



REPORT TO THOSE CHARGED WITH GOVERNANCE  
NOVEMBER 2016



# City of London Corporation

City's Cash, Bridge House Estates, City's Cash Trusts, the Corporation's Sundry Trusts & Other Accounts

Audit Management Report on the 2015-16 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 trustees with constructive observations arising from the audit process. We set out in this report details of:

- any expected modifications to our audit reports;
- 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 of the following bodies give a true and fair view and comply with FRS 102.

<b>City's Cash</b>	
<b>Bridge House Estates</b>	
<b>Open Spaces</b>	Ashtead Common Burnham Beeches & Stoke Common Epping Forest Hampstead Heath Highgate Wood & Queens Park Kilburn West Ham Park West Wickham Common and Spring Park Coulsdon & Other Commons
<b>Sundry Trusts</b>	Ada Lewis Winter Distress Fund Charities Administered in Connection with (ICW) The City of London Freeman's School City Educational Trust Fund City of London Almshouses City of London Corporation Combined Education Charity City of London Corporation Relief of Poverty Charity City of London Freemen's School Bursary Fund City of London School Bursary Fund City of London School Education Trust City of London School Girls Bursary Fund Corporation of London Charities Pool Emmanuel Hospital Guildhall Library Centenary Fund Hampstead Heath Trust Keats' House King George's Field Samuel Wilson's Loan Trust Signore Pasquale Favale Bequest Sir Thomas Gresham Charity Sir William Coxen Trust Fund Vickers Dunfee Memorial Benevolent Fund

We are pleased to report that our audit reports, which are included in each of the above financial statements, are 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 the bodies listed above to continue as a going concern. We are therefore satisfied with the disclosures in the financial statements.

Our audit opinions are based on your approval of the financial statements and signing of the Letters of Representation, a draft of which has been included as an appendix to this report. Within the letters, you have confirmed that there are no subsequent events, other than those noted, that 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 Trustees

The Trustees are responsible for preparing the Trustees' Report and the financial statements of Bridge House Estates, City's Cash Trusts and the Sundry and Other Trusts in accordance with applicable law and regulations. The Charities Act 2011 requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charities and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charities will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charities transactions and disclose with reasonable accuracy at any time the financial position of the charities and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the charities 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.

#### Fee

The fee for the 2015-16 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. A further £10,000 is payable by City's Cash for the 2015-16 audit year for associated audit services at the Guildhall School of Music and Drama.

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.

Following delays to and difficulties encountered during the 2014-15 final audit of Bridge House Estates and City's Cash, an additional fee of £9,500 was charged. We have encountered delays and difficulties during the 2015-16 audit (see Section 5) and will be negotiating an additional fee with the City of London Corporation. This will be reported to the Audit and Risk Management Committee when confirmed.

We have provided no non-audit services during 2015-16.

## Materiality

The concept of materiality recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. A matter is material if its omission or misstatement would reasonably influence the decisions of users of the financial statements. The assessment of what is material is a matter of the auditor's professional judgement and includes consideration of both the amount and the nature of the misstatement. In determining materiality, we consider a range of measures relevant to the account.

Materiality levels are generally set as percentages of income or assets. This methodology has been followed for our assessment of materiality for all entities bar City's Cash. For City's Cash, as in 2014-15, there is a significant difference in value between income at £131.8m and net assets at £2,311m. We therefore assessed materiality based on net assets, which was set at £13m. Recognising that this was a high level of materiality in the context of the income and expenditure account, we treated the income and expenditure account as a sensitive area of testing, and assessed materiality as £3.5m for income and expenditure transactions. Full details of all entities key financials, including materiality are in Appendix 3 to this report.

## 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 Financial Reporting Council's Ethical Standard with regard to our integrity, objectivity and independence. In our professional judgement the audit process has been independent and our objectivity has not been compromised.

## 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 December 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
<b>Revenue recognition (All funds and entities)</b>  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>We have documented, evaluated and tested the controls which ensure income is completely and accurately recorded across all entities and funds. No significant weaknesses in controls have been identified. We have substantively tested material income streams across all entities and funds and performed procedures to ensure income is complete.</p> <p>Investment property income procedures on City's Cash and Bridge House Estates included confirming the amounts received on a sample of properties to rent agreements as well as performing analytical procedures to gain assurance on the completeness of income.</p> <p>Non-property investment income procedures included agreeing dividend income obtained as well as confirming realised investments from pooled investment vehicles. We have also considered the movement in fair value on investments (City's Cash and Bridge House Estates) and the unrealised gain on investments by comparing yields obtained by the funds to fund manager reports and benchmarks.</p> <p><b>Conclusion:</b> Satisfactory assurance has been gained in respect of the presumed risk of fraud in revenue recognition.</p>
<b>Management override (All funds and entities)</b>  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>We carried out focused testing on journals on City's Cash and Bridge House Estates, reviewing journal entries which had a higher susceptibility to management override – journals posted at weekends and by those who do not normally post journals for example. No significant issues were identified in our testing.</p> <p>For all entities, we considered the 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>Investment property valuations for City's Cash and Bridge House Estates comprise a significant judgement in the financial statements. The value of property held by City's Cash and Bridge House Estates as at 31 March 2016 was £1,601m and £611m respectively. This represents an increase in value of 18% and 15% respectively.</p> <p>Investment property valuations are conducted internally by the City Surveyor's team and by an external firm of property valuers. We have met with representatives of the City Surveyor and the external firm of property valuers to discuss the methodology of the valuations overall and to review individual property valuations that were significantly above or below the average increase. We did not identify any indication of management bias in the valuations applied. No significant issues were noted in our testing.</p> <p><b>Conclusion:</b> Satisfactory assurance has been gained in respect of the presumed risk of management override.</p>

