



REPORT TO THOSE CHARGED WITH GOVERNANCE
NOVEMBER 2014



City of London Corporation

City's Cash

DRAFT Audit Management Report on the 2013-14 Financial Statements Audit

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1 Purpose of the report

International Standard on Auditing (UK & Ireland) 260, “Communication with those charged with governance” requires Moore Stephens to report to those charged with governance on the significant findings from our audit.

This report aims to provide the City of London Corporation with constructive observations arising from the audit of City’s Cash. We set out in this report details of:

- any expected modifications to our audit report;
- any unadjusted items in the financial statements (except any unadjusted items which are clearly trivial) including the effect of unadjusted items related to prior periods on the current period;
- any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures; and
- any other relevant matters.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of the City of London Corporation;
- It must not be disclosed to any third party without our written consent; and
- No responsibility is assumed by us to any other person who may choose to rely on it for their own purposes.

The report has been discussed and agreed with the Chamberlain.

We would like to thank the Chamberlain, Dr Peter Kane, Caroline Al-Beyerty and the Finance Team for their co-operation and assistance during our audit.

2 Audit conclusion

In our opinion the financial statements give a true and fair view and comply with the UK GAAP.

We are pleased to report that our audit report, which is included in the financial statements, is unqualified. In our opinion, from information provided to us during the audit, no events or conditions appear to exist which cast doubt on the ability of City's Cash to continue as a going concern. We are therefore satisfied with the disclosures in the financial statements.

Our audit opinion is based on your approval of the financial statements and signing of the Letter of Representation, a draft of which has been included as an appendix to this report. Within the letter, you have confirmed that there are no subsequent events which require amendment to the financial statements.

3 Respective responsibilities

Responsibilities of Management

The City of London Corporation is responsible for preparing the City's Cash financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). It is also responsible for keeping proper accounting records and safeguarding assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibilities of the Auditor

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

The audit includes the consideration of internal controls relevant to the preparation of the financial statements but we do not express an opinion on the effectiveness of internal control. We are also required to communicate any significant matters arising from the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process. The matters being reported are limited to those deficiencies in control that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to those charged with governance.

International Standards on Auditing (UK and Ireland) do not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Independence

International Standard on Auditing (UK & Ireland) 260, "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that we have complied with the APB's Ethical Standard 1 – "Integrity, Objectivity and Independence". In our professional judgement the audit process has been independent and our objectivity has not been compromised.

Fee

The fee for the 2013-14 audit of City's Cash, Bridge House Estates, City's Cash Trusts and Sundry and Other Trusts amounts to £115,000. Of the total fee, £36,800 has been allocated to Bridge House Estates, with the remaining £78,200 being charged to City's Cash.

In our Audit Planning Report we set out that the fee was dependent upon:

- City of London Corporation delivering a complete Annual Report and Accounts of sufficient quality that have been subject to appropriate internal review on the date agreed;
- City of London Corporation delivering good quality supporting evidence and explanations within the agreed timetable; and
- Appropriate City of London Corporation staff being available during the audit.

No other non-audit fees have been raised in 2013-14.

4 Significant audit risks and risk factors

Significant audit risks

As noted in our audit planning report submitted to the Audit and Risk Management Committee in January 2014 the following audit risk areas were identified as significant matters and therefore considered in detail during our audit fieldwork.

