General Partner or fund manager and request copies, where applicable, of the audited financial statements of the underlying partnerships (and member allocations). We confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds.

- For pooled investments, obtained direct confirmation of investment valuations from the fund managers and agreed independent valuations, where available, provided by the custodian.
- Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.
- Agreed the allocation of amounts for each fund where there is pooling of investments across the funds to supporting information.

Results

- We have agreed investments to confirmations received from investment managers.
- We have confirmed a sample of listed investment balances to external published sources. We have also performed testing over purchases and sales of Investments.
- Our testing of the private equity and other non listed elements of the portfolio did not identify any issues.
- In conjunction with the City Fund auditors, we have reviewed the control reports for the investment managers.
- A reclassification of £2.4m dividend investment income was identified during our work. We have confirmed that the presentation has been reflected as an adjustment in the current and prior year. Management confirmed that the previous treatment had been adopted following advice from auditors at that time.

RELATED PARTIES TRANSACTIONS

There is a risk that related party disclosures are not complete and accurate.

Risk description

- Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit and Risk Management Committee.
- There is a risk that related party disclosures are not complete and accurate, and disclosed in accordance with the applicable reporting framework for each fund/entity.
- Historically members / trustees of each entity have provided year end declarations but the requirements to consider other connected parties (including family and business connections) may not have been explicitly considered.

Details

Our audit procedures included the following:

- Reviewed management processes and controls to identify and disclose related party transactions;
- Reviewed relevant information concerning any such identified transactions;
- Discussed with management and review members' and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Undertaken Companies House searches for potential undisclosed interests.

Results

- We note that many of the items disclosed as related party transactions do not, strictly speaking, fall within the definition and therefore the voluntary disclosures are designed to provide enhanced transparency regarding relationships between Members of the Corporation and organisations that interact with City's Cash.
- No issues noted from our testing of related parties.

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

PENSION CONTRIBUTIONS

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

Risk description

- Employers are required to deduct amounts from employee pay based on tiered pay rates and to make employer contributions in accordance with rates agreed with the actuary. Additional contributions are also required against pension strain for early retirements.
- There is a risk that the Corporation or other admitted and scheduled employers may not be calculating contributions correctly or paying over the full amount due to the pension fund.

Details

Our audit procedures, carried out as part of City's Cash audit, included the following:

- Tested amounts payable by employers / receivable by the pension fund for normal contributions including checking to employer payroll records;
- Ensured that income is recognised in the correct accounting period where the employer is making payments in the following month;
- We performed tests over pension strain contributions due from employers;
- Agreed total contributions payable by the Corporation(as employer) to the amounts received in the pension fund;
- Reviewed contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate; and
- Discussed with the actuary the potential impact on GMP equalisation on City's Cash.

Results

Please refer to page 12.

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmnt letter

Letter of Representation point

Contents

Introduction

Executive summary

Audit risks

Audit risks

Overview - Other risks

Accounting for leases

Acquisition of Barking Power Limited

City's Cash basis of consolidation

Investment Valuations

Related parties transactions

Pension Contributions

Significant judgements, Key Assumptions & Estimates

Matters requiring additional consideration

Overview: Unadjusted audit differences and disclosures

Unadjusted audit differences: Detail

Adjusted audit differences: Detail

Adjusted disclosure omissions and improvements

Control environment

Outstanding matters

Appendices contents

SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS & ESTIMATES

The Members are required to make a number of significant judgements, key assumptions and estimates when compiling the entities financial statements.

The judgements, assumptions and estimates that have the most significant effect on the financial statements are detailed in the notes of the draft financial statements. We have detailed below our work and conclusions in relation to the key items. While the valuation of the investment properties and defined benefit pension scheme are deemed to be a significant risks, we do not consider the other judgements to give rise to a significant audit risk.

Judgements

Fair value of investment properties (CC)

The fair value of investment property is determined by the valuers to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction.

Discussion

- The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation - Professional Standards January 2018 ("the Red Book").
- Factors reflected include current market conditions, annual rentals, operating costs and location.
- Refer to page 11 for conclusion on investment property valuations.

Defined benefit pension scheme (CC)

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

Discussion

- Refer to page 12

Investment Valuations (CC)

Inappropriate assumptions may be used to value investments

Discussion

- Refer to page 17

Goodwill (CC)

Judgement is needed when assessing goodwill and amortisation period.