Audit risk areas	Audit findings
<p><b>FRS 102 (All funds and entities)</b></p> <p>For accounting periods commencing on or after 1 January 2015, UK GAAP has been updated with the Financial Reporting Standards – FRSs 100, 101, 102 and 103. As a consequence of the updated FRSs, The Charities SORP has also been updated. All entities will produce accounts under the new reporting framework in 2015-16.</p>	<p>During the 2015-16 year we provided a bespoke training session for Corporation finance staff involved in the preparation of the non-local authority fund accounts on the impact of FRS 102. As part of our 2014-15 audit management report we recommended that a comparative restatement exercise was performed by 31 December 2015 to allow for timely review and update before the 2015-16 accounts were produced.</p> <p>We were notified by the City of London that due to the lack of available external training courses on FRS 102 until the first quarter of 2016 and the lack of early robust guidance, this exercise could not be done by 31 December 2015.</p> <p>Instead, a collaborative approach was taken by the City of London and Moore Stephens. The City of London reviewed guidance as it became available between January and March and presented proposals for the treatment of changes where these were expected to impact on the various entities. These proposals were considered by Moore Stephens and accounting treatment papers were provided together with feedback. Subsequent meetings were held to discuss any matters arising.</p> <p>The City of London provided the 2015-16 accounts to the agreed timetable, including the restatement of prior year comparatives (2014-15) based on FRS 102. Due to the restatement of prior year comparatives for FRS102 being provided at the same time, this led to Moore Stephens auditing two sets of figures at the same time. See Section 5 for further details.</p> <p>We have reviewed the 2014-15 restated comparatives to ensure that they comply with FRS 102 and the Charities SORP FRS 102 as appropriate.</p> <p>We have reviewed the 2015-16 annual report and accounts for all entities and funds to ensure that their accounting policies and disclosures comply with the new requirements.</p> <p><b>Conclusion:</b> Satisfactory assurance has been gained in respect of the risk identified for the transition to FRS 102.</p>
<p><b>Hampstead Heath Ponds (City's Cash Trusts and City's Cash)</b></p> <p>During the 2014-15 financial year, a Judicial Review found in favour of the City of London Corporation and as a consequence work has begun at Hampstead Heath Ponds. Initial costs were recorded and capitalised where appropriate up to 31 March 2015. Work on the main contract, which is expected to take 18 months and is worth approximately £14.69m has commenced and will continue during 2015-16. We therefore expect to see significant capital spend in the Hampstead Heath accounts.</p>	<p>We have reviewed supporting documentation surrounding the Hampstead Heath ponds project and verified the amounts capitalised as assets under construction as at 31 March 2016 - £8.7m. A further amount of £4m, for completion of works, has been recognised in the Hampstead Heath and City's Cash accounts as a capital commitment.</p> <p><b>Conclusion:</b> Satisfactory assurance has been gained in respect of the risk identified.</p>

Audit risk areas	Audit findings
<p><b>Investment Property Transactions (Bridge House Estates and City's Cash)</b></p> <p>The Corporation holds a significant portfolio of investment properties. These investments bring about associated risks including that of disclosure, accounting and revaluation. Given the high values associated with investment property transactions, they carry a higher risk of material misstatement.</p>	<p>We have agreed property valuations to internal and external valuations performed as at 31 March 2016. We have met with representatives of the City Surveyor and the external firm of property valuers to discuss the methodology of the valuations overall and to review individual property valuations that were significantly above or below the average increase. We discussed and agreed accounting treatments for property transactions during the year.</p> <p><b>Conclusion:</b> Satisfactory assurance has been gained in respect of the risk identified with regard to investment property transactions.</p>

## Other risk factors

As noted in our audit planning report submitted to the Audit and Risk Management Committee in January 2016 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
<b>Crossrail contribution (City's Cash)</b> The 2014-15 City's Cash accounts recognised a commitment in the financial statements, with expected payment in the 2018-19 and 2019-20 financial years.	<p>There has been no further correspondence regarding the Crossrail contribution proposed during the financial year, or to the point of the issue of this report. We have reconfirmed the accounting treatment applied and concur with the recognition of a commitment in the City's Cash accounts.</p> <p><b>Conclusion:</b></p> <p>Satisfactory assurance has been gained in respect of the risk factor identified.</p>
<b>Non-Property Investment Transitions (Bridge House Estates and City's Cash)</b> We understand that the City of London Corporation has made a number of fund manager changes during the year. Namely, the Southeastern mandate has been replaced with Majedie and the GMO mandate has been replaced with Majedie and Lindsell Train.	<p>We have reviewed supporting documentation from the transfer of funds between fund managers during the year for City's Cash. Following an adjustment to the notes to the accounts, we are content that the transactions pre and post-transfer have been accounted for appropriately.</p> <p><b>Conclusion:</b></p> <p>Satisfactory assurance has been gained in respect of the risk factor identified</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 going concern assumption in the preparation of the financial statements, and to consider whether there are material uncertainties about the organisation'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 2016-17;
- reviewing minutes of relevant City of London Corporation sub-committees held since 31 March 2016;
- enquiring of senior management and the organisation's solicitors concerning litigation, claims and assessments; and
- performing sample testing of post reporting date transactions.

There are risks to City's Cash and Bridge House Estates from the vote to leave the EU. In particular, the future levels of demand for office accommodation in the City and surrounding areas and the consequential impacts on rent incomes. A close watching brief will be kept on this and other implications as events unfold during the coming months with financial forecasts being refreshed if and when the picture becomes clearer.

We understand that there are ongoing discussions regarding the future operation of the Ada Lewis Winter Distress Fund, but at the point of writing, there has been no firm decision on whether to wind the charity up.

## Conclusion

Our work has not highlighted any concerns or issues affecting City's Cash, Bridge House Estates, City's Cash Trusts and Sundry and Other Trusts ability to continue as a going concern.

## 5 Significant audit and accounting matters

### Audit adjustments

To enable those charged with governance to assess the extent to which the draft financial statements presented for audit have been subject to change as a result of the audit process and ongoing management review, we present below the adjustments made to the accounts during the audit process.

As a result of our audit and management review, adjustments were made to the draft financial statements presented for audit. A summary of the effect of the audit adjustments is shown below. A schedule of the actual adjustments can be found in appendix 1. Where the entity or fund is not noted below or in appendix 1, no adjustments were made.

	Statement of Financial Activities		Balance Sheet	
	DR £'000	CR £'000	DR £'000	CR £'000
<b>Bridge House Estates</b>	235	257	215	193
<b>City of London Almshouses Trust</b>	23	10	10	23
<b>City of London Almshouses Trust (2014-15)</b>			151	151

With regard to the disclosure note supporting City's Cash non-property investments, the transfer of non-property investments between one fund manager to another, in year, were shown gross within additions and disposals, rather than net, and required subsequent adjustment in the note.