Audit risk areas	Audit findings
<p>Revenue recognition</p> <p>Under International Standard on Auditing (UK and Ireland) 240, there is a presumed, albeit rebuttable, significant risk of fraud in revenue recognition. We consider this risk cannot be rebutted for income in all organisations.</p>	<p>We have documented, evaluated and tested the controls which ensure income is completely and accurately recorded in the City's Cash group accounts. No significant weaknesses in controls have been identified.</p> <p>We have substantively tested material income streams and performed procedures to ensure income is complete.</p> <p>Conclusion: Satisfactory assurance has been gained in respect of the presumed risk of fraud in revenue recognition.</p>
<p>Management override</p> <p>Under International Standard on Auditing (UK and Ireland) 240, there is a presumed significant risk of material misstatement owing to fraud arising from the potential for management to override controls.</p>	<p>We carried out focused testing on journals, estimation techniques and any significant/unusual transactions. We reviewed significant estimates and judgements made in the financial statements for evidence of bias. No significant issues were noted in our testing.</p> <p>Conclusion: Satisfactory assurance has been gained in respect of the presumed risk of management override.</p>
<p>Asset Transfers</p> <p>We understand that the City of London Corporation is reviewing the possibility of the City Fund purchasing investment properties from the portfolios held by City's Cash in order to achieve a better rate of return.</p>	<p>We have reviewed the property transfer process to ensure that appropriate governance was applied to the property transfers between City Fund and City's Cash. Where properties have been transferred we have confirmed that market value was used and have agreed this to supporting valuation reports.</p> <p>We have reviewed the accounting entries in City's Cash and the City Fund to ensure that they were equal and opposite. No issues were noted in our testing.</p> <p>Conclusion: Satisfactory assurance has been gained in respect of the risk of asset transfers being materially misstated.</p>
<p>City of London Procurement Service</p> <p>The City of London Corporation are currently in negotiations with Accenture regarding the early termination of the contract whereby the two parties worked in partnership to deliver the City's Procurement and Purchase to Pay programme. The Corporation intends to run the service fully 'in-house' and therefore must ensure that a knowledge and skills transfer has taken place to provide for efficient and effective operation.</p>	<p>We have reviewed the knowledge transfer process in place for the ceasing of the Accenture contract and consider it to be reasonable. We note that there are a small number of posts that are yet to be filled and therefore there has not been a full knowledge transfer at this point.</p> <p>No significant delays in accounts payable processing were encountered during our audit.</p> <p>Conclusion: Satisfactory assurance has been gained in respect of the risk identified regarding the City of London Procurement Service.</p>

During the audit we identified a further significant audit risk, related to managed investments, which we now bring to your attention.

Audit risk areas	Audit findings
<p>Managed Investments</p> <p>During the 2013-14 financial year, the City of London Corporation has changed some of the investments held by fund managers across the Pension Fund, City's Cash and Bridge House Estates into Pooled Investment Vehicles. At the same time the opportunity has been taken to revise the accounting treatment for these managed investments.</p> <p>All managed investment funds have been designated as held for trading and have been accounted for as 'fair value movements through profit and loss' at the point of transition, as opposed to the previous accounting treatment of 'available for sale'. Designation is allowed when financial assets are managed and their performance evaluated on a fair value basis in accordance with an investment strategy.</p> <p>The effect of this is that movements in the market value of investments are shown as changes in fair value through the Income and Expenditure account rather than showing as unrealised investment reserve movements.</p> <p>The process for transitioning investments was not completed until 10 February, therefore managed investments required to be accounted for as 'available for sale' for the first ten months of the year, and 'fair value through profit and loss' for the final two months. The Corporation does not have detailed valuations of the funds at the point of transition, relying on valuations provided by the Transition Manager.</p>	<p>We have audited the value of additions, disposals, investment income and unrealised gains on managed investments to 31 January 2014.</p> <p>We have reviewed the market value of investments at 31 January from the fund Custodian and transition point (10 February) and consider them to be reasonable.</p> <p>We have audited the movement in fair value between 1 February and 31 March 2014. We have audited the realisation of unrealised gains through reserve movements at 31 January 2014.</p> <p>We have considered the designation of the financial assets and confirm it is in line with the requirements of accounting standards.</p> <p>No significant issues have been noted. However, an audit recommendation was raised on this area in our Audit Management Report on Bridge House Estates, City's Cash Trusts and Sundry and Other Trusts presented to the Audit and Risk Management Committee in July 2014.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the mitigation of the risk of managed investments being materially misstated.</p>

Other risk factors

As noted in our audit planning report submitted to the Audit and Risk Management Committee in January 2014 the following audit risk areas were identified as risk factors which could potentially result in a material misstatement. The table below sets out our approach and conclusions to these risk factors.