Discussion

- Refer to page 15

Contents

Introduction

Executive summary

Audit risks

Audit risks

Overview - Other risks

Accounting for leases

Acquisition of Barking Power Limited

City's Cash basis of consolidation

Investment Valuations

Related parties transactions

Pension Contributions

Significant judgements, Key Assumptions & Estimates

Matters requiring additional consideration

Overview: Unadjusted audit differences and disclosures

Unadjusted audit differences: Detail

Adjusted audit differences: Detail

Adjusted disclosure omissions and improvements

Control environment

Outstanding matters

Appendices contents

MATTERS REQUIRING ADDITIONAL CONSIDERATION

	Significant matter	Comment based on progress to date
1	Significant difficulties encountered during the audit	No exceptions to note
2	Significant matters that arose during the audit that were discussed or were subject to correspondence with management	No exceptions to note
3	Serious incident reporting	Management have made us aware of a serious incident report that was made regarding a fatality of a member of the public using the Highgate Men's bathing pond on Hampstead Heath. We have considered our own reporting obligations as to whether this constitutes a matter of material significance and have concluded that no further action is required.
4	Written representations which we seek	We enclose a copy of our draft representation letters
5	Any fraud or suspected fraud issues	No exceptions to note
6	Any suspected non-compliance with laws or regulations	No exceptions to note
7	Any misstatements in opening balances that exist in the current period financial statements	No exceptions to note
8	Significant matters in connection with related parties	No exceptions to note
9	Any other significant matters arising relevant to the oversight of the financial reporting process	No exceptions to note
10	Any material misstatements affecting prior period financial statements on which a predecessor auditor had previously reporting	No exceptions to note
	Group matters	
11	Limitations on the audit where information was restricted	No exceptions to note
12	Any fraud or suspected fraud at group or component level	No exceptions to note

Contents

Introduction

Executive summary

Audit risks

Audit risks

Overview - Other risks

Accounting for leases

Acquisition of Barking Power Limited

City's Cash basis of consolidation

Investment Valuations

Related parties transactions

Pension Contributions

Significant judgements, Key Assumptions & Estimates

Matters requiring additional consideration

Overview: Unadjusted audit differences and disclosures

Unadjusted audit differences: Detail

Adjusted audit differences: Detail

Adjusted disclosure omissions and improvements

Control environment

Outstanding matters

Appendices contents

OVERVIEW: UNADJUSTED AUDIT DIFFERENCES AND DISCLOSURES

Summary for the current year

Contents

Introduction

Executive summary

Audit risks

Audit risks

Overview - Other risks

Accounting for leases

Acquisition of Barking Power Limited

City's Cash basis of consolidation

Investment Valuations

Related parties transactions

Pension Contributions

Significant judgements, Key Assumptions & Estimates

Matters requiring additional consideration

Overview: Unadjusted audit differences and disclosures

Unadjusted audit differences: Detail

Adjusted audit differences: Detail

Adjusted disclosure omissions and improvements

Control environment

Outstanding matters

Appendices contents

Unadjusted audit differences:

We are required to bring to your attention unadjusted differences.

The unadjusted audit differences identified by our audit work to date which, in respect of the consolidated accounts of City's Cash would:

- Decrease the reported net expenditure by £35.5k and net assets by £35.5k (HHG-2 errors). Adjustments were agreed following the preparation of the first draft of the City's Cash consolidated accounts.

The unadjusted differences with respect to the individual financial statements of the respective consolidated City Cash entities are set out on pages 23-26

Management consider the differences to be immaterial in the context of the financial statements as a whole and have not adjusted due to the timing of adjustments being identified. We request that the reason for not correcting is included in the letter of representation.

Unadjusted financial reporting matters

We are required to bring to your attention financial reporting disclosure omissions and improvements that the Audit and Risk Management Committee is required to consider.

We note that the treatment of income arising from the endowment funds in some of the sundry trusts should, strictly speaking, be treated as unrestricted income. We would propose that this is considered as part of the overall review of the sundry trust accounts for FY 19/20. We are not aware of any material unadjusted financial reporting matters.

Adjusted audit differences

Two audit adjustments have been posted through the accounts of City's Cash by the finance team subsequent to the draft accounts presented for audit.

Details of the adjusted audit differences for the current year can be found on pages 27 and 28.

Adjusted financial reporting matters

A small number of disclosure omissions were identified in respect of the sundry trusts and have been corrected in the draft accounts presented for audit.

