

City of London Corporation Audit Progress Report

Year ending 31 March 2022

August 2023



Contents

Section	Page
Introduction	3
Progress at August 2023	4
Audit Deliverables	6
Sector Update	8

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Audit and Risk Management Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit and Risk Management Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications

<https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at August 2023

21-22 Financial Statements Audit

In January we issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2021-22 financial statements.

We began our work on your draft financial statements in November 2022, but due to the finance team needing to prioritise the audits of City Cash and Bridge House Estates, the audit fieldwork did not gain momentum until the beginning of February 2023. There has been relatively high staff turnover in the finance team during our audit. This has, at times, led to us having to deal with multiple contact points in relation to the same queries. This has resulted in inefficiencies in completing the work.

The authority still has the prior year accounting period open along with several other audits on the City of London Corporation ongoing. This creates pressure on the finance team's ability to respond to audit queries. We have also faced challenges receiving appropriate responses on samples and this has resulted in sample testing taking significantly longer than we would expect. On completion of this year's audit, we will assess the additional cost that the above elements have had.

Considerable progress has been made since our last update, but there are still several items preventing us from completing our work. The primary outstanding requirement is as follows:

- **completion of the 2020-21 financial statements audit by your predecessor auditor. As at August 2023, the City Fund and Pension Fund audit are yet to be completed for the year-ended 31 March 2021.**

Other key outstanding work:

- Ongoing internal consultation on the accounting for lease premia (£176.9m) – we are discussing the Corporation's accounting treatment, on the valuation of lease premia received in relation to several investment properties, with our financial reporting team. On this area, we have had multiple responses with the most recent response raising new considerations on the matter, which we are now assessing.
- Ongoing hot review of the accounts – this is a process undertaken on all first-year audit clients and involves our technical teams review of the accounts. Given the nature of the authority, with there being several complex arrangements, this has taken time to close down. Staff turnover has had some impact on the pace this has been completed in.
- We are of the view that the latest triennial valuation contains information that should be considered in the 31 March 2022 position. Management have obtained the required reports from the actuary to restate the 2021/22 position for the Authority but did not initially obtain them for the Pension Fund. This is required to complete the audit. This work is ongoing for both the 21/22 City Fund and Pension Fund accounts.
- We are also consulting with our internal audit quality team to revise the benchmark for our materiality threshold, with the intention to retrospectively increase the figure. This approach is not typical in Local Authority accounting but reflects the fact we feel the authority has some unique circumstances that could lead to a different benchmark being used in our work going forwards.
- We are also undergoing our routine review process by the engagement manager, engagement lead and quality control reviewer.

Progress at August 2023 (cont.)

Other key outstanding work (cont.):

- As at the time of writing this report, there are a number of samples for which evidence is still outstanding, or for which follow-up queries are unresolved. These samples are in our testing of:
 - Completeness expenditure
 - Completeness income
 - Grant income
 - Fees and other charges
 - Employee benefits
 - Infrastructure assets
 - Assets under construction
 - Additions (PPE and Investment Properties)
 - REFCUS
 - Debtors
 - Creditors

Progress at August 2023 (cont.)

Other areas

Certification of claims and returns

We will certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). We had originally planned for the certification work for the outstanding 2020-21 claim to commence in November so that we could complete our work and report to DWP in December 2022. This timetable was not achieved and we await the final 2019-20 HBAP report, issued by your predecessor auditor, to be able to commence our work as soon as possible. Once this is received, we will work with the management to confirm timescales

Meetings

We met with Finance Officers in regularly as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Value for Money

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

NOA have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 21-22 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN3 and issue their Auditor's Annual Report when their work is complete.

The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

We issued our Auditor's Annual Report for 2021-22 at the Audit and Risk Management Committee on 13th March 2023.

Audit Deliverables

2021/22 Deliverables

Audit Plan

We are required to issue a detailed audit plan to the Audit and Risk Management Committee setting out our proposed approach in order to give an opinion on the City Fund and Pension Fund 2021/22 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report

Planned Date

January 2023

Status

Completed

Audit Findings Report – City Fund

The Audit Findings Report will be reported to you at the Audit & Risk Management Committee.

