

Audit and Risk Management Committee

Date: TUESDAY, 24 SEPTEMBER 2019

Time: 2.00 pm

Venue: COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL

Members: Alderman Ian Luder (Chairman)

Alexander Barr (Deputy Chairman) Hilary Daniels (Deputy Chairman)

Randall Anderson Alderman Nick Anstee

Chris Boden

Deputy Jamie Ingham Clark (Ex-Officio Member)

Anne Fairweather

Marianne Fredericks (Ex-Officio Member)

Alderman John Garbutt

Kenneth Ludlam (External Member)

Paul Martinelli

Caroline Mawhood (External Member)
Jeremy Mayhew (Ex-Officio Member)

Andrien Meyers John Petrie

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N.B. Part of this meeting may be subject to audio-visual recording.

Lunch will be served in the Guildhall Club at 1.15pm.

John Barradell Town Clerk

AGENDA

Part 1 - Public Agenda

- 1. APOLOGIES
- 2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA
- 3. MINUTES OF THE PREVIOUS MEETING

To agree the public minutes and non-public summary of the meeting held on 16 July 2019.

For Decision (Pages 1 - 6)

4. DRAFT MINUTES OF THE NOMINATIONS SUB-COMMITTEE

To receive the draft minutes of the meeting of the Nominations Sub-Committee held 20 May 2019.

For Information (Pages 7 - 8)

5. OUTSTANDING ACTIONS OF THE COMMITTEE

Members are asked to note the Committee's Outstanding Actions List.

For Information (Pages 9 - 10)

6. COMMITTEE WORK PROGRAMME

Members are asked to note the Committee's Work Programme.

For Information (Pages 11 - 12)

Governance

7. 2018/19 ANNUAL REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Report of the Town Clerk & Chief Executive and the Chairman of the Audit and Risk Management Committee.

For Decision (Pages 13 - 20)

Financial Statements and External Audit

8. 2018-19 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS - AUDIT COMPLETION REPORT

Report of the Chamberlain.

For Information (Pages 21 - 114)

9. BRIDGE HOUSE ESTATES ANNUAL REPORT AND FINANCIAL STATEMENTS 2018/19

Report of the Chamberlain.

For Decision

(Pages 115 - 222)

Internal Audit and Corporate Anti-Fraud

10. INTERNAL AUDIT RECOMMENDATIONS FOLLOW-UP

Report of the Head of Audit and Risk Management.

For Information

(Pages 223 - 240)

External Inspections

11. ANNUAL SUMMARY OF HMICFRS INSPECTIONS AND REPORTS

Report of the Commissioner of the City of London Police.

For Information

(Pages 241 - 248)

Risk Management

12. DEEP DIVE - CR16: INFORMATION SECURITY

Report of the Chamberlain.

For Information

(Pages 249 - 256)

- 13. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE
- 14. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT
- 15. EXCLUSION OF THE PUBLIC

MOTION: That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

Item	Paragraph
16, 17, 18, 21	3
22	1&3

For Decision

Part 2 - Non-Public Agenda

16. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

To agree the non-public minutes of the meeting held on 16 July 2019.

For Decision

(Pages 257 - 258)

17. APPENDIX TO DEEP DIVE CR16

To be read in conjunction with the report of the Chamberlain at agenda item 12.

For Information

(Pages 259 - 270)

18. INTERNAL AUDIT REVIEW - CITY OF LONDON FREEMEN'S SCHOOL ENABLING WORKS PROJECT

Report of the Head of Audit and Risk Management.

For Information

(Pages 271 - 276)

- 19. NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE
- 20. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

Part 3 - Confidential Agenda

21. CONFIDENTIAL MINUTES OF THE PREVIOUS MEETING

To agree the confidential minutes of the previous meeting held 16 July 2019.

For Decision

22. EXTERNAL AUDIT ARRANGEMENTS

Report of the Chamberlain.

For Decision

- 23. CONFIDENTIAL QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE
- 24. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED DURING THE CONFIDENTIAL SESSION

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 16 July 2019

Minutes of the meeting of the Audit and Risk Management Committee held at the Guildhall EC2 at 2.00 pm

Present

Members:

Alderman Ian Luder (Chairman) Kenneth Ludlam (External Member)

Hilary Daniels (Deputy Chairman) Paul Martinelli

Randall Anderson Caroline Mawhood (External Member)

Deputy Jamie Ingham Clark (Ex-Officio Andrien Meyers Member)

Andrien Meyers

John Petrie

Anne Fairweather

Marianne Fredericks (Ex-Officio Member)

Alderman John Garbutt

Officers:

John Barradell Town Clerk & Chief Executive Town Clerk's Department Chloe Rew Simon Latham Town Clerk's Department Richard Woolford Town Clerk's Department Chamberlain's Department Caroline Al-Beyerty Karen Atkinson Chamberlain's Department Chamberlain's Department Christopher Bell Chamberlain's Department Paul Dudley Philip Gregory Chamberlain's Department Neilesh Kakad Chamberlain's Department Chris Keesing Chamberlain's Department Matthew Lock Chamberlain's Department Michael Cogher Comptroller and City Solicitor

Zahur Khan - Department for the Built Environment
Bruce McVean - Department for the Built Environment
Richard Steele - Department for the Built Environment

Also in Attendance:

Fiona Condron - External Auditor, BDO
Leigh Lloyd-Thomas - External Auditor, BDO
Francesca Palmer - External Auditor, BDO

Graham Packham - Planning and Transportation Committee

APOLOGIES

Apologies were received from Deputy Chairman Alexander Barr and Alderman Nicholas Anstee.

2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

There were no declarations.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED, that – the public minutes of the previous meeting held 7 May 2019 were agreed as a correct record.

4. OUTSTANDING ACTIONS OF THE COMMITTEE

RESOLVED, that – the outstanding actions of the Committee be received and their contents noted.

5. **COMMITTEE WORK PROGRAMME**

RESOLVED, that – the Committee Work Programme be received, with the following amendments.

- 1. The Bridge House Estates accounts be moved to 24 September 2019;
- 2. A Deep Dive of CR16 Information Security be moved to 24 September 2019.

6. 2018-19 CITY FUND AND PENSION FUND FINANCIAL STATEMENTS

Members considered a report of the Chamberlain relative to the 2018-19 City Fund and Pension Fund Financial Statements, to be published by 31 July 2019 subject to the Committee's approval. The latest version of the accounts was provided with the report, in addition to the BDO audit progress report. Members received further details from the External Auditors relative to the BDO reports included at appendices 2 and 3. The Chamberlain reported that the final version of the accounts would be completed within one week. It was noted that the recommendation be amended to delegate authority to the Deputy Chamberlain, in the Chamberlain's absence.