Following identification of the deferred tax liability relating to Barking Power Limited (BPL), we challenged management on the presentation of cash flows arising from the acquisition of BPL. As a result, management proposed to include in the main Cash Flow Statement the cash flow arising from the liabilities taken on as part of the acquisition of BPL and to remove them from 'provisions for liabilities' in Note 20. Due to this adjustment, Note 20 no longer equals the total movement in 'provisions for liabilities' in City's Cash Consolidated Statement of Financial Position but, to aid readers understanding, management has included a supporting narrative to explain this.

Adjusted financial reporting matters are detailed on page 29.

UNADJUSTED AUDIT DIFFERENCES: HAMPSTEAD HEATH GROUP

Details for the current year

	Income and expenditure			Balance sheet	
	£000	£000 Dr	£000 Cr	£000 Dr	£000 Cr
Unadjusted audit differences	£000				
Net expenditure for the year before adjustments	(120)				
Adjustment 1: Extrapolated errors within Accrual Testing					
DR Accruals				27.5	
CR Expenditure			(27.5)		
2: Extrapolated errors within Cut-Off testing. Two balances relating to Pre year-end income have been treated as post year-end income.					
DR Accrued income				8	
CR Income			(8)		
Net expenditure for the year if adjustments accounted for	(84.5)				

As noted previously in this report, these items were agreed following the preparation of the first draft of the consolidated accounts of City's Cash

Contents

Introduction

Executive summary

Audit risks

Audit risks

Overview - Other risks

Accounting for leases

Acquisition of Barking Power Limited

City's Cash basis of consolidation

Investment Valuations

Related parties transactions

Pension Contributions

Significant judgements, Key Assumptions & Estimates

Matters requiring additional consideration

Overview: Unadjusted audit differences and disclosures

Unadjusted audit differences: Detail

Adjusted audit differences: Detail

Adjusted disclosure omissions and improvements

Control environment

Outstanding matters

Appendices contents

UNADJUSTED AUDIT DIFFERENCES: EPPING FOREST

Details for the current year

	Income and expenditure			Balance sheet	
	£000	£000	£000	£000	£000
	Dr	Cr		Dr	Cr
Unadjusted audit differences					
Net expenditure for the year before adjustments	(352.7)				
Adjustment 1: During accruals testing we identified two items that should not have been accrued at year end.					
DR Accruals				4.9	
CR Expenditure		(4.9)			
Net expenditure for the year if adjustments accounted for	(347.8)				

As noted previously in this report, these items were agreed following the preparation of the first draft of the consolidated accounts of City’s Cash

UNADJUSTED AUDIT DIFFERENCES: KEAT'S HOUSE

Details for the current year

	Income and expenditure			Balance sheet	
	£000	£000 Dr	£000 Cr	£000 Dr	£000 Cr
Unadjusted audit differences	£000				
Net income for the year before adjustments	93				
Adjustment 1: Extrapolated errors within Cut-Off testing. Two balances relating to pre year-end income have been treated as post-year end income.					
DR Accrued income				0.95	
CR Income			(0.95)		
2: Debit balances in Creditors ledger					
DR Debtors				0.5	
CR Creditors					(0.5)
Net income for the year if adjustments accounted for	93.95				

As noted previously in this report, these items were agreed following the preparation of the first draft of the consolidated accounts of City's Cash

Contents

Introduction

Executive summary

Audit risks

Audit risks

Overview - Other risks

Accounting for leases

Acquisition of Barking Power Limited

City's Cash basis of consolidation

Investment Valuations

Related parties transactions

Pension Contributions

Significant judgements, Key Assumptions & Estimates

Matters requiring additional consideration

Overview: Unadjusted audit differences and disclosures

Unadjusted audit differences: Detail

Adjusted audit differences: Detail

Adjusted disclosure omissions and improvements

Control environment

Outstanding matters

Appendices contents

UNADJUSTED AUDIT DIFFERENCES: WEST WICKHAM COMMON AND SPRING PARK COULSDON & OTHER COMMONS

Details for the current year

		Income and expenditure		Balance sheet	
	£000	£000 Dr	£000 Cr	£000 Dr	£000 Cr
Unadjusted audit differences	£000				
Net income for the year before adjustments	34				
Adjustment 1: Invoice from Arcadis Consulting was coded to West Wickham rather than Ashted Common in error.					
DR Creditors				0.9	
CR Expenditure			(0.9)		
2: Difference in accrual relating to a 3% retention that is deducted from the total invoice amount payable to City Remedial.					
DR Accruals				0.67	
CR Expenditure			(0.67)		
Net income for the year if adjustments accounted for	35.57				