TBC

Not yet due

Auditors Report – City Fund

This includes the opinion on your financial statements.

TBC

Not yet due

Audit Findings Report – Pension Fund

The Audit Findings Report will be reported to you at the Audit & Risk Management Committee.

March 2023

Draft issued

Auditors Report – Pension Fund

This includes the opinion on your financial statements.

TBC

Not yet due

Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

March 2023

Completed

Audit related Deliverables

Housing Benefit Subsidy – certification

This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.

- 2020-21 HBAP return
- 2021-22 HBAP return

Planned date

TBC

Status

TBC

Audit Deliverables

2022/23 Deliverables

	Planned Date	Status
<p>Audit Plan – City Fund</p> <p>We are required to issue a detailed audit plan to the Audit and Risk Management Committee setting out our proposed approach in order to give an opinion on the City Fund 2022-23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report</p>	September 2023	Completed
<p>Audit Plan – Pension Fund</p> <p>We are required to issue a detailed audit plan to the Audit and Risk Management Committee setting out our proposed approach in order to give an opinion on the Pension Fund 2022-23 financial statements.</p>	September 2023	Completed
<p>Audit Findings Report – City Fund</p> <p>The Audit Findings Report will be reported to you at the Audit & Risk Management Committee.</p>	TBC	Not yet due
<p>Auditors Report – City Fund</p> <p>This includes the opinion on your financial statements.</p>	TBC	Not yet due
<p>Audit Findings Report – Pension Fund</p> <p>The Audit Findings Report will be reported to you at the Audit & Risk Management Committee.</p>	TBC	Not yet due
<p>Auditors Report – Pension Fund</p> <p>This includes the opinion on your financial statements.</p>	TBC	Not yet due
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements for 2022-23.</p>	TBC	Not yet due

Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Delayed publication of audited local authority accounts

What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report](#)

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



SEND deficits kept off budgets for another three years

The government has allowed councils to keep deficits on spending for children with special educational needs and disabilities off their balance sheets for a further three years.

The government's local government finance policy statement published on 12th December 2022 says that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26.

Councils use the high needs funding block of the DSG to fund Send provision. But for many authorities, the cost of this has been outstripping the amounts provided by tens of millions of pounds, leading to a total deficit estimated at more than £2bn.

The statutory override means that any DSG deficits are not included in council's main revenue budgets. Before today's announcement, it had been due to expire in 2023. Last year, Matt Dunkley, chair of the Association of Directors of Children's Services' resources and sustainability policy committee, said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn."

In June, the government launched the £85m Delivering Better Value in Send programme, that involves specialist advisors probing 55 councils' financial data to try and cut their DSG deficits. The Chartered Institute of Public Finance and Accountancy, a partner in the programme, said the scheme would provide "project management, change management and financial modelling capacity".

The programme is running alongside the Department for Education's 'safety valve' support scheme that offers bailouts for the councils with the largest Send spending deficits, in return for them implementing stringent reforms.

About 40 councils are expected to receive safety valve funding, meaning that the two programmes together will include about two thirds of councils with responsibility for Send. Also in June, the then children's minister Will Quince wrote a letter to council chief executives warning that a "significant number of councils are "running services that are not sustainable, and instead jeopardise the longevity of that crucial support".

Stonewall Gold Employer: GT's LGBTQIA+ inclusion journey

Background

15 Feb 2023, Stonewall, Europe's largest charity for Lesbian, Gay, Bi, Trans, and Queer (LGBTQIA+) rights, launched its widely anticipated Top 100 Employers List – recognising us for our work in supporting LGBTQIA+ colleagues to be the best versions of themselves at work and awarding us Gold Employer, the highest award.

We're proud to announce that we've ranked among the UK's leading employers from the public, private, and third sectors in the Stonewall Workplace Equality Index (WEI). We've also been recognised as a Gold Employer. Overall, we've ranked 38th in the latest WEI results, and 26th in the private sector, and 9th in the financial services sector.



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