Subsequent revisions were required to the CoLAT accounts to meet FRS 102 requirements and Bridge House Estates required some narrative and presentational changes.

The prior year adjustment on the CoLAT accounts relates to the recognition of a liability in respect of a leasehold payment received from the Sir Thomas Gresham Charity in 1994. Legal opinion obtained in 2015-16 confirmed that the payment made in 1994 should have been recognised as an asset in the Gresham accounts, and subsequently a liability has been recognised in the CoLAT accounts.

All audit adjustments have been discussed and agreed with the 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
<b>City's Cash Trusts</b>				
Epping Forest	2	0	0	2

It was agreed with the 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
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate.
The timing of the transactions and the period in which they are recorded.	We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of accounting estimates or judgements used in the preparation of the financial statements.  We met with representatives of the City Surveyor and the external firm of property valuers to assess the judgements applied in the valuation of investment properties. We consider the judgements used to be appropriate.
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.	We did not identify any uncertainties including any significant risk or required disclosures that should be included in the financial statements.  Adequate disclosure has been made in the Hampstead Heath accounts of the future commitments made for the Hampstead Heath Ponds project.
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.	From our testing performed, we identified no unusual transactions in the period.
Apparent misstatements in the annual reports and trustees' reports or material inconsistencies within the financial statements.	Our review of the annual reports and Trustees' reports identified no misstatement or material inconsistency with the financial statements.
Any significant financial statement disclosures to bring to your attention.	There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statement disclosure.	There was no disagreement during the course of the audit over any accounting treatment or disclosure.

Qualitative aspect considered	Audit conclusion
<p>Difficulties encountered in the audit.</p>	<p>As noted in our response to the significant risk identified for the transition to FRS 102, we recommended that the restatement of comparatives be provided by 31 December 2015. As this was not possible, as noted in Section 4 above, we encountered difficulties caused by auditing two sets of figures at the same time.</p> <p>We were provided with high level balance sheet breakdowns which detailed TB totals for every debtor and creditor. Whereas in previous years we have requested full listings of a sample of these debtor and credit totals, in the current year we requested breakdowns for every total in order to sample from the total population. Due to way in which information is held in the finance system, this was a time consuming and difficult process for the City's finance team. Going forward, we will factor the time taken to run these reports into our audit timetable to allow for full listings to be received at the start of the audit.</p> <p>Whilst the first draft of the City of London Almshouses Trust accounts were provided ahead of the timetable, they had not been updated for the transition to FRS102. The member of staff who prepared the accounts has now left the organisation and the Group Accountant has since provided FRS102 compliant accounts which have been audited. To avoid similar difficulties improved handover processes should be put in place.</p>

## FRS 102 Transition

For accounting periods commencing on or after 1 January 2015, UK GAAP has been updated with the Financial Reporting Standards – FRSs 100, 101, 102 and 103. As a consequence of the updated FRSs, The Charities SORP has also been updated. All entities have produced accounts under the new reporting framework in 2015-16. In light of this change, we engaged early with the Corporation finance team, providing a bespoke training session on the likely impacts of FRS 102. Our experience has found that when accounting frameworks are adapted, early review and restatement aids the efficiency of the first year of reporting. Therefore, in our Audit Management Report on the 2014-15 audit we recommended that the Corporation performed a restatement of comparatives in advance by 31 December 2015. Due to reasons outlined on page 8, this was not completed by the Corporation for any of the funds or entities.

As a result of this, we revised the original onsite audit timetable agreed for Bridge House Estates, to allow the Corporation a further 7 days to prepare the financial statements.

The City of London has made good progress in producing proforma accounts for the City's Cash Trusts and Sundry Trusts over the last few years. Tailored advice was provided by the Group Accountant for the implementation of FRS 102. The City's Cash accounts are prepared by the Group Accountant and the majority of Trust accounts are reviewed by the Group Accountant and this resulted in minimal audit review comments. Bridge House Estates accounts have been produced for a number of years by an experienced, knowledgeable and qualified Senior Accountant and these accounts are then normally subject to full peer review by the Group Accountant during the audit stage. However, we noted that there were staff changes in the current year and, whilst the numbers in the accounts, including FRS 102 adjustments, were correct, some FRS 102 narrative changes had not been correctly processed which an earlier review process would have picked up. We would therefore encourage where possible the review of these accounts by the Group Accountant before being provided for audit to minimise the level of review comments and changes required.