As noted previously in this report, these items were agreed following the preparation of the first draft of the consolidated accounts of City's Cash

ADJUSTED AUDIT DIFFERENCES: CITY'S CASH

Details for the current year

Contents
Introduction
Executive summary
Audit risks
Audit risks
Overview - Other risks
Accounting for leases
Acquisition of Barking Power Limited
City's Cash basis of consolidation
Investment Valuations
Related parties transactions
Pension Contributions
Significant judgements, Key Assumptions & Estimates
Matters requiring additional consideration
Overview: Unadjusted audit differences and disclosures
Unadjusted audit differences: Detail
Adjusted audit differences: Detail
Adjusted disclosure omissions and improvements
Control environment
Outstanding matters
Appendices contents

	Income and expenditure			Balance sheet	
	£m	£m Dr	£m Cr	£m Dr	£m Cr
Adjusted audit differences					
Net surplus for the year before adjustments	59.6				
1: City's Cash - Net effect of credit balances on the debtors ledger and debit balances on creditors ledger.					
DR Debtors				0.7	
CR Creditors					(0.7)
2: City's Cash - Incorrect/missing income accruals for investment property income at year-end.					
DR Accrued Income				0.13	
CR Investment property Income			(0.13)		
Adjusted net surplus for the year	59.7				

ADJUSTED AUDIT DIFFERENCES: BARKING POWER LIMITED

Details for the current year

	Income and expenditure			Balance sheet	
	£000	£000 Dr	£000 Cr	£000 Dr	£000 Cr
Adjusted audit differences					
Net loss for the year before adjustments	(11,221)				
1: Accrue audit and tax fee (90% of total estimate apportioned to BPL)					
DR Admin expenses		77			
CR Accruals					(77)
Adjusted net loss for the year	(11,298)				

The adjustment above was resolved prior to audit receiving version one of the City's Cash Financial Statement.

ADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

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

A full compliance review was carried out on City's Cash and each individual set of sundry trust financial statements. We identified disclosure requirements and omissions relating to the sundry trusts which have been fed back to management. Our comments included those designed to enhance transparency and best practice in addition to those which are mandatory e.g. the inclusion of a fundraising statement.

As noted on page 22 an adjustment was made to the consolidated cash flow statement to appropriately identify and present the cash flow impact of the acquisition of Barking Power and Thames Services.



Contents
Introduction
Executive summary
Audit risks
Audit risks
Overview - Other risks
Accounting for leases
Acquisition of Barking Power Limited
City's Cash basis of consolidation
Investment Valuations
Related parties transactions
Pension Contributions
Significant judgements, Key Assumptions & Estimates
Matters requiring additional consideration
Overview: Unadjusted audit differences and disclosures
Unadjusted audit differences: Detail
Adjusted audit differences: Detail
Adjusted disclosure omissions and improvements
Control environment
Outstanding matters
Appendices contents

CONTROL ENVIRONMENT: OBSERVATIONS NOTED

Contents
Introduction
Executive summary
Audit risks
Audit risks
Control environment
Control environment: Observations noted
Audit report overview
Independence
Outstanding matters
Appendices contents

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit and Risk Management Committee.

We have not identified any significant or other deficiencies in internal control.

As the purpose of the audit is for us to express an opinion on the financial statements of City’s Cash and the individual Sundry Trusts, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

AUDIT REPORT OVERVIEW

Contents

Introduction

Executive summary

Audit risks

Audit risks

Control environment

Control environment:
Observations noted

Audit report overview

Independence

Outstanding matters

Appendices contents

Opinion on financial statements

We are not aware of any matters which would prevent us being able to issue an unmodified opinion on the financial statements of City's Cash or the individual sundry trusts.

There are no matters that we wish to draw the readers attention to in all statements except Signor Pasquale Favale's Bequest. The decision has been made to dissolve the charity and transfer assets to another charity and therefore the financial statements have been prepared on basis other than that of a going concern. We have made reference to the basis of preparation note within our audit opinion.

Going concern

There are no material uncertainties in relation to going concern disclosed in the financial statements or of which we are aware that we need to draw attention to in our report at this stage.

Comments on the Annual report and statutory other information

- We have reviewed the Annual reports and fed back comments to management on the drafts.
- We have reviewed the other information accompanying the financial statements in the Group's annual report. We have not identified any material misstatements that would need to be referred to in our report.