RESOLVED, that – the Audit and Risk Management Committee:

- 1. consider the content of BDO's audit progress report;
- 2. recommend approval of the 2018-19 City Fund and City Pension Fund Statement of Account to the Finance Committee; and
- delegate authority to the Deputy Chamberlain, in consultation with the Chairman and Deputy Chairmen of the Audit and Risk Management Committee, approval of any material change to the financial statement required before the signing of the audit opinion by BDO, which is expected by the end of July 2019.

7. BRIDGE HOUSE ESTATE ACCOUNTS

Members considered a report of the Chamberlain relative to the Bridge House Estates (BHE) Annual Report and Financial Statements for 2018/19. The Chamberlain reported that due to unforeseen circumstances with the external auditors, the full accounts and audit report were not available to be presented

to the Committee at that time. Members of the Finance Committee will be invited to attend the September meeting of the Audit and Risk Management Committee when the BHE accounts and audit reports are considered. Finance Committee Members will not be allowed to vote, unless they are separately Members of the Audit and Risk Management Committee.

RESOLVED, that – the Bridge House Estates accounts and audit report be resubmitted to the Committee at its next meeting on 24 September 2019.

8. INTERNAL AUDIT UPDATE

Members received a report of the Head of Audit and Risk Management relative to internal audit update activity since the last Internal Audit Update Report presented to the Committee in March 2019. The Corporate Follow-Up forward plan was set out, with the proposed frequency of follow-ups being increased to promote regular review of recommendation implementation. In response to a request from a Member, the Head of Audit and Risk Management undertook to even out the delivery of work across the year to avoid a peak of work at year end and significant carry forward to the subsequent year, noting that effective relationships between internal audit and Chief/Senior Officers is critical to this.

RESOLVED, that – the report be received and its contents noted.

9. ANTI-FRAUD AND INVESTIGATIONS - 2018/19 ANNUAL REPORT

Members received a report of the Head of Audit and Risk Management relative to an update on the activity of the Anti-Fraud and Investigations team during the 2018/19 reporting year, and an update on the key anti-fraud initiatives. Additional appendices were included in the non-public and confidential agendas due to the sensitive content of the information.

RESOLVED, that – the report be received and its contents noted.

10. **CORPORATE RISK UPDATE**

Members considered a report of the Chamberlain relative to an update on the corporate and top red departmental risk registers. The Chamberlain reported that CR20 was reconfirmed as a corporate risk by Summit Group on 25 June 2019, totalling 15 corporate risks on the corporate risk register. The number of corporate risks had grown, creating the potential for the risk register to lose focus. However, in line with Members' sentiments, if a risk is considered to be of corporate importance, it should be added to the corporate risk register. Growth will therefore be monitored by the Risk Management team to ensure that corporate risks are appropriately managed and overlaps in corporate risks are identified.

RESOLVED, that – the Committee,

- 1. note the report;
- 2. endorse the decision of Summit Group to reconfirm the corporate status on the revised CR20 Road Safety Risk.

11. DEEP DIVE RISK REVIEW

a) CR20 - Road Safety

Members received a report of the Director for the Built Environment relative to a Deep Dive of CR20 Road Safety, as the risk had recently been reviewed and revised. As a result of the revision, the effect had been updated to describe the impacts of collisions on victims, and cause had been updated to reflect the adoption of the City of London Transport Strategy. It was further noted that the target date was in line with the timing to update the Transport Strategy. Members noted that the likelihood of 2 (unlikely) was insufficient, and should be increased to 3 (possible).

RESOLVED, that – the report be received and its contents noted, and the likelihood be increased from 2 to 3, increasing the current risk score to 24.

b) CR16 - Information Security

The report of the Chamberlain was deferred to a future committee meeting.

12. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

13. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

There was no other business.

14. EXCLUSION OF THE PUBLIC

RESOLVED, that – under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

15. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING

RESOLVED, that – the minutes of the previous meeting held 7 May 2019 be agreed as a correct record.

16. **DEEP DIVE CR24 - OPERATIONAL SECURITY**

Members received a report of the Town Clerk & Chief Executive relative to a Deep Dive of CR24 Operational Security.

RESOLVED, that – the report be received and its contents noted.

17. APPENDIX 3 TO ANTI-FRAUD AND INVESTIGATIONS - 2018/19 ANNUAL REPORT

The appendix was read in conjunction with the report of the Head of Audit and Risk Management at agenda item 9.

18. APPENDIX 4 TO CORPORATE RISK UPDATE

The appendix was read in conjunction with the report of the Chamberlain at agenda item 10.

19. NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

20. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

There was one item of other business.

20. a) CORPORATE CATERING CONTRACTS - DELAYS TO CONTRACT SIGNATURE

Members received a joint report of the Chamberlain and Comptroller & City Solicitor relative to the delays to the corporate catering contract signature.

RESOLVED, that – the report be received and its contents noted.

21. **CONFIDENTIAL MINUTES**

RESOLVED, that – the confidential minutes of the previous meeting held 7 May 2019 be agreed as a correct record.

22. APPENDIX 4 TO ANTI-FRAUD AND INVESTIGATIONS - 2018/19 ANNUAL REPORT

The confidential appendix was read in conjunction with the report of the Head of Audit and Risk Management at agenda item 9.

23. CONFIDENTIAL QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

There were no questions.

24. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED DURING THE CONFIDENTIAL SESSION

There was no other business.

The meeting ended at 4:00 pm and Members then met with the External Auditors in a closed session.

Chairman	

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NOMINATIONS SUB-COMMITTEE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 20 May 2019

Minutes of the meeting of the Nominations Sub-Committee of the Audit and Risk Management Committee held at the Guildhall at on Monday, 20 May 2019 at 2.00pm

Present

Members:

Alderman Ian Luder (Chairman) Kenneth Ludlam
Alexander Barr (Deputy Chairman) Caroline Mawhood
Deputy Jamie Ingham Clark

Officers:

Chloe Rew - Town Clerk's Department

Pat Stothard - Head of Internal Audit and Risk Management

1. APOLOGIES

Apologies were received from Randall Anderson.

2. MEMBER DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA

There were no declarations.

3. MINUTES

The minutes of the last meeting held 25 September 2018 were agreed as a correct record.

4. DISCUSSION RE: SKILLS AUDIT QUESTIONNAIRE

Members discussed the responses to the Audit and Risk Management Committee skills audit questionnaire to identify areas of strength within the Committee, and areas which were lacking and needed to be emphasised in the recruitment process. The Committee Clerk will liaise with Human Resources for the recruitment process to commence in July. The external Member will begin the term in April 2020.

5. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE SUB COMMITTEE

There were no questions.

6. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**There was no other business.