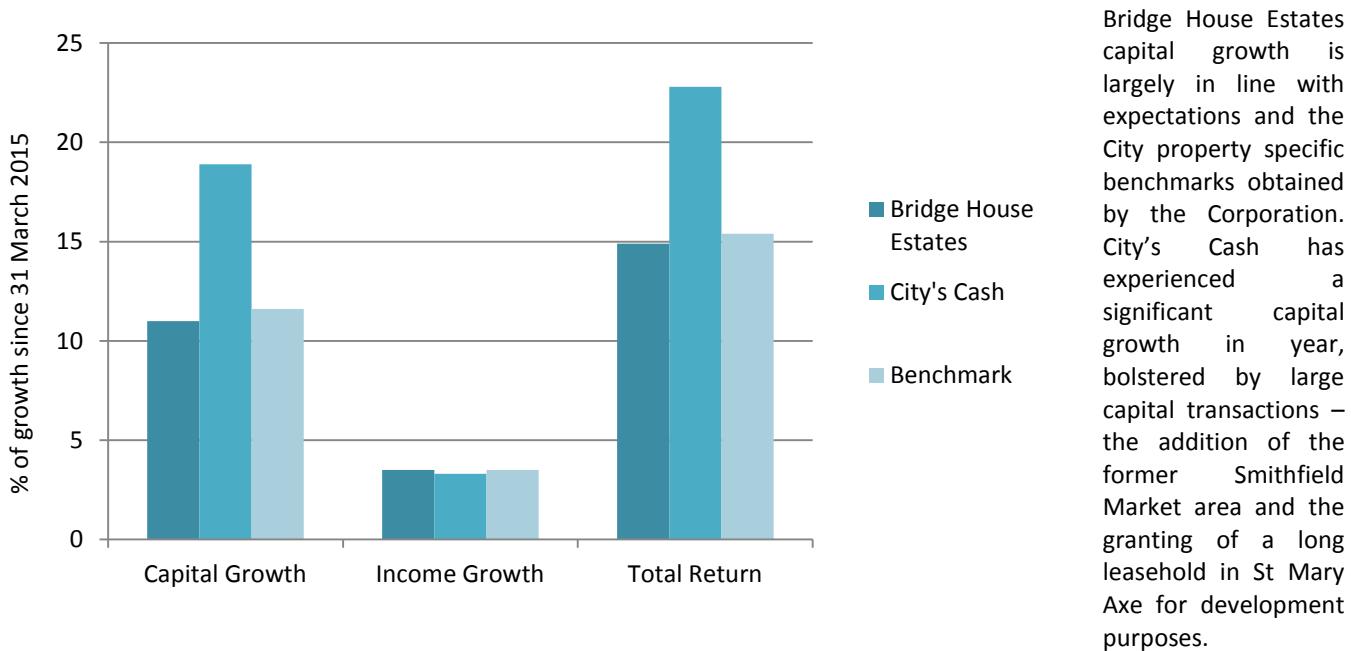
Review comments on first draft accounts were provided to the City of London by Moore Stephens at a late stage. This resulted in second draft accounts being produced under a tighter timeline and hindered comments being actioned by the City's finance team. In future years a more detailed timetable for audit fieldwork and provision of review comments and the finalisation of accounts thereafter will be agreed.

We noted that the CoLAT accounts were provided ahead of the agreed timetable but did not incorporate any changes for the transition to FRS 102 which made the audit process more difficult. The individual who prepared the accounts has now left the organisation and the accounts have since been updated for FRS102 by the Group Accountant. To avoid similar difficulties we would encourage appropriate knowledge transfer processes are put in place.

## Investment Property Valuations

City's Cash and Bridge House Estates hold a significant investment property portfolio, totalling £1,601m and £611m respectively as at 31 March 2016. Properties are valued annually in line with accounting standard requirements for investment properties. All properties are valued in accordance with the RICS Red Book. The valuation process is split between internal valuations, performed by the City Surveyor's department and a firm of external valuers. In 2014-15, Cushman Wakefield were appointed on a three year contract to perform the property valuations for City's Cash (City Estate) and Bridge House Estates. As part of our audit work, we have met with representatives of the City Surveyor and the external firm of property valuers to discuss the methodology of the valuations overall and to review individual property valuations that were significantly above or below the average increase.

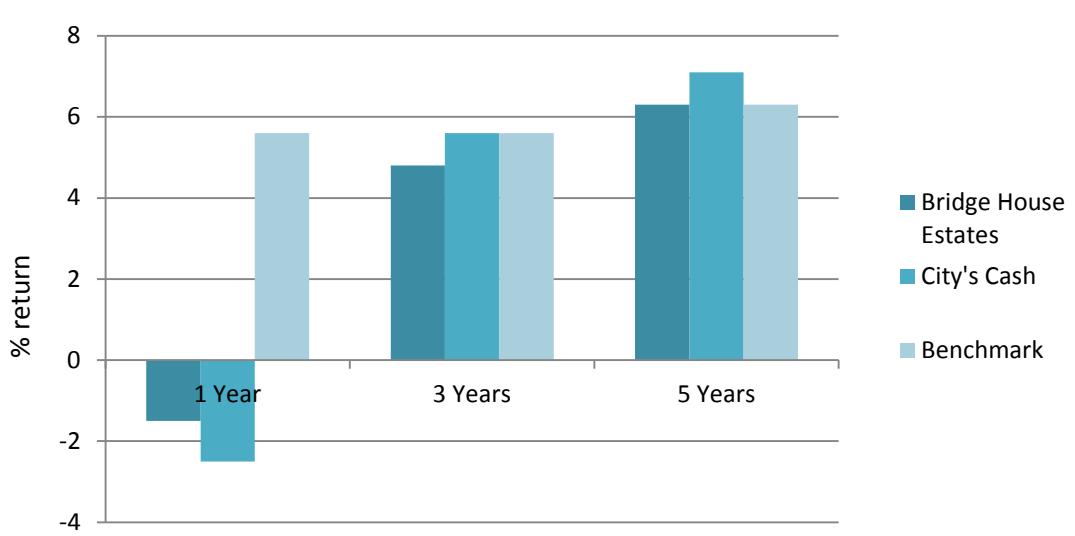
The chart below demonstrates the growth of the funds in the 2015-16 financial year.



Income growth is broadly in line with the benchmark on both funds due to increasing rents as properties have refurbishments completed and as a consequence are able to be marketed at a higher rate than prior valuations expected. This has been noted on a number of properties where valuation increases in excess of 20% have been recorded.

## Non-Property Investment Valuations

In addition to investment property, City's Cash and Bridge House Estates hold a significant portfolio of non-property investments totalling £634.5m and £604.9m respectively as at 31 March 2016. Investments are held across a number of fund managers who all invest according to the Investment Strategy set by the Corporation. The chart below demonstrates the performance of the City's Cash investment funds, against benchmark over a five year period.



During the year, following a period of below benchmark returns, the mandate for one fund manager on Bridge House Estates and City's Cash was terminated, and funds transferred to new fund managers. Recent quarterly performance reports indicate that returns are more in line with benchmark.

## 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. Copies of these letters for City's Cash, Bridge House Estates, the City's Cash Trusts, the Sundry and Other Trusts and the City of London Almshouses Trust are included in Appendix 4 to this report.

## Fraud and irregularity

Responsibility for preventing and detecting fraud and other irregularities lies with the trustees of the charities. 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 enable them to ensure, as far as possible, the accuracy and reliability of the organisation's accounting records and to safeguard the organisation'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.