Audit risk areas	Audit findings
<p>Allocation of FRS 17 Pension Liability</p> <p>The City of London Corporation has decided to split the defined benefit pension liability (£342m at 31 March 2013) between the three funds for the first time in 2013-14. This split is likely to be done on the basis of pensionable pay.</p> <p>The City Fund liability requires valuation and disclosure in line with IAS 19 under International Accounting Standards, whereas Bridge House Estates and City's Cash will require valuation and disclosure in line with FRS 17 under UK GAAP. The magnitude of any differences between the two valuations is not yet known.</p>	<p>We have reviewed the methodology used to allocate the pension fund liability on the basis of pensionable pay as at 31 March 2014 and 31 March 2013 across the three funds. We have reviewed the prior year adjustment disclosures made to recognise the liability at 31 March 2013 and consider them satisfactory.</p> <p>The allocation has led to 49% of the total pension liability being allocated to City's Cash. The allocated liability at 31 March 2014 was £196.7m.</p> <p>We have reviewed the disclosures contained in the City's Cash accounts to ensure they meet the requirements of FRS 17. We have also considered the appropriateness of the assumptions used by the actuary in the calculation of FRS 17.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the pension liability accounted for within the accounts of City's Cash.</p>
<p>Major capital project</p> <p>Following the completion of a major capital project a claim has been made to the City of London Corporation for costs incurred. Amounts were recognised in the 2012-13 City's Cash financial statements as an accrual and contingent liability. As the claim progresses, the amounts recognised in the financial statements will require to be reviewed and reconsidered to ensure that they remain appropriate.</p>	<p>We have reviewed the updated accruals made against the project at 31 March 2014.</p> <p>We have reviewed the associated contingent liability disclosures contained in the City's Cash accounts to ensure they meet the requirements of FRS 12.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the major capital project accounted for within the accounts of City's Cash.</p>

Audit risk areas	Audit findings
<p>Crossrail funding</p> <p>An agreement was previously made that the City of London Corporation would seek voluntary contributions totalling £150m from London businesses subject to the full active support of Government, with City's Cash underwriting the first £50m. We understand that discussions with central government have moved on such that the City Corporation has agreed to assist the Crossrail Art Strategy in return for the Government relieving the commitment to fundraise up to £150m from City businesses and deferring the City's own underwriting of £50m to a future date beyond 2016.</p>	<p>Discussions have taken place during the year, culminating in the Policy and Resources Committee approving a report whereby City's Cash would support a Public Art Strategy in Crossrail stations, along with a £50m contribution. The report indicated that, subject to further discussions and the completion of Crossrail, the £50m contribution would be paid in two equal instalments in 2018 and 2019. There will no longer be a requirement for City's Cash to seek voluntary contributions from City businesses. No formal contract or associated conditionality has been agreed by the City. The amount has therefore been disclosed as a contingent liability as at 31 March 2014.</p> <p>We have reviewed the updated contingent liability disclosures contained in the City's Cash accounts to reflect this change and to ensure they meet the requirements of FRS 12.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the potential Crossrail funding accounted for within the accounts of City's Cash.</p>
<p>Service based review</p> <p>The City of London Corporation is undertaking a full service review of both City Fund and City's Cash to establish where savings can be made in future years to ensure a balanced budget. We understand that it is unlikely there will be any major financial impact in 2013-14.</p>	<p>There has been no financial impact arising from the service based review during 2013-14. We will continue to monitor the impact of the review on City's Cash during 2014-15.</p> <p>Conclusion:</p> <p>Satisfactory assurance has been gained in respect of the risk factor identified.</p>
<p>Application of FRS 102</p> <p>We note the upcoming application of FRS102, the update to UK GAAP, and the associated changes to the Charities SORP in 2015-16. While this will not impact on 2013-14 directly, the balance sheets at 31 March 2014 will form the basis of the opening balance sheet for comparatives in the 2015-16 accounts. Planning is required now to ensure that all required disclosures will be able to be met.</p>	<p>No significant work has been performed on the transition to FRS102 at this point, but this is work in progress for the Corporation Finance Team.</p> <p>We will continue to monitor progress in this area during our 2014-15 audits.</p> <p>Conclusion:</p> <p>Satisfactory assurance obtained.</p>
<p>Oracle upgrade</p> <p>The City of London Corporation are planning to upgrade the Oracle finance system during the 2014-15 year. While this will have no financial impact on the 2013-14 financial statements, we recognise that there may be an impact on finance staff availability as the upgrade undergoes testing during our audit period.</p>	<p>As planned, we communicated our plan of work to the Corporation Finance Team in advance of our audit visits so that time on site was effective and efficient.</p> <p>Conclusion:</p> <p>No significant delays have been caused due to the Oracle upgrade.</p>

Going concern and subsequent events

We are required under International Standard on Auditing (UK & Ireland) 570, "Going concern" to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements, and to consider whether there are material uncertainties about the company's ability to continue as a going concern which need to be disclosed in the financial statements.