The meeting closed at 2.45pm

Chairman

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AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions - SEPTEMBER 2019 update

Items from meeting held 16 July 2019			
Date Added	ITEM	Action	Officer and target date
16.07.2019	7. BRIDGE HOUSE ESTATE ACCOUNTS	Members of the Finance Committee to be invited to the September 2019 meeting of the	Officer: Committee Clerk
		Audit and Risk Management Committee as participating, non-voting observers to observe the Bridge House Estates item.	Date: 24 September 2019
16.07.2019	11. DEEP DIVE – CR20 ROAD SAFETY	The Department for the Built Environment are to present an update on CR20 to the Committee in one year's time.	Officer: Director of the Built Environment
			Date: 14 July 2020

Date Added	ITEM	Action	Officer and target date
07.05.2019	9. COMMITTEE WORK PROGRAMME	Annual Report to be brought to the Committee on 24 September 2019, to be	Officer: Chamberlain
		subsequently submitted to the Court of Common Council on 10 October 2019.	Date: 24 September 2019
07.05.2019	25. ANY OTHER BUSINESS	The City of London Police Commissioner to provide clarification on the recruitment matter.	Officer: City of London Police Commissioner
			Date: 16 July 2019

Date Added	ting held 12 March 2019 ITEM	Action	Officer and target date
14.03.2019	ANY OTHER BUSINESS	Police Commissioner to provide update of Freedom of Information request arears to be presented to a future Committee meeting.	City of London Police Commissioner
			Date: TBC

AUDIT AND RISK MANAGEMENT COMMITTEE - Outstanding Actions - SEPTEMBER 2019 update

Items from meeting held 6 November 2019 Date Added ITEM		Action	Officer and target date
06.12.2018	9. NEW CORPORATE RISK – BREXIT	Each Department to carry out risk assessment of the impact of Brexit.	All departments/Chamberlain Ongoing

<u>Audit & Risk Management Committee - Work Programme: July 2019 – January 2020</u>

16 July 2019	24 September 2019	19 November 2019	28 January 2020
Financial Statements and	l External Auditors		
Draft City Fund and Pension Fund accounts Annual Private Meeting of Members with External Auditors	City Fund & Pension Fund Audit Completion Report Committee Annual Report Bridge House Estate Accounts	Treasury Management Strategy, End-Of-Year Review 2018/19 City's Cash Accounts	
	ar update reports, Deep Di		
 CR20 – Road Safety CR24 – Operational Security 	1. CR16 – Information Security Risk Challenge: Community and Children's Services	 CR09 – Health and Safety CR27 – Organisational Change (TBC) CR01 – Resilience 	1. CR21 – Air Quality Risk Challenge: City Surveyors
Risk Challenge: GSMD		Risk Challenge: Open Spaces	

		Review of Risk Management Strategy Risk Update report	Risk Update report
Internal Audit/Corpora	te Anti-fraud		
Internal Audit Update	Internal Audit Recommendations	Internal Audit Update	
Anti-Fraud & Investigations	Follow up	Anti-Fraud Update	
Governance			
External Inspections/O	FSTED Reports etc		
	HMIC (City of London Police)		

Agenda Item 7

Committee(s):	Date(s):
Audit and Risk Management Committee	24/09/2019
Subject:	Public
2018/19 Annual Report of the Audit and Risk	
Management Committee	
Report of:	For Decision
The Town Clerk	
Report author:	
Chloe Rew, Town Clerk's Department	

Summary

The Chairman of the Audit and Risk Management Committee presents to the Committee the 2018/19 Annual Report of the Audit and Risk Management Committee, reporting on activity up to 31 July 2019.

Recommendation(s)

Members are asked to:

- Note the appendix 2018/19 Annual Report of the Audit and Risk Management Committee presented by the Chairman of the Committee.
- Decide the time of year in which the report will be presented to the Committee, selecting one of the following options:
 - i. Annually in September, covering August to July; or,
 - ii. Annually in April, closer to the end of the financial year, covering April to March.

Main Report

- 1. This is the first occasion that the Committee has received an annual report from the Chairman and the practice will continue on an annual basis moving forward.
- 2. The report outlines the Committee's progress in relation to key areas of remit, including the Annual Governance Framework, Internal Audit, Risk Management, Anti-Fraud, External Audit and Financial Reporting.
- 3. The Committee is asked to decide when in the annual Committee cycle the report should be received.

Appendices

 Appendix 1 – 2018/19 Annual Report of the Audit and Risk Management Committee

Chloe Rew

Committee and Members Services Officer

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AUDIT & RISK MANAGEMENT COMMITTEE

Annual Report 2018/19

Introduction

- 1. The Audit & Risk Management Committee (the Committee) has a wide-ranging brief that underpins the City of London Corporation's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control (including audit and anti-fraud) and the financial reporting frameworks. It also deals with a limited number of matters not reserved to the Court of Common Council or delegated to another Committee and related to a non-executive function. The Committee was formed as a Grand Committee in 2011, replacing the former Audit Sub-Committee (Finance).
- 2. This report details the work of the Committee for the period of just over a year to 31 July 2019, outlining the progress in relation to the key remit areas of:
 - Annual Governance Framework
 - Internal Audit
 - Risk Management;
 - Anti-Fraud;
 - External Audit;
 - Financial Reporting
- 3. Members of the Committee have a wide range of skills in many technical and professional areas, bringing significant experience and expertise to the Committee. All the Members have some experience in relation to the governance processes they challenge; however, during 2018/19, the Nominations Committee undertook a gap analysis assessment of the skills of the Members of the Committee to determine future recruitment requirements to the Committee. The Committee is comprised of 13 Members, together with three external members who provide additional knowledge and skills to support the function. Table 1 details the Committee Members during 2018/19.

Table 1: Members of the Audit & Risk Management Committee 2018/19

Alderman Ian Luder (Chairman)

Alexander Barr (Deputy Chairman)

Hilary Daniels (Deputy Chairman – External Member)*

Randall Anderson

Alderman Nick Anstee

Chris Boden

Deputy Jamie Ingham Clark (Ex-Officio Member, Finance Committee, Deputy Chairman)

Anne Fairweather

Marianne Fredericks (Ex-Officio Member, Policy and Resources Committee

Representative)

Alderman John Garbutt

Kenneth Ludlam (External Member)
Paul Martinelli
Caroline Mawhood (External Member)
Jeremy Mayhew (Ex-Officio Member, Finance Committee, Chairman)
Andrien Meyers
John Petrie

Annual Governance Framework

- 4. On 7 May 2019, the Committee received a report on the annual update of the City Corporation's governance and internal control framework. The Accounts and Audit (England) Regulations 2015, which apply to the City of London's City Fund activities, require an audited body to conduct a review, each financial year, of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) each year, alongside the authority's Statement of Accounts
- 5. The Committee approved the Annual Governance Statement 2018/9 for signing by the Chairman of the Policy and Resources Committee and the Town Clerk and Chief Executive.