INDEPENDENCE

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

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

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2019.

Details of services, other than audit, provided by us to City's Cash and the Sundry Trusts during the period and up to the date of this report are set out on the following page. We understand that the provision of these services was approved by the Committee in advance in accordance with the Corporation's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our planning report.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence. We note that Leigh Lloyd-Thomas is on the Audit Panel but is not involved in reviewing our work nor signing the opinion on these accounts.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Group.

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

OUTSTANDING MATTERS

Contents
Introduction
Executive summary
Audit risks
Audit risks
<u>Control environment</u>
Independence
Outstanding matters
Appendices contents

The following matters are outstanding at the date of the issue of this report:

- Subsequent events procedures up until the date of signing the audit reports including latest management accounts and Committee minutes
- Receipt of the signed letters of representation for all entities





APPENDICES

TRUSTEE'S RESPONSIBILITIES EXPLAINED

The Trustee's Responsibilities and Reporting

The Trustee is responsible for preparing and filing an Annual Report and financial statements which show a true and fair view, comply with the Charities SORP, prepared in accordance with UK GAAP.

Our audit of the financial statements does not relieve Management nor those charged with governance of their responsibilities for the preparation of the financial statements.

Further information regarding these responsibilities is provided in the engagement letter.

Trustee responsibilities	What this means
<ul style="list-style-type: none">• Maintain adequate accounting records and maintain an appropriate system of internal control for the entity.• Prepare the annual report and the financial statements which give a true and fair view and which are prepared in accordance with UK Generally Accepted Accounting Practice.• Safeguard the assets of the organisation and take reasonable steps for the prevention and detection of fraud and other irregularities.	Further information regarding these responsibilities is provided in the engagement. We are happy to explain these in more detail to you.
<p>To make available to us, as and when required, all the accounting records and related financial information.</p> <p>To provide us with Committee papers on key issues including but not limited to:</p> <ul style="list-style-type: none">• Review of business risks• Going concern assessments• Impairment reviews• Any key judgments and estimates.	This includes information required from subsidiary entities incorporated in the UK and officers, employees or auditors of those subsidiary entities.
<p>Having made enquiries of fellow Members of the Corporation, state in the Annual report that:</p> <ul style="list-style-type: none">• So far as they are aware, there is no relevant audit information of which the auditors are unaware• They have taken all reasonable steps they ought to have taken as the Trustee in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.	In addition to answering our queries, this requires proactive behaviour in order to make us aware of any relevant information. Relevant information is very broad and includes any information needed in connection with our report.

OUR RESPONSIBILITIES

Responsibilities and reporting

Our responsibilities and reporting

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

We report only those matters which come to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements.

We are also required to report on the consistency of the Annual report with the Financial Statements and our knowledge of the organisation and their environment obtained in the course of the audit and whether they have been prepared in accordance with the requirements of FRS 102.

What we don't report

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

FRAUD RISK

Respective responsibilities

In accordance with the International Standards on Auditing (UK) we are required to discuss with you the possibility of material misstatement, due to fraud or error. Below is a summary of the respective responsibilities of the Trustee, management, and the Auditor with regards to fraud:

Trustee's Responsibility

- To evaluate management's identification of fraud risk, and implementation of anti-fraud measures; and
- To investigate any alleged or suspected instances of fraud brought to their attention.