#### 1 – Accounts Review (Priority 2)

<b>Observation</b>	We noted that when full peer review is in place, such as for City's Cash, City's Cash Trusts and the Sundry Trust accounts, the quality of the draft accounts for audit is improved resulting in fewer review comments. Such review processes are especially important during key changes in accounting frameworks.  Whilst Bridge House Estates is produced by an experienced, knowledgeable and qualified accountant, it is not normally subject to full peer review prior to the audit stage. However, during 2016 there were staff changes and, from our review of these draft accounts, it was noted that whilst the numbers and the FRS 102 adjustments in the accounts were correct, some comments arose relating to FRS 102 narrative changes and internal consistency issues. Whilst full peer review at the pre-audit stage has not been required in previous years, the accounts would benefit from such review, particularly during years of change, such as for FRS102, and during times of staff change.  The Audit Review Panel also specifically commented on this matter as it was apparent from their work that there may have been finance team resourcing and capacity issues at certain stages in the year end process. Their recommendation is that this matter is addressed as soon as possible as the next financial year end is less than six months away.
<b>Risk</b>	Lack of full peer review of BHE accounts prior to audit may result in inconsistent quality, leading to the requirement for additional audit time.
<b>Recommendation</b>	We would recommend bringing forward the full peer review process of BHE accounts to before the first draft is provided for audit.  We also recommend that the detailed closedown timetable factors in sufficient full peer review time for BHE accounts prior to the audit stage and, for all accounts, includes feedback milestones from audit.
<b>Management response</b>	Agreed. Bridge House Estates financial statements will be fully peer reviewed prior to the audit stage in future years, commencing with the accounts for 2016/17. This task will be included in the closedown timetable.
<b>Responsible Officer</b>	Steven Reynolds, Group Accountant

<b>Implementation date</b>	Prior to 2016/17 audit.
<b>2 – Corporate Treasury Scheme of Delegation (Priority 2)</b>	
<b>Observation</b>	During the 2015-16 year, over £60m of non-property investments were divested and re-invested. While the decision for the transition of the non-property investments had been appropriately approved by the Investment Committee, we note that the actual authorisation for the divestment (three transactions of £20m) as allowed in the scheme of delegation, came from two individuals in the same team. Given the value of the transaction, we would have expected authorisation to be required from the Corporate Treasurer and the Deputy Chamberlain, who is the third signatory.
<b>Risk</b>	There is a risk, that whilst two authorising signatories are required, when they come from the same team, that collusion is easier, thus opening the Corporation to the potential for a fraudulent transaction.
<b>Recommendation</b>	We recommend that the scheme of delegation for significant and material non-property transactions is amended, requiring that authorisation for such transactions comes from a member of the Corporate Treasury team and the Deputy Chamberlain.
<b>Management response</b>	Agreed. With immediate effect, authorisation for such transactions will come from a member of the Corporate Treasury team and the Deputy Chamberlain.
<b>Responsible Officer</b>	Kate Limna, Corporate Treasurer.
<b>Implementation date</b>	Immediate.
<b>3 – Inconsistent tenancy management records (Priority 2)</b>	
<b>Observation</b>	Audit testing identified that there is not always a clear audit trail in existence to demonstrate rent increases applied to investment properties. While rent increases have been agreed and there is documentary evidence available, it is not filed with the original rental agreement as would be expected.
<b>Risk</b>	Without a clear audit trail, there is a risk that incorrect rents may be charged on investment properties, reducing the income obtained by Bridge House Estates and City's Cash.
<b>Recommendation</b>	We recommend that a regular sample check review is performed for investment properties to ensure that the rental amount recognised on CBIS has been agreed by both parties and that there is appropriate and consistent supporting evidence on file encompassing information from across the Corporation.
<b>Management response</b>	The Chamberlain's Property Services Finance Team will carry out an independent quarterly sample check of invoices raised by the Comptroller and City Solicitor (CCS) and verify the amounts raised to the rental agreements held by the CCS which are filed on the KMX legal document system.
<b>Responsible Officer</b>	Hazel Lerigo, Interim Head of Finance Property Services.
<b>Implementation date</b>	The sample check will be completed one month after the end of each quarter, commencing with the current quarter (quarter 3) which ends on 31 December 2016. This initial sample check will be completed by 31 January 2017 with others periodic checks completed on an ongoing quarterly basis
<b>4 – Authorisation of journal entries (Priority 2)</b>	
<b>Observation</b>	City of London Corporation policy is that journal entries over £100,000 are authorised retrospectively. Given the volume of journals that are processed under this value, the value seems high to have no checks performed at all.
<b>Risk</b>	There is a risk that journals that are not reviewed and authorised are processed incorrectly, which may lead to a material misstatement of financial statements. This will also require additional resources to correct errors identified.

<b>Recommendation</b>	We recommend that the Corporation review the policy in place regarding journal authorisation and consider either lowering the limit, or introducing a random sample check of journals posted of a lower amount across all funds and entities.
<b>Management response</b>	The policy will be reviewed.
<b>Responsible Officer</b>	John James, Interim Deputy Financial Services Director
<b>Implementation date</b>	31 December 2016.

## 5 – Knowledge transfer

### (Priority 2)

<b>Observation</b>	<p>We had raised a recommendation following the 2014-15 audit of the City of London Almshouses Trust (CoLAT), that the Corporation should ensure knowledge transfer takes place before staff turnover. The 2015-16 accounts for CoLAT were prepared by a different member of staff to 2014-15 and there was little evidence of a knowledge transfer having taken place.</p> <p>The first draft 2015-16 accounts we received had not been updated for changes to the Charities SORP FRS 102. The accountant responsible has now left the Corporation and the accounts have since been updated for FRS102 by the Group Accountant.</p>
<b>Risk</b>	Without proper handover and knowledge transfer procedures in place, there is a risk that submission of year-end accounts, and subsequently the audit, are delayed.
<b>Recommendation</b>	We reiterate our recommendation that appropriate knowledge transfer processes are put in place.
<b>Management response</b>	<p>During 2015-16 a key member of the team who was responsible for preparing the CoLAT accounts left and the vacancy was filled on a temporary basis by an experienced qualified accountant who prepared the first draft of the accounts for audit. This person then left prior to receiving feedback on the accounts from Moore Stephens. A permanent replacement has now been appointed and is currently be trained and mentored to ensure that a repeat of the difficulties noted above are avoided during the 2016-17 year-end accounts process.</p> <p>A permanent file note on the procedures to be followed in the preparation of the accounts will be prepared by 31 December 2016 to further ensure continuity of knowledge.</p>
<b>Responsible Officer</b>	Mark Jarvis, Head of Finance, Citizen Services
<b>Implementation date</b>	As noted above, a permanent member of staff has now been appointed and is currently being trained. A permanent procedure note will be prepared by 31 December 2016.