Internal Audit

6. Throughout the year, the Committee has received update reports from the Head of Audit & Risk Management on the outcome of the work of Internal Audit, receiving an Annual Audit Opinion in May 2019 which gave the following opinion for the 12 months ended 31 March 2019:

"I am satisfied that sufficient quantity and coverage of internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the City's risk management, control and governance processes."

- 7. The Audit Plan is aligned to the City's corporate and departmental objectives and key risks so that assurance can be obtained on these areas; the Head of Audit & Risk Management has also noted to the Committee that there has been greater engagement by Departmental Directors during 2018/19, with a number of audits being requested in areas of concern to provide them with assurance and advice on how to improve the control environment.
- 8. Internal Audit's work identified a number of opportunities for improving controls and procedures, with ten "Limited (Red) Assurance" reviews having been produced which have been accepted by management who have advised that control improvements are being implemented.

^{*} The Nominations Committee recommended the reappointment of Hilary Daniels for a final three-year term from 1 April 2019, this was subsequently approved by the Committee and the Court of Common Council.

- 9. The Internal Audit team have continued to provide assurance to the organisations within the City with an increasing focus on corporate audits such as IR35 (off-payroll working rules), GDPR Readiness and Compliance, Cybersecurity, and Fraud Risk Awareness, to assess the effectiveness of systems which cut across all of the City's organisations. Within the City's Departments, the Head of Audit & Risk Management noted particular control issues in respect of the City of London Police, with four audits having been assessed as Limited assurance reports, including Key Financial Controls.
- 10. With the support of the Audit & Risk Management Committee, Internal Audit have also improved engagement in relation to the implementation of recommendations by the City's organisations with the rollout of web access to the Audit Management System across all departments to ensure that progress on implementation is reported on a timelier basis. This has been a key focus for the Committee following concerns that Management were not fully engaged with the process; the Committee therefore escalated the matter to the Chairmen of the City's Committees to challenge their Departmental Directors on progress.
- 11. In December 2018, the City hosted a meeting of the Chairs of the London Boroughs Audit Committees, seeking to share knowledge, experiences and best practice and to explore the development of joint initiatives such as member training and performance benchmarking. A further meeting will be held in October 2019.

Risk Management

- 12. The Committee is responsible for monitoring and overseeing the City of London Corporation's risk management strategy and to be satisfied that the authority's assurance framework properly reflects the risk environment.
- 13. The City Corporation's Risk Management strategy includes a Policy Statement and a framework, which aligns with the key principles of ISO 31000: Risk Management Principles and Guidelines, and BS 31100: Risk Management Code of Practice, and defines clearly the roles and responsibilities of officers, senior management and Members.
- 14. The Strategy emphasises risk management as a key element within the City's systems of corporate governance and establishes a clear system for the evaluation of risk and escalation of emerging issues to the appropriate scrutiny level. The Strategy assists in ensuring that risk management continues to be integrated by Chief Officers within their business and service planning and aligned to departmental objectives. A review of the strategy will be undertaken in 2019/20.
- 15. During 2018/9, the Committee has exercised their oversight role in a number of ways. In addition to receiving quarterly risk update reports which contain information about the corporate and top red departmental level risks as well as endorsing new corporate risks, the Committee has adopted a cycle of regular departmental risk challenge sessions, with Chief Officers and their respective Committee Chairmen, which take place prior to their meetings. The Committee

has received 11 deep-dive reports, including the General Data Protection Regulation, police funding, road safety and Brexit. There have also been six informal risk challenges, where the Committee discusses with respective Chief Officers a department's risk management arrangements, current and future risks.

Anti-Fraud

- 16. During the year, the Committee reviewed a paper relating to the London Counter Fraud Hub, a sophisticated pan-London data hub designed to detect and prevent fraud in high risk areas, including Council tax, social housing and business rates. The Committee agreed to support the City's onboarding to the London Counter Fraud Hub and the Anti-Fraud team have been working hard to ensure that the City is prepared and ready to benefit from its membership of the hub from launch day.
- 17. The Anti-Fraud team were one of only ten local authorities in the Country to participate in a National Fraud Initiative (NFI) pilot exercise, whereby the City's NFI data was matched against HMRC data to identify Council tax reduction scheme fraud, housing tenancy fraud and direct payment fraud, resulting in an additional 14 live investigations.
- 18. During 2018/19, the Anti-Fraud team completed 43 investigations across all fraud disciplines, with an associated value of £602,108.
- 19. Social housing tenancy fraud is a key fraud risk area for the Anti-Fraud team and a concern for the Committee, with 20 illegally occupied properties recovered during 2018/19.
- 20. The City successfully utilised the Proceeds of Crime Act in two of its social housing tenancy fraud prosecution cases, recovering an additional £36,268 in criminal benefit.

Financial Reporting

- 21. The Audit and Risk Management Committee has scrutinised the City Corporation's various 2017/18 financial statements, seeking assurances on significant financial reporting issues, estimates and judgements. Reports have been received from both the External Auditors and the Audit Panel.
- 22. Having completed its review, the Audit and Risk Management Committee recommended approval of the 2017/18 statements to the Finance Committee. The financial statements for City Fund and Pension Fund were approved at the July 2018 Committee meeting. The financial statements for City's Cash, the City's Cash Charities (seven Open Spaces and Sir Thomas Gresham Trust) together with the other sundry Trusts were all approved at the November 2018 Committee meeting and were published with unqualified audit opinions. The financial statements for Bridge House Estates were approved at the January 2019 Committee meeting, behind the planned schedule, due to the requirement to reconstitute the endowment fund within these accounts.

23. The 2018/19 City Fund and Pension Fund financial statements were signed off by the Committee in July 2019.

External Audit

24. The 2018-19 financial statements will all be audited by BDO, with the City's Cash audit completing after preparation of this report. This is the first year of the contract where BDO will audit all City Corporation entities, having previously been the work of two audit firms. Work is progressing to agree where efficiencies in the external audit process can be realised as a result of a more joined up approach facilitated by having a single audit firm. This will continue to develop as we work with BDO towards our ultimate aim to sign off all our main financial statements in tandem rather than consecutively, as is the case at present.

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Committee(s):	Date(s):
Finance Committee – For information Audit and Risk Management Committee – For Information	10/09/2018 24/09/2018
Subject: 2018-19 City Fund and Pension Fund Financial Statements – Audit Completion Report	Public
Report of: The Chamberlain Report author: Philip Gregory, Deputy Chamberlain (Acting)	For Information

Summary

The draft City Fund and Pension Fund statement of accounts were presented to both Committees during the July committee cycle. These statements have now been finalised following completion of the external audit conducted by BDO. The finalised statements were published on the City Corporation website on 31 July, meeting the statutory publication deadline.

The audit completion reports for the City Fund and Pension Fund can be found in Appendices 1 and 2 respectively, which set out the results of audit testing, changes made to the accounts and audit recommendations.

Recommendation

Members are asked to note the report.