The term "subsequent events" is used to refer to events occurring between the period end date of the financial statements and the date of the auditor's report. International Standard on Auditing (UK & Ireland) 560, "Subsequent events" requires us to assess all such matters before signing our audit report.

In order to gain assurance on these matters our work has included:

- performing a review of budgets and cash flow projections covering a period of 12 months from the expected signing of the audit report, together with management accounts for 2014-15;
- reviewing minutes of relevant City of London Corporation sub-committees held since 31 March 2014;
- enquiring of senior management and the company's solicitors concerning litigation, claims and assessments; and
- performing sample testing of post reporting date transactions.

Our work has not highlighted any concerns or issues affecting the ability of City's Cash to continue as a going concern.

Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement.

Our assessment of materiality for the group financial statements was £1.5m, which has remained appropriate throughout the audit. Our assessment of materiality was set with reference to a range of benchmarks (including income, expenditure and net assets). We consider these to be the principal considerations for the users of the accounts when assessing the financial performance of City's Cash.

Our Audit Planning Report outlined the significant risks that were identified at the planning stage of the audit. We have designed procedures to mitigate the risk of material misstatement. Audit testing was completed by the audit fieldwork team and reviewed by the audit manager and audit partner. Our audit approach is based on performing a review of the significant accounting systems in place, tests of control, substantive testing and detailed analytical review. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area. We performed audit procedures on all transactions and balances that exceeded our performance materiality. This meant we performed a greater level of testing on the areas deemed to be of significant risk of material misstatement.

Area Risk Assessment	Weighting	Performance Materiality
High	40%	£0.6m
Medium	60%	£0.9m
Low	80%	£1.2m

5 Significant audit and accounting matters

Significant issues identified during our audit fieldwork

During the course of our audit work and following discussion with management we raised an additional significant audit risk (see section 4 above) with regards to accounting for managed investments. This report brings the matter forward for the attention of those charged with governance.

Adjustments agreed with management

During the final audit visit the accounting treatment for managed investments was discussed and a number of disclosure changes were agreed with management. In addition, we agreed two other adjustments, with no net effect, to the financial statement as detailed below: This resulted in a number of significant adjustments which were agreed and actioned by management within the financial statements. A summary of the effect of these is shown below.

	Income and Expenditure Account		Balance Sheet	
	DR £'000	CR £'000	DR £'000	CR £'000
Fees and Services Expenditure	137			
Payroll Expenditure		(137)		
<i>Being the reclassification of payroll costs</i>				
Sundry creditors			1,900	
Provisions				(1,900)
<i>Being the reclassification of City Re Ltd Claims Reserve as a provision in the group accounts</i>				
	137	(137)	1,900	(1,900)

All audit adjustments have been discussed and agreed with the Chief Accountant and Group Accountant.

Unadjusted items

We are obliged to bring to your attention the errors found during the audit that have not been corrected as not material, unless they are 'clearly trivial', which we have identified as below 1% of assessed materiality, subject to a de-minimis reporting level of £1,000. The items that we are aware of above this amount are set out below.

A summary of the net effect of the unadjusted items is shown below. A schedule of the unadjusted items can be found in appendix 2. Where the entity or fund is not noted below or in appendix 2, no adjustments were made

	Statement of Financial Activities		Balance Sheet	
	DR £'000	CR £'000	DR £'000	CR £'000
Revaluations – Investment Property				(110)
Investment Property Revaluation Reserve			110	
<i>Being the correction of an error in revaluations recorded</i>				
	0	0	110	(110)

It was agreed with the Chief Accountant and Group Accountant that these amounts were not considered material and did not require to be incorporated into the financial statements. We request that the Audit and Risk Management Committee confirm this decision.