## 7 Follow up of prior year recommendations

We raised no priority 1 recommendations during our audit of City's Cash, Bridge House Estates, City's Cash Trusts and the Sundry and Other Trusts.

We did raise a number of lower priority recommendations directly with management, which we have reproduced below with an update on progress.

Point Arising	Update as at 31 March 2016
<b>Bridge House Estates</b> <p><b>Documentation of rent increases</b> - difficulties encountered in agreeing rent increases for individual properties, which we understand should be alleviated by the introduction of the R12 Oracle release.</p>	<p>We have encountered similar difficulties during the 2015-16 audit of Bridge House Estates and City's Cash. Given the significance of the value of investment property income, this has been raised as a recommendation in section 6.</p> <p><b>Status:</b> Ongoing</p>
<b>City's Cash Trusts</b> <p><b>Classification of liabilities</b> – testing identified a number of classification errors between trade creditors, other creditors and accruals. We recommend a system of sample spot checking is put in place, along with updated guidance from the central finance team</p>	<p>We have not encountered similar classification errors during the 2015-16 audit of City's Cash Trusts.</p> <p><b>Status:</b> Closed</p>
<p><b>Grants receivable documentation</b> – the system for recording grants applied for and received is not always kept up to date, increasing the risk that grants received for a specific Open Space are not recognised appropriately</p>	<p>Whilst we have noted some improvements in the recording system, we consider that there is scope for further improvements to ensure that income is appropriately recognised and is able to be monitored.</p> <p><b>Status:</b> Ongoing</p>
<b>Sundry and Other Trusts</b> <p><b>Housing Accountant knowledge transfer</b> – following two recent staff movements in the housing team there has been insufficient knowledge transfer put in place before the preparation of the City of London Almshouses Trust accounts.</p>	<p>We have again encountered delays during the audit of CoLAT accounts, albeit for different reasons, during the 2015-16 audit. A further recommendation has been raised in section 6.</p> <p><b>Status:</b> Closed</p>
<p><b>Classification of expenditure and accruals</b> – audit testing of 2014-15 expenditure identified a number of items that should have been accounted for and accrued as at 31 March 2014. We recommend a system of sample spot checking is put in place, along with updated guidance from the central finance team</p>	<p>We have not encountered similar classification errors during the 2015-16 audit of the Sundry and Other Trusts.</p> <p><b>Status:</b> Closed</p>
<b>All entities and funds</b> <p><b>Documentation of formal impairment review</b> – it is good practice to consider whether there have been any indicators of impairment as part of the year end processes and for those considerations to be documented.</p>	<p>We have confirmed that a formal impairment review discussion did take place, but was not documented.</p> <p><b>Status:</b> Ongoing</p>

## Appendix 1 – Adjusted Misstatements

As summarised in Section 5, the following adjustments were identified during our audit work and have been incorporated into the financial statements. Where the entity or fund is not noted below, no adjustments were made. All adjustments have been discussed and agreed with the Group Accountant.

	Statement of Financial Activity		Balance Sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
<b>Bridge House Estates</b>				
Stock				22
Tourism Income		22		
<i>Being the correction for the understatement of stock from an input error</i>				
Debtors				67
Rental income received in advance				67
<i>Being the correction of rental debtors posting</i>				
Grant Administration Expenditure	235			
Other Income		235		
<i>*Being the correction for incorrect recognition of grant support</i>				
Non-property investments				126
Reserves				126
<i>*Being the correction for the understatement of valuation</i>				
	<b>235</b>	<b>257</b>	<b>215</b>	<b>193</b>
<b>City of London Almshouses Trust</b>				
Income	23			
Cash				23
<i>Being the correction of unallocated cash</i>				
Income		10		
Debtors				10
<i>Being the correction of income received in advance</i>				
	<b>23</b>	<b>10</b>	<b>10</b>	<b>23</b>
<b>City of London Almshouses Trust (2014-15)</b>				
General Fund				151
Deferred Income				151
<i>* Being the recognition of deferred income for the Gresham Almshouses</i>				
			<b>151</b>	<b>151</b>

\* Identified by client

## Appendix 2 – Unadjusted misstatements

As summarised in Section 5, the following unadjusted items were identified during our audit work. It was agreed with the Group Accountant that these amounts were not considered material and thus they have not been incorporated into the financial statements.

	Statement of Comprehensive Income / Statement of Financial Activity		Balance Sheet	
	Dr £'000	Cr £'000	Dr £'000	Cr £'000
<b>City's Cash Trusts</b>				
<b>Epping Forest</b>				
Grant Income		2		
Other Debtors				2
<i>Being the de-recognition of unsupported grant income</i>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>

## Appendix 3 – List of entities key financials

The list of entities on which we have reported on, and which are covered by this document are included in the table below. We have included in the table incoming resources, surplus/deficit and net assets along with the materiality level we have used during the audit. Materiality was calculated based on either the income or net assets of the entity.