Main Report

Background

1. The Audit and Accounts Regulations 2015 required the City Corporation to submit the draft City Fund and Pension Fund statement of accounts by 31 May, with the audited publication of these statements by 31 July.

Current Position

- The audit and publication of the City Fund and Pension Fund statements of accounts was completed by 31 July. An unqualified opinion was given to the statements. The audit completion reports can be found in Appendices 1 and 2 respectively.
- 3. There was one recommendation made as part of the Pension Fund audit related to the bank reconciliation process as set out in page 19 of Appendix 2. This issue has been addressed by the relevant team as set out in the management response, also found on page 19.
- 4. No audit recommendations were made for the City Fund.

Conclusion

5. The City Fund and Pension Fund accounts submitted, audited and published in line with the statutory deadlines. Work will now focus on addressing the Pension Fund audit recommendation and reviewing our processes aimed at producing the statements in the most efficient way.

Appendices

Appendix 1 – CoL City Fund Audit Completion Report

Appendix 2 – CoL Pension Fund Audit Completion Report

Background Papers

2018-19 Audited City Fund and Pension Fund Statement of Accounts – available on the City of London website (https://www.cityoflondon.gov.uk/about-the-city/budgets-and-spending/Pages/default.aspx)

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

It summarises the results of completing the planned audit approach for the year ended 31 March 2019, specific audit findings and resolution of areas of discussion at the Audit and Risk Management Committee. At the completion stage of the audit it is essential that we engage with the Audit and Risk Management Committee on the results of our audit of the financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

This report contains matters which should properly be considered by the Corporation as a whole. We expect that the Audit and Risk Management Committee will refer such matters to the Court of Common Council, together with any recommendations, as it considers appropriate.

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

LE bloyd- Tennas

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Audit and Risk Management Committee and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

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This summary provides an overview of the audit matters that we believe are important to the Audit and Risk Management Committee in reviewing the results of the audit of the financial statements and use of resources of the Corporation's City Fund for the year ended 31 March 2019.

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



Overview

Our audit work is now complete and we anticipate issuing our opinion on the financial statements and use of resources for the year ended 31 March 2019 in line with the agreed timetable. There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Audit report

We propose issuing an unmodified audit opinion on the financial statements and use of resources.

As in previous years, we are unable to sign the audit certificate until we have completed our work on the Whole of Government accounts return. This is due to be submitted by 13 September.

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Final overall materiality

Final materiality was determined based on a benchmark of 1% of income generating assets using the combined values of long term assets, managed investments and cash resources as a suitable value for materiality.

This was revised upwards from £32 million reported in the audit plan to £32.7 million based on the draft financial statements.

Specific materiality

Specific materiality for the Comprehensive Income and Expenditure Account was based on 1.5% of gross expenditure. We consider that a misstatement at a lower level through revenue expenditure would be material where this may impact on setting future council tax or HRA rent levels.

This was revised upwards from £6.3 million reported in the audit plan to £7.2 million, mainly as a result of the accounting treatment for the NDR Strategic Investment Fund which the Corporation hosts.

Material misstatements

The Strategic Investment Fund included in the London NDR pooling arrangement was amended from a net recognition basis (where the Corporation acted as an agent for this revenue) to a gross basis (acting as principal), increasing income by £59.6 million and expenditure by £46.8 million.

As a result of the recent High Court decision not to allow the government leave to appeal in relation to the McCloud age discrimination case an additional past service cost of £18 million has been recognised in relation to the pension schemes.

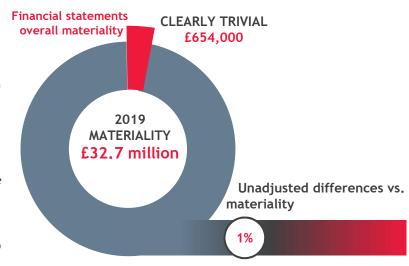
The financial statements were also amended to eliminate internal recharges between Committees of £11.5 million.

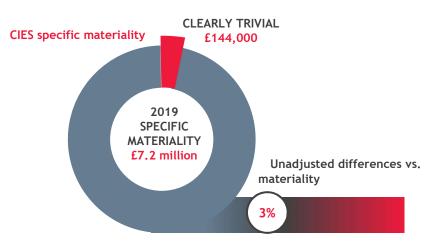
This has decreased the surplus on provision of services by £5.8 million to £34.6 million.

Unadjusted audit differences

We identified current year audit adjustments that, if posted, would decrease the surplus on the provision of services by £191,000.

The underlying surplus for the year, adjusting for current year and brought forward errors impacting on the CIES, would reduce the 2018/19 reported surplus by £4.7 million to £29.9 million.





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Financial reporting

- We have not identified any non-compliance with accounting policies or the CIPFA Code.
- No significant accounting policy changes have been identified impacting the current year. IFRS 9 financial instruments and IFRS 15 revenue from contracts with customers has not had a material impact.
- Going concern disclosures are deemed sufficient
- The Narrative Report and other information included in the Statement of Accounts with the financial statements is consistent with the financial statements and our knowledge acquired in the course of the audit.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- We will complete our review of the Whole of Government Accounts Data Collection Tool (DCT) after we have completed our audit of the financial statements. We plan to issue our opinion on the consistency of the DCT return with the audited financial statements before the National Audit Office's deadline of 13 September 2019.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- · Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Corporation in accordance with the Financial Reporting Council's Ethical Standard.



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

Audit Risk	Risk Rating	Significant management estimates or judgement	Use of experts required	Error identified	Significant control findings	Discussion points / Letter of representation
Management override of controls	Significant	No	No	No	No	No
Revenue recognition	Significant	No	No	No	No	No
Property, plant & equipment and Investment property valuations	Significant	Yes	Yes	No	No	No
Pension liability valuation	Significant	Yes	Yes	Yes, adjusted ^[1]	No	Impact of McCloud liability and past service costs. Financial statements have been corrected.
Classification and measurement of financial instruments (IFRS 9)	Normal	No	No	No	No	No
Accounting for leases	Normal	No	No	No	No	No

Areas requiring your attention

[1]Amendment arises as a result of the Government being refused leave to appeal and therefore this issue needs to be considered by an Employment Tribunal. This confirms the constructive obligation arising from the decision of the High Court in January 2019.

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Audit Risk	Risk Rating	Significant management estimates or judgement	Use of experts required	Error identified	Significant control findings	Discussion points / Letter of representation
Revenue from Contracts with Customers (IFRS 15)	Normal	No	No	No	No	No
Non-collection allowances for receivables and arrears	Normal	No	No	No	No	No
Related party transactions disclosure	Normal	No	No	Yes, adjusted	No	Disclosure error
Pension contributions	Normal	Yes	Yes	No	No	No
NNDR Appeals provision	Normal	Yes	Yes	No	No	No
NNDR Pooling arrangements	Normal	Yes	Yes	Yes, adjusted	No	Gross accounting as principal for Strategic Investment Pot share of pooled business rates

Areas requiring your attention

Significant risks

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

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Significant management judgement	
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Risk description

The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.