Qualitative aspects of accounting practices and financial reporting

During the course of our audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. The following observations have been made:

Qualitative aspect considered	Audit conclusion
<p>The appropriateness of the accounting policies used.</p>	<p>We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate to City's Cash.</p> <p>Two significant changes have been made in the City's Cash accounts during 2013-14. Firstly, pension costs are now accounted for as a defined benefit scheme across the three main City of London funds on a proportional basis. A prior year adjustment has been made to reflect this change in accounting policy.</p> <p>Secondly, following transition of managed investments to pooled investment vehicles (see 'Significant audit issues' above) in February 2014, all managed investments held by City's Cash have been designated as 'fair value through profit and loss'.</p> <p>These two changes in accounting policies have required additional disclosure to account for the changes in accounting treatment and transactions.</p>
<p>The timing of the transactions and the period in which they are recorded.</p>	<p>We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised.</p>
<p>The appropriateness of the accounting estimates and judgements used.</p>	<p>We are satisfied with the appropriateness of accounting estimates or judgements used in the preparation of the financial statements.</p> <p>In particular, we have considered the judgements used in the valuation of investment property which has increased by £196m during the financial year, an increase of 20% - well in excess of the London average. The valuations have been performed by a number of valuers – internal and external – who have all provided consistent increases in value. The main reason for the valuation increase, is the concentration of property that City's Cash holds in the West End of London, (for example, New Bond Street) where values were increased by 35% during the revaluation, as opposed to an overall London average of 17%. In addition a number of properties were refurbished during the year and were valued significantly higher than prior valuations when valued at 31 March.</p>
<p>The potential effect on the financial statements of any uncertainties, including significant risks and disclosures such as pending litigation, that are required to be disclosed in the financial statements.</p>	<p>We have discussed with senior finance officers and reviewed documentation, where available to support the contingent liabilities recorded in the financial statements.</p> <p>As noted in section 4 of this report, no formal agreement on a proposed contribution to Crossrail from City's Cash, or any associated conditionality of funding has been reached and agreed by Members. A contingent liability disclosure has therefore been made in the financial statements.</p>

Qualitative aspect considered	Audit conclusion
<p>The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the financial statements.</p>	<p>From our testing performed, we identified no unusual transactions in the period.</p> <p>During the year, as part of the Milton Court development, new facilities were completed for the Guildhall School of Music and Drama at a cost of £87.8m. The facilities were built on behalf of GSMD by Heron International, with the company providing a contribution of £49.6m in return for being granted a long lease for The Heron residential tower (on the same site). The cost of £87.8m has been recognised as a fixed asset addition. Heron's contribution of £49.6m has been treated as deferred income. This income will be released over the assumed 50 year life of the asset.</p>
<p>Apparent misstatements in the annual report or material inconsistencies within the financial statements.</p>	<p>Our review of the annual report identified no misstatement or material inconsistency with the financial statements.</p> <p>We have requested a number of adjustments to improve the clarity of disclosures. The requested disclosures have been made.</p>
<p>Any significant financial statement disclosures to bring to your attention.</p>	<p>There are no significant financial statement disclosures that we consider should be brought to your attention, other than the changes in accounting policy noted above. All disclosures made are required by applicable accounting standards.</p>
<p>Disagreement over any accounting treatment or financial statement disclosure.</p>	<p>There was no disagreement during the course of the audit over any accounting treatment or disclosure.</p>
<p>Difficulties encountered in the audit.</p>	<p>The audit timetable, agreed with the Finance Team, planned for City's Cash financial statements to be presented for audit on 20 June. During the audit of Bridge House Estates, City's Cash Trusts and Other Sundry Trusts, the Corporation indicated limited resources would impact on their delivery of the City's Cash accounts. By mutual agreement, City's Cash accounts were presented for audit on 8 August.</p>

Management representations

We have requested that a signed representation letter, covering a number of issues, be presented to us at the date of signing the financial statements. A copy of this letter is included in appendix 4 to this report.

Fraud and irregularity

Responsibility for preventing and detecting fraud and other irregularities lies with management. We are not required to search specifically for such matters and our audit should not be relied upon to disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations.

We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity.

Legality

We planned and performed our audit recognising that non-compliance with statute or regulations may materially affect the financial statements.

We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

6 Accounting systems and internal controls

During the course of our audit of the financial statements, we examined the principal internal controls which have been established to ensure, as far as possible, the accuracy and reliability of the company's accounting records and to safeguard the company's assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

Our work did not identify any system weaknesses.

Action plan – audit recommendations

We identified a number of observations which we consider require management action. Recommendations to address the observations are detailed in the action plan below, together with management responses.

Grade	Definition
1	major issues for the attention of senior management which may have the potential to result in a material weakness in internal control
2	important issues to be addressed by management in their areas of responsibility
3	problems of a more minor nature which provide scope for improvement.

