

City of London Corporation (City Fund)

Annual audit letter to the Members of the Court of
Common Council of the City of London Corporation
in respect of the audit for the year ended 31 March
2015

27 October 2015

the
Distinctive
audit

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The big picture

This letter reports our conclusions from our audit of the City Fund of the City of London Corporation (“the City” or “the Corporation”) for financial year ended 31 March 2015. The City Fund is the part of the Corporation which carries out its functions as a local authority, port health authority and police authority. The letter’s main messages are:

The City Fund’s financial statements	We issued an unmodified opinion on the City Fund financial statements for the year ended 31 March 2015 on 30 September, in line with the deadline for this.
The City’s local government pension scheme annual report	We issued an unmodified opinion on information in the City’s pension scheme annual report for the year ended 31 March 2015, in line with the deadline for this.
Value for money conclusion	We issued an unqualified conclusion on the City’s arrangements for securing value for money during the year ended 31 March 2015.
Whole of Government Accounts return	We issued our assurance report by the deadline of 2 October 2015. Our report was unqualified.
Grants certification	We undertake work on grant claims and other returns on behalf of the Audit Commission and provide certificates to grant funders on compliance with aspects of the terms on which funds have been claimed. We will provide a separate, detailed letter to the City in early 2016 on the outcome of this work, but at this point there are no matters which we consider need to be brought to your attention.

There are no individually significant recommendations which we wish to bring to Members attention here.

1. Purpose and responsibilities

Purpose of this letter

The purpose of this Annual Audit Letter (“Letter”) is to summarise the key issues arising from the work that we have carried out during the year.

We have addressed this Letter to the members of the Court of Common Council of the City of London Corporation as it is the responsibility of the members to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money.

The Letter will be published on the website of Public Sector Audit Appointments Limited at <http://www.psaa.co.uk> and should also be posted on the City’s website.

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from the Audit Commission’s archived website.

Responsibilities of the appointed auditor and the Council

Responsibilities of the appointed auditor

We have been appointed as the independent external auditor of the City Fund of the Corporation of London by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including local authorities.

As your appointed auditor, we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (the Code). Under the Code, we review and report on:

- the City Fund’s financial statements;
- the Corporation’s local government pension scheme annual report; and
- whether the Corporation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion) in respect of its local authority and police functions.

We also provide an assurance report to the National Audit Office on the financial information prepared in respect of the City Fund for consolidation into the Whole of Government Accounts.

Responsibilities of the Corporation

It is the responsibility of the Corporation to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

As part of our procedures we have considered how the Corporation has fulfilled these responsibilities.

2. Financial reporting

Key issues arising from the audit of the Council's financial statements

We reported separately to the Audit and Risk Management Committee in July 2015 on the issues arising from our audit and have issued an audit report providing an unmodified opinion on your financial statements for the year ended 31 March 2015.

Significant audit risk	Area of focus and conclusion
Valuation of properties	We focused on the key assumptions made, and the reasonableness of the valuations arrived at, by the City's valuers. We concluded satisfactorily on their reasonableness.
Grant income recognition	We focused on the judgements made by officers in determining the basis of recognition for individual grants. We did not identify any exceptions.
Accounting for lease premia	During the year the City Fund received premia under five lease transactions. Changes have been agreed to the accounting treatment which were reflected in the final version of the financial statements. We recommended, going forwards, an accounting treatment note is prepared for significant one-off transactions which are complex and/or involve the exercise of significant judgement at the time of the transaction.
NNDR appeals provision	We focused on the estimation processes and judgements made in calculating the financial impact of appeals against rateable values. Adjustments were made to reduce the provision to reflect the outcome of a test case which was settled after the preparation of the draft financial statements.
Management override of controls	Auditing standards presume that there is always a risk of management override of controls. We did not identify any areas of concern from our work.

Our report to the Committee also reported on progress made on implementing recommendations to assist with future financial control and reporting and additional recommendations made this year.

Key issues arising from the audit of the Pension scheme annual report

We reported our findings on the audit of the Pension scheme in a separate report to the Audit and Risk Management Committee.

We subsequently issued:

- An unmodified opinion pension scheme accounts within the City Fund statement of accounts
- An unmodified opinion on the consistency of the pension scheme annual report with the City Fund statement of accounts.

Key issues arising from the work performed on the Whole of Government Accounts return

Whole of Government Accounts (WGA) are accounts covering all the public sector. Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice 2010 to review and report on the whole of government accounts return. Our report is used by the National Audit Office ("NAO") for the purposes of their audit of the Whole of Government Accounts.

We issued an unqualified assurance report on 2 October 2015, in line with the deadline for this.

Following this we issued our certificate closing the audit as a whole, also on 2 October 2015.

3. Value for Money

Background

Under the Code of Audit Practice 2010 we are required to include in our audit report a conclusion on whether the City of London Corporation has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources in respect of the City Fund - this conclusion is known as “the VFM conclusion”.

Specified criteria for auditors' VFM conclusion	Focus of the criteria for 2015
The organisation has proper arrangements in place for securing financial resilience.	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Audit work completed to address the significant risk

We draw sources of assurance relating to our VFM responsibilities from:

- the Council's system of internal control as reported on in its Annual Governance Statement;
- the results of the work of the Commission, other inspectorates and review agencies to the extent that the results come to our attention and have an impact on our responsibilities;
- any work mandated by the Commission – of which there was none in 2015; and
- any other locally determined risk-based VFM work that auditors consider necessary to discharge their responsibilities.

Conclusion

We concluded that there are no significant risks identified which required an additional response. We issued an unmodified value for money conclusion.

4. Purpose of our report and responsibility statement

What we report

- Our report is made in accordance with the Audit Commission’s Code of Audit Practice 2010.
- The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and in this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.
- This report has been prepared for the members of the Court of Common Council of the City of London Corporation, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don’t report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the City of London Corporation.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by Officers or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

- This report should be read alongside the supplementary “Briefing on audit matters” circulated to you previously.

We welcome the opportunity to discuss our report with you and receive your feedback.



Deloitte LLP

Chartered Accountants

St Albans

27 October 2015

Appendix 1: Independence and fees

Independence confirmation	We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.
Non-audit services	In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the company’s policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	There are no other relationships with the Council and its known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

	Current year £'000	Prior year £'000
Audit of the City Fund	*124	117
Fees payable for the audit of the City of London Corporation pension scheme annual report	21	21
Fees payable for the certification of grant claims	15	17
Total fees payable in respect of our role as Appointed Auditor	160	155
Non audit fees		
Certification of grants outside the audit appointment	4	-
Lease advisory services	20	14
Tax advisory services – research paper on financial transaction tax	-	18
Total fees	184	187
*£7,188 of this amount is subject to approval by Public Sector Audit Appointments Limited		



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