Under auditing standards there is a presumed significant risk of management override of the system of internal controls.

Work performed

We carried out the following planned audit procedures:

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

Results

Our audit work on journals and estimates did not identify any issues.

We have not found any indication of management bias in accounting estimates. Our views on significant management estimates are set out in this report.

We have identified no significant or unusual transactions to date which we consider to be indicative of fraud in relation to management override of controls.

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

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Letter of Representation point

Risk description

Under auditing standards there is a presumption that there is a risk of fraud in revenue recognition. For the City Fund, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the Comprehensive Income and Expenditure statement (CIES).

Work performed

We carried out the following planned audit procedures in response to the fraudulent revenue recognition risk:

• Tested a sample of grants included in income to documentation from grant paying bodies and check whether recognition criteria have been met.

We also tested for errors in revenue recognition:

- Tested a sample of fees and charges from material income streams and cut off testing to ensure income is recognised in the correct period; and
- Tested a sample of property rental income amounts and agreed to lease or rent agreements.

Results

Our audit work carried out on revenue recognition in respect of grants, fees and charges and property rental income has not identified any issues.

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There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

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Significant management judgement

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Additional disclosure required

Significant Control Findings

Letter of Representation point

Risk description

Land, buildings and dwellings are reported at fair value / carrying value. Operational assets are valued at current value and surplus assets, assets held for sale and investment properties at fair value at the balance sheet date. The Corporation applies an annual revaluation process for investment properties and higher value operational assets to provide assurance that carrying values are not materially misstated; with the remainder of the non material value assets being revalued every five years. The Corporation has appointed three different valuers for City Fund for investment property and other operational land and buildings. Internal valuers also carry out some valuations.

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

Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuers and reviewed the valuers' skills and expertise in order to determine if we can rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewed the accuracy and completeness of asset information provided to the valuers such as rental agreements and land plot / building sizes;
- Reviewed assumptions used by the valuers and movements against relevant indices for similar classes of assets and followed up valuation movements that appear unusual; and
- Discussed with our Real Estate Team the reasonableness of assumptions on benchmark and yields range for investment properties.

Results

Our review of instructions to the valuer including the valuer's skills and expertise did not identify any issues. We also confirmed basis of valuation for assets valued in year is appropriate and in line with Code.

No issues were identified in respect of our work carried out on the accuracy and completeness of asset information used as the basis of valuations.

The results of our review of the assumptions and estimates used by the valuers for classes of assets is reported on the following pages.

Significant estimate - Dwellings

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Dwellings (£309.9 million)

< lower valuation



> Higher valuation

Dwelling are held either within the General Fund or the HRA. HRA Dwellings are valued at open market value and adjusted to 30% of this valuation to reflect the discounted social rents charged to tenants. The adjustment reflects information provided by DCLG in 2016 for regional (London) differences between market rents and social rents. Other dwellings not within the HRA do not have this adjustment applied

Dwellings decreased in value by £22.4 million (-6.89%) in 2018/19. Dwellings were subject to valuation based on allocation of properties into relevant Beacons (for similar types of properties) and valued by reference to recent sales data for similar properties. Our benchmark report for house prices suggests an overall reduction in value for London properties of 1.9%. The City Surveyor has provided City of London price data suggesting an overall market reduction for house sales of 5.9% based on the Nationwide Index London Regional House Sales.

The commentary provided in relation to the HRA dwellings valuation provides details of the sales data used. Where possible, the City Surveyor has used other sales on City Fund Estates to support the valuations. Where there haven't been equivalent sales in the year, the City Surveyor has used other similar properties in the area or other City of London Estates.

Based on our work, we are satisfied that the valuations of dwellings are reasonable.

We note that the useful economic lives (UEL) of dwellings has been set at 125 years based on the usual term for leases granted. This is significantly longer than the UELs used by other local authorities where the main structure of a dwelling tends to range from 60 to 80 years.

The City Surveyor has stated that this is due to the robust structure and ongoing repairs, maintenance and cyclical replacement works programmes in place for these properties.

We consider this to be at the optimistic end for UELs but this would not result in a material difference in the annual depreciation charge had a UEL of 80 year been applied.

Significant estimate - Other land and buildings

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Other land and buildings (£499.4 million)

< lower valuation



> Higher valuation

Land and buildings have been valued using an appropriate basis of valuation (such as existing use, depreciated replacement cost or market value) depending on the nature of the asset.

Other land and buildings increased in value by £28.8 million (+6.11%) in 2018/19.

For depreciated replacement cost valuations, our benchmark report for rebuild costs from the national BCIS Tender Price Index suggests an increase in value for depreciated replacement cost (DRC) valuations of +3.6%, although this is subject to a higher degree of volatility and estimation from regional costs and other factors.

Based on our work, we are satisfied that the valuations of other land and buildings are reasonable.

Significant estimate - Investment property

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Investment property (£1,586.2 million)

< lower valuation



> Higher valuation

Investment properties are valued by reference to highest and best use market value using an income based approach. Investment properties increased in value by £32.9 million (+2.16%) in 2018/19.

We set investment property yield expectations, based on market evidence, for office, retail and mixed commercial space as well as residential properties. To support the valuations, we agreed a sample of rental amounts used in the valuation to the lease or rent agreements and reviewed the data for properties where the movement in value appeared unusual compared to expectations.

Based on our work, we are satisfied that the valuations of investment properties are reasonable.

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

Significant risk

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings

Letter of Representation point

Note: The teachers pension scheme is accounted for on a defined contribution basis as employers are unable to identify their own share of the assets and liabilities.

Risk description

The City Fund net pension liability comprises 51% of the Corporation's overall net liability and includes its share of the market value of assets held in the pension fund and the estimated future liability to pay pensions. An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate is based on the roll forward of membership data from the 2016 triennial valuation exercise, updated at 31 March 2019 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.

The City Fund also reports the pension liability for the City Police pension scheme, based on a roll forward of the membership data from the 2017 valuation exercise.

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

Work performed

We carried out the following planned audit procedures:

- Assessed the qualifications and competence of the actuary;
- Reviewed the controls for providing accurate membership data to the actuary;
- Checked whether any significant changes in membership data have been communicated to the actuary;
- · Reviewed the disclosures in City Fund relating to the basis of apportioning the net pension liability; and
- Reviewed the reasonableness of the assumptions used in the calculation against other actuaries and other observable data.

Results

We have agreed the disclosures to the information provided by the actuary and identified no issues.

Our review of the controls to ensure data provided to the actuary for the roll forward valuation at 31 March 2019 is complete and accurate did not identify any issues. We have identified differences in the cash flow information sent to the actuary as at month 10 plus two months estimates to the actual final figures for the year. We did not consider these to be significant differences.