Activities	Income £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
<b>City's Cash</b>	131,800	184,900	2,311,000	13,000 3,000 (I&E)
<b>Bridge House Estates</b>	87,100	41,900	1,183,500	3,300
<b>City's Cash Trusts</b>				
<b>Ashtead Common</b>				
Preservation of the common at Ashtead	498	-	-	7
<b>Burnham Beeches</b>				
Preservation of the Open Space known as Burnham Beeches	931	(17)	786	14
<b>Epping Forest</b>				
Preservation of Epping Forest in perpetuity	5,807	(275)	7,920	94
<b>Hampstead Heath</b>				
Preservation of Hampstead Heath for the recreation and enjoyment of the public	17,421	6,778	42,140	129
<b>Highgate Wood &amp; Queens Park Kilburn</b>				
Preservation of the Open Space know as Highgate Wood & Queens Park Kilburn	1,418	(50)	381	22
<b>Sir Thomas Gresham Charity</b>				
To provide a programme of public lectures	64	(1)	150	2
<b>West Ham Park</b>				
To maintain and preserve the Open Space known as West Ham Park	1,681	(5)	36	25
<b>West Wickham Common and Spring Park Coulsdon &amp; Other Commons</b>				
Preservation of West Wickham Common and Spring Park Coulsdon & Other Commons	1,285	33	107	19
<b>Sundry Trusts</b>				
<b>Ada Lewis Winter Distress Fund</b>				
Assistance and relief for the poor and distressed during winter months	7	(5)	252	5
<b>Charities Administered ICW the City of London Freemen's School</b>				
Promotion of education through prizes	12	(4)	168	3
<b>City Educational Trust Fund</b>				
Advancement of education through grants	126	(161)	3,432	69

Activities	Income £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
<b>Sundry Trusts Continued</b>				
<b>City of London Almshouses</b>				
Almshouses for poor or aged people	395	85	1,621	33
<b>City of London Corporation Combined Education Charity</b>				
Advancing education by the provision of grants and financial assistance	38	(61)	1,038	21
<b>City of London Corporation Relief of Poverty Charity</b>				
Relief of poverty for widows, widowers or children of a Freemen of the City of London	4	(12)	141	3
<b>City of London Freemen's School Bursary Fund</b>				
Promotion of education through bursaries	65	(14)	792	16
<b>City of London School Bursary Fund</b>				
Promotion of education through bursaries, scholarships and prizes	189	(29)	3,454	69
<b>City of London School Educational Trust</b>				
Advancing education	7	-	6	1
<b>City of London School for Girls Bursary Fund</b>				
Promotion of education through bursaries, scholarships and prizes	556	(456)	3,463	60
<b>Corporation of London Charities Pool</b>				
Investments pool for Sundry Trusts	1,263	(994)	21,704	435
<b>Emmanuel Hospital</b>				
Payment of pensions and financial assistance to poor persons	82	(96)	2,268	45
<b>Guildhall Library Centenary Fund</b>				
Provision of education and training in library, archives, museum, and gallery services	1	1	23	1
<b>Hampstead Heath Trust</b>				
To meet a proportion of the maintenance cost of Hampstead Heath	1,322	(1,815)	28,909	591
<b>Keats House</b>				
Maintenance of Keats House	477	(12)	189	7
<b>King George's Field</b>				
Open space for sports, games and recreation	14	-	-	1
<b>Samuel Wilson's Loan Trust</b>				
Granting of low interest loans to young people who have or are about to set up in business	72	(42)	2,125	43

Activities	Income £'000	Surplus/ (Deficit) £'000	Net Assets £'000	Materiality £'000
<b>Sundry Trusts Continued</b>				
<b>Signore Pasquale Favale Bequest</b>				
Granting of assistance to eligible persons in the form of marriage portions	-	-	13	1
<b>Sir William Coxen Trust Fund</b>				
Granting of assistance to eligible charitable trusts in the form of donations	115	(60)	2,502	53
<b>Vickers Dunfee Memorial Benevolent Fund</b>				
Financial assistance to distressed past and present members of the CoL Special Constabulary and their dependents	6	(3)	201	4

# Appendix 4 – Management representation letters for City's Cash, Bridge House Estates and the Charities

## LETTER OF REPRESENTATION: CITY'S CASH

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 2016 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 (FRS 102).

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 2016, 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 commitment 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

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

## **LETTER OF REPRESENTATION: BRIDGE HOUSE ESTATES**

Dear Sirs

### **City of London - Bridge House Estates**

This representation letter is provided in connection with your audit of the financial statements of Bridge House Estates for the year ended 31 March 2016 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 (FRS 102) and the Charities Statement of Recommended Practice (FRS 102).

By a resolution of the Finance Committee, passed today, I am directed to confirm to you, in respect of the financial statements of the charity for the period ended 31 March 2016, the following:-

25. We have fulfilled our responsibilities under the Charities Act 2011 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice and the Charities Statement of Recommended Practice (FRS 102) and for making accurate representations to you.
26. 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.
27. All transactions have been recorded in the accounting records and are reflected in the financial statements.
28. We acknowledge as trustee our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
29. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
30. 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.
31. 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, regulators or other third parties.
32. 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.
33. 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 our ability and intent to carry out specific courses of action, where this is relevant to the determination of those values.
34. In our opinion the significant assumptions used by us in making accounting estimates are reasonable.
35. We have disclosed to you the identity of the charity's related parties and all related party relationships and transactions of which we are aware.
36. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice and the Charities Statement of Recommended Practice 2005.
37. In particular, no trustee, shadow trustee, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the charity at any time during the year, other than as indicated in the financial statements or, in the case of items not required to be disclosed, in the attached schedule.

38. The following have been properly recorded and, when appropriate, adequately disclosed in the financial statements:
- losses arising from sale and purchase commitments;
  - agreements and options to buy back assets previously sold;
  - assets pledged as collateral.
39. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
40. We have 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.
41. The charity has satisfactory title to all assets and there are no liens or encumbrances on the charity's assets, other than as disclosed in the financial statements.
42. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.
43. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice and the Charities Statement of Recommended Practice FRS 102 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.
44. The charity has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
45. 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 charity;
  - circumstances of an exceptional or non-recurrent nature; or
  - charges or credits relating to prior periods.
46. 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 and the Charities Statement of Recommended Practice FRS 102.
47. 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 are to be approved.
- We have also considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in order to give a true and fair view.
48. 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
49. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
50. We confirm that we are not aware of any breaches of charity regulations and that we have advised you of the existence of all endowments and funds maintained by us.
51. All income has been recorded, all restricted funds have been properly applied and all constructive obligations have been recognised.
52. All correspondence with regulators has been made available to you, including any serious incidents reports.
53. Except as disclosed in the notes to the BHE accounts, as at 31 March 2016 there were no significant capital commitments contracted for by BHE.