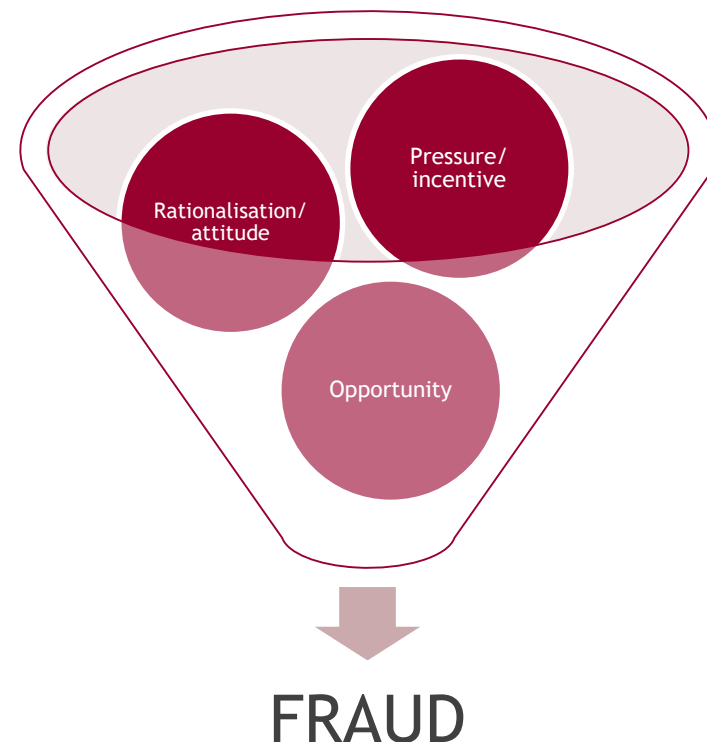
Management's Responsibility

- To design and implement systems and controls that enables the organisation to prevent and detect fraud;
- To ensure that the organisation's culture promotes ethical behaviour; and
- To perform a risk assessment that specifically includes the risk of fraud, and consideration of whether having a whistleblowing policy in place.

Auditor's Responsibility

- To evaluate and obtain sufficient appropriate audit evidence regarding the assessed risk of material misstatement due to fraud;
- To identify and assess the risks of material misstatement of the financial statements due to fraud; and
- To report fraud to an appropriate authority outside the entity where there is a suspected or actual instance suggesting dishonesty or fraud.

The auditor would also report to those charged with governance subject to "tipping-off" provisions under anti-money laundering legislation.



We will continue to consider fraud throughout the audit process and will discuss with the Audit & Risk Management Committee. We will liaise with management to determine any actual, suspected or alleged fraud known to them. We will discuss with management any knowledge they have of suspected or alleged fraud.

We will consider management's process for identifying and responding to the risks of fraud, including the nature, extent and frequency of such assessments. We ask that Board members advise us if they do not concur with the assessment made by management in your management representation letter to us.

The key questions we are required to ask the trustees are as follows:

- Are you aware of any instances of actual, suspected or alleged fraud?;
- What are your processes for identifying and responding to the risk of fraud?; and
- What communication is made with the Audit Committee and the Board with regards to processes for identifying and responding to the risk of fraud?

MATERIALITY: ALL ENTITIES

The basis for setting materiality for the funds is set out in the Executive Summary. Overall financial statement materiality has been assessed against a benchmark of assets held by each entity. A lower, specific materiality, has been set with reference to income and expenditure in the performance statement.

	2018/19			
	Materiality	CT	Specific materiality	Specific CT
	£	£	£	£
City's Cash	£32.8m	£657,000	£1.6m	£33,000

The basis for setting materiality for the sundry trusts, is expenditure for all Trusts whose deficits are funded by City of London Corporation and gross assets for all other Trusts/entities. In the previous year, Moore Stephens LLP applied a trivial level for reporting misstatements at 1% of materiality (subject to a de-minimis level £1,000).

A lower specific materiality has been set for those entities whose items of income and expenditure are significantly lower than the asset base.

The Audit and Risk Committee approved a de-minimis reporting level of £1,000 at the planning stage however our audit procedures have considered any items at the lower levels of clearly trivial (as set out below) both individually and in aggregate.

	2018/19			
	Materiality	CT	Specific materiality	Specific CT
	£	£	£	£
Ashtead Common Preservation of the common at Ashtead	5,550	110	-	-
Burnham Beeches Preservation of the open space known as Burnham Beeches	10,920	215	-	-
Epping Forest Preservation of Epping Forest in perpetuity	78,230	1,560	71,300	1,420
Hampstead Heath (consolidated) Preservation of Hampstead Heath for the recreation and enjoyment of the public	535,825	10,715	96,700	1,930

MATERIALITY: ALL ENTITIES

	2018/19			
	Materiality £	CT £	Specific materiality £	Specific CT £
Highgate Wood & Queens Park Kilburn Preservation of Hampstead Heath for the recreation and enjoyment of the public	14,185	280	-	-
West Ham Park To maintain and preserve the Open Space known as West Ham Park	15,060	300	-	-
West Wickham Common and Spring Park Coulsdon & Other Commons Preservation of West Wickham Common and Spring Park Coulsdon & Other Commons	14,420	285	-	-
Hampstead Heath Trust To meet a proportion of the maintenance cost of Hampstead Heath	332,690	6,650	15,255	305
Keats House Maintenance of Keats House	3,600	70	-	-
Sir Thomas Gresham Charity To provide a programme of public lectures	765	15	-	-
Ada Lewis Winter Distress Fund Assistance and relief for the poor and distressed during winter months	2,860	55	-	-
Charities Administered ICW the City of London Freeman's School Promotion of education through prizes	1,980	40	-	-
City Educational Trust Fund Advancement of education through grants	37,120	740	2,525	50
City of London Almshouses Almshouses for poor or aged people	32,505	650	3,445	65