Management confirmed there has been no significant changes in the membership data.

The allocation of the Corporation's share of LGPS assets and liabilities as 51% to City Fund, 47% City's Cash and 2% Bridge House Estates is reasonable based on the proportion of payroll costs for each Fund.

Significant estimate - LGPS pension liabilities

City fund pension liabilities (£805 million)

< lower valuation

> Higher valuation

The City Fund's share of the LGPS pension liability has increased from £761.7 million to £804.8 million and it's share of the scheme assets increased from £459.3 million to £494.4 million. The net deficit increased by £8.2 million to £310.4 million. The increased liability includes £36.9 million arising from changes to financial assumptions including annual salaries increases of 3.9% (previously 3.8%), annual pension increases of 2.4% (previously 2.3%), and a change in the rate of discounting scheme liabilities to 2.4% (previously 2.55%). It also includes a gain on demographic assumptions of £21.3 million arising from reduced mortality assumptions of approximately 0.6 years as increases in life expectancy have stalled in recent years.

We have compared the key financial and demographic assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

	Actual used	Acceptable range	Comments
Financials:			
- RPI increase	3.4%	3.40 - 3.45%	Reasonable
- CPI increase	2.4%	2.40 - 2.45%	Reasonable
- Salary increase	3.9%	3.10 - 4.35%	Reasonable (CPI +0% to 2020 and then CPI +1.5%)
- Pension increase	2.4%	2.40 - 2.45%	Reasonable
- Discount rate	2.4%	2.35- 2.45%	Reasonable
Commutation:	50%	50%	Reasonable
Mortality:			
- Male current	24.5 years	22.4 - 25.0	Reasonable
- Female current	26.1 years	25.0 - 26.6	Reasonable
- Male retired	23.2 years	20.6 - 23.4	Reasonable
- Female retired	24.6 years	23.2 - 24.8	Reasonable
Mortality gains	CMI 2018 (+1.25% in	mprovement rate)	Reasonable

We consider that the assumptions and methodology used by the actuary are appropriate, and will result in an estimate of the net pension liability which falls within a reasonable range.

We note that the consulting actuary has stated that the assumptions used by Barnett Waddingham do tend to produce slightly lower LGPS liabilities calculations than the other actuaries, and the relative strength of assumptions compared to the average used by others could result in a liability being at 98.2% based on average of the assumptions used by all actuaries.

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Police pension liabilities (£986 million)

< lower valuation



> Higher valuation

The police pension liability has increased from £955.9 million to £985.8 million. The increased liability includes £45.7 million arising from changes to financial assumptions including annual salaries increases of 3.9% (previously 3.8%), annual pension increases of 2.4% (previously 2.3%), and a change in the rate of discounting scheme liabilities to 2.4% (previously 2.55%). It also includes a gain on demographic assumptions of £24.9 million arising from reduced mortality assumptions of approximately 0.6 years as increases in life expectancy have stalled in recent years.

We have compared the key financial and demographic assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

	Actual used	Acceptable range	Comments
Financials:			
- RPI increase	3.4%	3.40 - 3.45%	Reasonable
- CPI increase	2.4%	2.40 - 2.45%	Reasonable
- Salary increase	3.9%	3.90 - 4.65%	Reasonable (CPI +0% to 2020 and then CPI +1.5% to 2.2%)
- Pension increase	2.4%	2.40 - 2.45%	Reasonable
- Discount rate	2.4%	2.35- 2.45%	Reasonable
Commutation:	50%	50 - 60%	Reasonable (60% 1987 old scheme, 60% 2006 new scheme, 60% 2015 scheme)
Mortality:			
- Male current	22.5 years	22.4 - 25.0	Reasonable
- Female current	25.0 years	25.0 - 26.6	Reasonable
- Male retired	21.1 years	20.6 - 23.4	Reasonable
- Female retired	23.5 years	23.2 - 24.8	Reasonable
Mortality gains	CMI 2018 (+1.25% ir	mprovement rate)	Reasonable

We consider that the assumptions and methodology used by the actuary are appropriate, and will result in an estimate of the pension liability which falls within a reasonable range.

We note that the consulting actuary has stated that the assumptions used by Barnett Waddingham do tend to produce slightly lower police pension liabilities calculations than the other actuaries, and the relative strength of assumptions compared to the average used by others could result in a liability being at 98.6% based on average of the assumptions used by all actuaries.

Significant estimate - McCloud impact

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McCloud age discrimination

Following the ruling on age discrimination in the McCloud case, where members approaching retirement age received protected benefits moving to the career average relevant earnings scheme from the final salary scheme but employees more than 10 years from retirement did not received this underpin of benefits, Government will have to remedy the discrimination in the LGPS and police pension schemes.

For the LGPS, the Government Actuary Department has undertaken an LGPS-wide impact assessment and a worse case scenario suggests that the liability could increase by up to 3.2% for active members where the remedy would be for all staff to receive the underpin, and using a model with an average member age of 46 and salaries increasing at +1.5% above CPI.

For the police pension scheme, the Government Actuary Department has undertaken a review for a number of police pension schemes and a worse case scenario suggests that the liability could increase by up to 5.4% of the total liability where the remedy would be for all police to receive the underpin, and using a model with an average member age of 41 and salaries increasing at +2.0% above CPI.

The Corporation received an updated valuation of the LGPS whole fund liability (for disclosure in the pension fund accounts), along with the impact on the Corporation's accounts as a scheme employer, to take account of the impact of this ruling. It also received an update valuation of the police pension liabilities.

The impact of the updated valuation has meant that scheme liabilities have increased by £6.3 million and £12.3 million for LGPS City Fund share and Police pension schemes respectively. There has also been a corresponding £18.6 million increase relating to past service costs that are charged through the comprehensive income and expenditure statement. These adjustments have been corrected in the final version of the financial statements.

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There is a risk that financial instruments are not classified and measured in accordance with the new financial reporting standard IFRS 9.

Significant risk

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings

Letter of Representation point

Risk description

IFRS 9 financial instruments has been implemented for 2018/19 and requires all relevant financial instrument assets (principally investments and loans provided to others) and liabilities (principally borrowing) to be categorised under new criteria based on their business model and contractual cash flows that will determine their classification and basis of valuation.

CIPFA has published guidance to assist with the required review and any restatement required where the classification needs to be amended. City Fund will need to undertake a review of all relevant assets and liabilities to determine the appropriate classification in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Reviewed the work performed by the Corporation, to assess the new classification of financial instruments in accordance with the guidance; and
- Reviewed the disclosures required relating to the adoption of the new accounting standard.