Our report on Bridge House Estate, City's Cash Trusts and Sundry and Other Trusts as presented to the Audit and Risk Management Committee in July 2014 contained a number of priority 1 points for management. We have no further priority 1 points to raise in this report. A separate report has been provided to management containing points graded priority 2 and 3.

The priority 1 points already raised are in the following areas:

- Finance team expertise/capacity;
- City of London Almshouses fixed assets;
- Bridge House Estates reserves policy
- Bridge House Estates missing title deeds;
- Bridge House Estates review of risk management strategy;
- Physical access to the server room (IT Audit);
- Antivirus management (IT Audit);
- Data backup and restore (IT Audit).

7 Future financial reporting developments relevant to City's Cash

FRS 102

Entities that currently prepare their financial statements under UK GAAP, will be applying FRS 102 from accounting periods beginning on or after 1 January 2015. For City's Cash, this means that the 2015-16 financial statements will be presented under the new accounting framework.

Section 35 of FRS 102 sets out the transitional requirements. The basic rule is full retrospective application as at the date of transition. This means that the financial statements will need to be prepared as if FRS 102 had always been applied by City's Cash. The table below illustrates some possible impacts on the City's Cash financial statements as a result of moving to FRS 102.

Item	Current UK GAAP	FRS 102 at date of transition	Asset / liability impact	Equity impact
Property	Depreciated cost	Fair value as deemed cost	Asset increase	Retained earnings increase
Accumulated annual leave	Not recognised	Holiday Pay Accrual recognised	Liability increase	Retained earnings decrease
Bad debt provision	General and specific provision	Retrospective application – general provision not permitted	Decrease in provision, leading to increase in debtors	Retained earnings increase
Defined benefit pension	Multi-employer exemption	Retrospective application	Pension liability recognised	Retained earnings decrease
Investment property revaluation gains and losses	Fair value through Statement of Total Recognised Gains and Losses	Fair value through Profit and Loss	Increased volatility in Income Statement, leading to increased volatility in reserves.	Increased volatility in Income Statement.

Appendix 1 – Management representation letter for City’s Cash

Moore Stephens LLP
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Dear Sirs

City of London Corporation - City's Cash

This representation letter is provided in connection with your audit of the financial statements of City’s Cash for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice.

By a resolution of the Finance Committee, passed today, we are directed to confirm to you, in respect of the financial statements of City’s Cash (and its subsidiaries) for the year ended 31 March 2014, the following:-

1. We have fulfilled our responsibilities for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice and for making accurate representations to you.
2. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
5. We confirm that we have disclosed separately to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management
 - employees who have significant roles in internal control
 - others where the fraud could have a material effect on the financial statements.
7. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, analysts, regulators or other third parties.
8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. In our opinion, the significant assumptions that have been used in determining fair values, whether such values are disclosed or applied in the financial statements, are reasonable and reflect the ability and intent to carry out specific courses of action, where this is relevant to the determination of those values.
10. In our opinion the significant assumptions used in making accounting estimates are reasonable.
11. We have disclosed to you the identity of City’s Cash related parties and all related party relationships and transactions of which we are aware.
12. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice.

13. In particular, no director, shadow director, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the group at any time during the year, other than as indicated in the financial statements.
14. There are no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
15. There are no plans to abandon activities or other plans or intentions that will result in any excess or obsolete stocks, and no stock is stated at an amount in excess of net realisable value.
16. The group has satisfactory title to all assets and there are no liens or encumbrances on City's Cash assets, other than as disclosed in the financial statements.
17. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.
18. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice require adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.
19. The group has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
20. Except as disclosed in the financial statements, the results for the year were not materially affected by:
 - any change in accounting policies;
 - transactions of a type not usually undertaken by the group;
 - circumstances of an exceptional or non-recurrent nature; or
 - charges or credits relating to prior periods.
21. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice.
22. We have reviewed the reasoning for the classification of the proposed contribution by City's Cash to Crossrail as a contingent liability and consider that given the uncertainties surrounding the finalisations of an agreed contribution, this is the most appropriate classification of the likely costs.
23. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements were approved.
24. We confirm the financial statements are free of material misstatements, including omissions. We believe that those uncorrected misstatements identified during the audit are immaterial both individually and in aggregate to the financial statements as a whole. A list of these items is attached to this letter of representation, together with our reasons for not correcting them.

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.

Yours faithfully

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The Chamberlain of London
Signed on behalf of the City of London Corporation
On (date)