MATERIALITY: ALL ENTITIES

		2018/19		
	Materiality	CT	Specific materiality	Specific CT
City of London Corporation Combined Education Charity Advancing education by the provision of grants and financial assistance	11,500	230	-	-
City of London Corporation Relief of Poverty Charity Relief of poverty for widows, widowers or children of a Freeman of the City of London	1,620	30	-	-
City of London Freeman's School Bursary Fund Promotion of education through bursaries	9,825	195	-	-
City of London School Bursary Fund Promotion of education through bursaries, scholarships and prizes	40,000	800	-	-
City of London School Education Trust Advancing education	59	1	-	-
City of London School for Girls Bursary Fund Promotion of education through bursaries, scholarships and prizes	44,745	895	7,245	145
Corporation of London Charities Pool Investments pool for Sundry Trusts	195,730	3,915	51,375	1,025
Emmanuel Hospital Payment of pensions and financial assistance to poor persons	27,215	540	-	-
Guildhall Library Centenary Fund Provision of education and training in library, archives, museum, and gallery services	280	5	-	-

MATERIALITY: ALL ENTITIES

			2018/19	
	Materiality	CT	Specific materiality	Specific CT
King George's Field Open space for sports, games and recreation	180	3	-	-
Samuel Wilson's Loan Trust Granting of low interest loans to young people who have or are about to set up in business	25,000	500	730	15
Signore Pasquale Favale Bequest Granting of assistance to eligible persons in the form of marriage portions	145	3	-	-
Sir William Coxen Trust Fund Granting of assistance to eligible charitable trusts in the form of donations	26,385	525	-	-
Vickers Dunfee Memorial Benevolent Fund Financial assistance to distressed past and present members of the City of London Special Constabulary and their dependents	2,330	45	-	-

BDO LLP
55 Baker Street
London W1U 7EU

Dear Madams/Sirs

Financial Statements of City's Cash for the year ended 31 March 2019

We confirm that the following representations given to you in connection with your audit of City's Cash and its subsidiaries (together "the financial statements") for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of the City of London Corporation and officials of City's Cash and other group entities as appropriate.

We have fulfilled our responsibilities as the City of London Corporation for the preparation and presentation of the group and City's Cash financial statements as set out in the terms of the audit engagement letter, and in particular that the financial statements give a true and fair view of the financial position of the group and City's Cash as at 31 March 2019 and of the results of the group's and City's Cash operations and cash flows for the year then ended in accordance with the applicable financial reporting framework and for making accurate representations to you.

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

Going concern

We have made an assessment of the group's and City's Cash's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the group and City's Cash are able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

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

Laws and regulations

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

Post balance sheet events

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

Fraud and error

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

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

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

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

Misstatements

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

Related party transactions

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

Other than as disclosed in note 23 to the financial statements, there were no loans, transactions or arrangements between the [any group/the] company and the company's directors or their connected persons at any time in the year which were required to be disclosed.

In the opinion of the City of London Corporation City's Cash has no controlling party.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated and City's Cash financial statements.

Accounting estimates

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (CPI): 2.4%
- Rate of increase in salaries: 3.9%
- Rate of increase in pensions: 2.4%
- Rate of discounting scheme liabilities: 2.4%
- Commutation take up option: LGPS 50%

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

b) Valuation of financial investments and investment properties

We are satisfied that financial investments and investment properties have been appropriately valued at fair value at the reporting date.

c) Goodwill amortisation

We confirm that whilst no decision has been taken regarding the future of the Barking site, we are not able to determine an appropriate useful economic life for the goodwill arising on the acquisition of the Barking and Thames Services companies. We do not consider the omission of an amortisation charge for the 3 month period from acquisition to the balance sheet date to be material to the financial statements of City's Cash.

Litigation and claims

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

LETTER OF
REPRESENTATION

Confirmation

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

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

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

Yours faithfully

Peter Kane

(Signed on behalf of the City of London Corporation)

Date:

BDO LLP
55 Baker Street
London W1U 7EU

Dear Madams/Sirs

Financial Statements of Samuel Wilson Loan Trust for the year ended 31 March 2019

We confirm that the following representations given to you in connection with your audit of the charity's financial statements (the "financial statements") for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other trustees and officials of the charity.