54. We are of the opinion that the costs involved in the reconstruction or analysis of past accounting records of heritage assets (bridges) or in valuation are onerous compared with the additional benefit derived by users of the accounts in assessing the trustees' stewardship of the assets.
55. We are of the opinion that the property valuations at 31 March 2016 as updated from the internal valuations at 31 March 2015 are not materially misstated

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

.....  
The Chamberlain of London  
Signed on behalf of the Trustee  
On \_\_\_\_\_ (date)

## **LETTER OF REPRESENTATION: CITY'S CASH TRUSTS (OPEN SPACES)**

Dear Sirs

### **City's Cash Trusts – Open Spaces**

This representation letter is provided in connection with your audit of the financial statements of the City's Cash Trusts (Open Spaces) for the period ended 31 March 2016 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 (FRS 102) and the Charities Statement of Recommended Practice (FRS 102).

By a resolution of the Finance Committee, passed today, I am directed to confirm to you, in respect of the financial statements of the trusts for the period ended 31 March 2016, the following:-

1. We have fulfilled our responsibilities under the Charities Act 2011 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice and the Charities Statement of Recommended Practice (FRS 102) 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 as trustee 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 have disclosed 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, 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 our 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 by us in making accounting estimates are reasonable.
11. We have disclosed to you the identity of the Trusts 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 and the Charities SORP FRS 102.
13. In particular, no trustee, shadow trustee, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the Trusts at any time during the year.
14. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements, other than as disclosed in the financial statements.

15. The Trusts have satisfactory title to all assets and there are no liens or encumbrances on the Trusts' assets, other than as disclosed in the financial statements.
16. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.
17. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice and the Charities SORP 2005 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.
18. The Trusts have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
19. 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 Trusts;
  - circumstances of an exceptional or non-recurrent nature; or
  - charges or credits relating to prior periods.
20. 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 and the Charities SORP FRS 102.
21. 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 are to be approved.  
We have also considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in order to give a true and fair view.
22. 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.
23. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
24. We confirm that we are not aware of any breaches of charity regulations and that we have advised you of the existence of all endowments and funds maintained by us.
25. All income has been recorded, all restricted funds have been properly applied and all constructive obligations have been recognised.
26. All correspondence with regulators has been made available to you, including any serious incidents reports.
27. We are of the opinion that the costs involved in the reconstruction or analysis of past accounting records of heritage assets (open spaces) or in valuation are onerous compared with the additional benefit derived by users of the accounts in assessing the trustees' stewardship of the assets.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

.....  
 The Chamberlain of London  
 Signed on behalf of the Trustee  
 On \_\_\_\_\_ (date)

## **LETTER OF REPRESENTATION: CITY OF LONDON CORPORATION SUNDY TRUSTS AND OTHER ACCOUNTS**

Dear Sirs

### **City of London - Sundry and Other Trusts**

This representation letter is provided in connection with your audit of the financial statements of The City of London Corporation Sundry Trusts and Other accounts for the period ended 31 March 2016 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 (FRS 102) and the Charities Statement of Recommended Practice FRS 102.

By a resolution of the Finance Committee, passed today, I am directed to confirm to you, in respect of the financial statements of the charities for the period ended 31 March 2016, the following:-

1. We have fulfilled our responsibilities under the Charities Act 2011 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice and the Charities Statement of Recommended Practice FRS 102 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 as trustee 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 have disclosed 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, 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 our 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 by us in making accounting estimates are reasonable.
11. We have disclosed to you the identity of the charities 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 and the Charities SORP FRS 102.
13. In particular, no trustee, shadow trustee, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the charities at any time during the year.
14. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

15. The Trusts have satisfactory title to all assets and there are no liens or encumbrances on the Trusts' assets, other than as disclosed in the financial statements.
16. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.
17. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice and the Charities SORP FRS 102 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.
18. The Trusts have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
19. 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 charities;
  - circumstances of an exceptional or non-recurrent nature; or
  - charges or credits relating to prior periods.
20. 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 and the Charities SORP FRS 102.
21. 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 are to be approved.  
 We have also considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in order to give a true and fair view.
22. 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.
23. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
24. We confirm that we are not aware of any breaches of our charity regulations and that we have advised you of the existence of all endowments and funds maintained by us.
25. All income has been recorded, all restricted funds have been properly applied and all constructive obligations have been recognised.
26. All correspondence with regulators has been made available to you, including any serious incidents reports.

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

.....  
 The Chamberlain of London  
 Signed on behalf of the Trustee  
 On \_\_\_\_\_ (date)

## **LETTER OF REPRESENTATION: CITY OF LONDON ALMSHOUSES TRUST**

Dear Sirs

### **The City of London Almshouses Trust**

This representation letter is provided in connection with your audit of the financial statements of the City of London Almshouses for the period ended 31 March 2016 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 (FRS 102), the Housing Statement of Recommended Practice 2014 and the Charities Statement of Recommended Practice FRS 102.

By a resolution of the Finance Committee, passed today, I am directed to confirm to you, in respect of the financial statements of the City of London Almshouses for the year ended 31 March 2016, the following:-

1. We have fulfilled our responsibilities under section 1(2) of the Housing Act 1996 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice, the Housing Statement of Recommended Practice 2014 and the Charities Statement of Recommended Practice FRS 102 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 as Board members 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 have disclosed 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; and
  - 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, 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 used by us in making accounting estimates are reasonable.
10. We have disclosed to you the identity of the related parties and all related party relationships and transactions of which we are aware.
11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice.
12. In particular, no Board member, shadow Board member, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the Almshouses at any time during the year.
13. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
14. The City of London Almshouses have satisfactory title to all assets and there are no liens or encumbrances on the Almshouses' assets, other than as disclosed in the financial statements.

15. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.
16. 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.
17. The City of London Almshouses have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
18. 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 Almshouses;
  - circumstances of an exceptional or non-recurrent nature; or
  - charges or credits relating to prior periods.
19. 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.
20. 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 are to be approved.

We have also considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in order to give a true and fair view.
21. 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.
22. The costs that have been capitalised in respect of the Almshouses are appropriate and that the carrying value at 31 March 2016, including the Social Housing Grant are considered to be reasonable. The useful economic life and assessment of depreciation are considered to be reasonable in respect of the future economic benefit that is expected to be derived from the Almshouses.

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

.....  
The Chamberlain of London  
Signed on behalf of the Trustee  
On \_\_\_\_\_ (date)