We have fulfilled our responsibilities as trustees for the preparation and presentation of the financial statements as set out in the terms of the audit engagement letter, and in particular that the financial statements give a true and fair view of the financial position of charity as at 31 March 2019 and of the results of the charity's operations and cash flows for the year then ended in accordance with the applicable financial reporting framework and for making accurate representations to you.

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

Going concern

We have made an assessment of the charity's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the charity is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

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

Laws and regulations

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

Post balance sheet events

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

Fraud and error

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

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

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

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

Misstatements

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

Related party transactions

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

There were no loans, transactions or arrangements between the charity and the charity's trustees or their connected persons at any time in the year which were required to be disclosed.

In the opinion of the trustees the charity has no controlling party.

Carrying value and classification of assets and liabilities

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

Litigation and claims

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

Other

We confirm that we have informed you of any actual or potential non-compliance with the laws and regulations prescribed by the Financial Services and Markets Act 2000 and Financial Services Act 2012 and any known breaches of the Financial Conduct Authority rules.

Any complaints received in respect of consumer credit business and any events, which involve possible non-compliance with the Financial Conduct Authority rules have been disclosed to you and appropriately provided for and disclosed in the financial statements, where applicable.

All communication with the Financial Conduct Authority including correspondence, minutes of meetings and notes of inspection visits have been made available to you.

We acknowledge our responsibility for ensuring that the accounting records and systems of control have been established and maintained in accordance with the Financial Conduct Authority rules. We confirm that the company has kept proper accounting records for the year.

We confirm that the company did not hold or administer client money or customer assets at any time during the year.

Serious incident reports

We confirm that no serious incident reports have been made to the Charity Commission during the period or since the end of the period.

Charities registered in Scotland

We confirm that the charity is not registered with the Office of the Scottish Charity Regulator (OSCR).

Charity income

All grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions during the period in the application of such income.

Confirmation

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

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

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

Yours faithfully

(Signed on behalf of the board of trustees)

Date:

BDO LLP
55 Baker Street
London W1U 7EU

Dear Madams/Sirs

Financial Statements of the City of London Corporation Open Spaces and Sundry Trusts for the year ended 31 March 2019 [Appendix to be added listing each entity covered by this letter and individual schedule of unadjusted misstatements]

We confirm that the following representations given to you in connection with your audit of the consolidated (in the case of Hampstead Heath) and charity's financial statements (the "financial statements") for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other trustees and officials of the charity.

We have fulfilled our responsibilities as trustees for the preparation and presentation of the individual financial statements and the consolidated financial statements of Hampstead Heath as set out in the terms of the audit engagement letter, and in particular that the financial statements give a true and fair view of the financial position of the group and/or charity as at 31 March 2019 and of the results of the charity's operations and cash flows for the year then ended in accordance with the applicable financial reporting framework and for making accurate representations to you.

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

Going concern

We have made an assessment of the group's and/or charity's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the group and/or charity is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

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

Laws and regulations

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

Post balance sheet events

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

Fraud and error

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

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

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

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

Misstatements

For the relevant sundry trusts, we attach a schedule showing uncorrected misstatements that you identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below.

In our opinion, the effects of not correcting such identified misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

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

Other than as disclosed in the notes to the financial statements, there were no loans, transactions or arrangements between the charity and the charity's trustees or their connected persons at any time in the year which were required to be disclosed.

In the opinion of the trustees the charity has no controlling party unless disclosure has been made in the financial statements.

Carrying value and classification of assets and liabilities

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

Litigation and claims

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

Serious incident reports

We have provided you with all serious incident reports that have been made to the Charity Commission during the period and since the end of the period.

Charities registered in Scotland

We confirm that the group and/or charity is not registered with the Office of the Scottish Charity Regulator (OSCR).

Charity income

All grants, donations and other income, the receipt of which is subject to specific terms or conditions, have been notified to you. There have been no breaches of terms or conditions during the period in the application of such income.

Confirmation

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

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

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

Yours faithfully

(Signed on behalf of the board of trustees)

Date:

FOR MORE INFORMATION:

Fiona Condron

t: 01293 591 102
m: 07979 706 565
e: fiona.condron@bdo.co.uk

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

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

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

© 2019 BDO LLP. All rights reserved.

www.bdo.co.uk