Results

City Fund has reclassified its financial assets at 1 April 2018:

- £471.5 million held as loans and receivables, including fixed term deposits, call account and notice accounts, have been classified at held at amortised cost (31 March 2019 £383.9 million):
- Financial assets held as available for sale £214.5 million, comprising money market funds, are classified have been classified as fair value through profit and loss (31 March 2019 £304.6 million); and
- The unquoted equity instrument of £0.2 million for the investment in Municipal Bonds Agency plc has been designated as fair value through other comprehensive income (disposed of by 31 March 2019).

We have reviewed the classification of these financial assets agree with the classification determined by management.

We have reviewed the disclosures relating to financial instruments and consider that they are appropriate subject to a minor amendment which is being made to the revised accounts.

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There is a risk leases may not be correctly accounted for.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	

Additional disclosure required

Letter of Representation point

Significant Control Findings

Risk description

City Fund has a significant number of leases where it is a lessor and has received lease premiums in recent years. The premiums and rents are apportioned between the land element, which will ordinarily be an operating lease recognised as revenue, and the building element which is likely to be a finance lease and recorded as a capital disposal. The element of the premium relating to the land is treated as deferred income and released to revenue over the term of the lease.

There is also likely to be complex calculations relating to the recognition of rental income, rent free calculations, lease extension/lease premiums, dilapidations and the relevant disclosures

Work performed

We carried out the following planned audit procedures:

- We tested a sample of lease and rent income, obtained the relevant agreements, calculated the expected income and agreed this to the accounts, including any amounts of deferred income, rent free calculations, lease extension/ lease premiums, dilapidations and the relevant disclosures; and
- Checked the disclosures to ensure that these are in line with the relevant accounting standard.

Results

City Fund has not entered into any new lease premium arrangements this year.

Our testing of lease and rent income on commercial / investment properties found no issues.

The disclosures remain consistent with the prior year.

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There is a risk that revenue from contracts with customers is not measured in accordance with the new financial reporting standard IFRS 15.

Significant risk	
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	

Significant Control Findings

Letter of Representation point

Risk description

IFRS 15 revenue from contracts with customers has been implemented for 2018/19 and requires all relevant revenue streams to be reviewed under a new '5-step model' to determine the appropriate point at which revenue can be recognised. CIPFA has published guidance to assist with the required review including what revenue falls within IFRS 15 or IPSAS 23 revenue from non-exchange transactions, and the process for determining the correct recognition points and amounts for revenue.

City Fund will need to undertake a review of all relevant revenue streams to determine the appropriate recognition date and amounts in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Reviewed the work performed by the City Fund, to assess the impact of the new '5-step model' on revenue streams for the City Fund; and
- Reviewed the disclosures required relating to the adoption of the new accounting standard.

Results

Management's review found that there are no revenue streams where the revenue recognition point would change under the new financial reporting standard.

We reviewed the work performed by management and we found no revenue streams where we believe IFRS 15 would require restatement or change to the required accounting for revenue.

We reviewed the disclosures made in the accounts and consider that these comply with the new accounting standard.

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There is a risk over the valuation of the allowance for the non-collection of arrears and debt.

Significant risk

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings

Letter of Representation point

Risk description

The City Fund recognises an allowance for the non-collection of receivables primarily in respect of council tax, NDR, housing benefit overpayments, housing rents and parking charges. Management assesses each type of receivable separately in determining how much to allow for non-collection.

There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied. The implementation of IFRS 9 financial instruments has also changed the basis for estimating losses for non-collection of receivables and debt from an incurred loss model to an expected credit loss model that takes in account assumptions about the future credit losses.

However, this includes only receivables and debt deemed to be financial instruments and excludes receivables under statute such as council tax, NDR and parking charges that CIPFA has stated will continue to be accounted for on an incurred loss model.

Work performed

We carried out the following planned audit procedures:

- Reviewed the provision model for significant income streams and receivables and debt balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears;
- Checked that information has been accurately extracted from systems to support the modelling of collection rates by age; and
- Confirmed that City Fund has applied an expected credit loss model for receivables classified as financial instruments.

Results

Non-domestic rate arrears and cost provision

Arrears and provision as at 31 March were £30.130m and £9.676m respectively. The provision is based on historical collection rates for different categories of debt depending on where in the collection process the debt is. The largest category of late payments relate to late demands which is where an invoice has been issued with a due date of after the year end, but there is an expectation that a proportion of these will not be paid. As debt moves through the collection process the likelihood of collection reduces and therefore the provision percentage increases.

We are satisfied that the provision for non-collection of sundry debt assumptions are reasonable.

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Continued Results (continued)

Rent arrears and cost provision

Arrears and provision as at 31 March 2019 were £10.9 million and £0.5 million respectively. The majority of arrears relate to current tenants and the management surveyor reviews all individual arrears over £15,000 to determine the likely rent to be recovered.

We are satisfied that the provision for non-collection of rent arrears assumptions are reasonable.

Sundry debt arrears and cost provision

Arrears and provision as at 31 March 2019 were £21 million and £7.1 million respectively. The vast majority of the sundry arrears relate to the Penalty Charge Notices (PCNs), Barbican Centre and Police. The PCN cost provision is based on historical collection rates and all significant debts in respect of the Barbican Centre and Police are reviewed on a case-by-case basis.

We are satisfied that the provision for non-collection of sundry debt assumptions are reasonable.

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

Significant risk

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings

Letter of Representation point

Risk description

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit and Risk Management Committee.

There is a risk that related party disclosures are not complete, accurate or properly disclosed.

Work performed

We carried out the following planned audit procedures:

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

Results

Six minor issues found with the related parties disclosure and these have been amended in the revised accounts. It was noted that the Corporation includes directors in common within the note but these are not considered to be a related party as per IAS 24.

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

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Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

Employers are required to deduct amounts from employee pay based on tiered pay rates and to make employer contributions in accordance with rates agreed with the actuary. Additional contributions are also required against pension strain for early retirements.

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

Work performed

We carried out the following planned audit procedures:

- Tested amount payable by employers / receivable by the pension fund for normal contributions including checking to employer payroll records;
- Confirmed that income is recognised in the correct accounting period where the employer is making payments in the following month;
- · Tested pension strain contributions due from employers;
- Agreed total contributions payable by the Corporation (as employer) to the amounts received in the pension fund;
 and
- Reviewed contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rates to cover the minimum contributions to be paid as set out in the Certificate.

Results

Our testing has not identified any issues with the calculation of normal contributions payable by the Corporation. We identified in the prior year that pension strain costs payable for unreduced pension benefits for early retirement of employees was accounted for on a cash basis. Management has confirmed that this is now accounted for on an accrual basis when the capital cost is due.

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There is a risk in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals.

Significant risk

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings

Letter of Representation point

Risk description

City Fund as a billing authority is required to estimate the value of potential refund of business rates arising from rate appeals, including backdated appeals. The Valuation Office Agency (VOA) provides information regarding the appeals currently being assessed and settled.

Management use this information to calculate a success rate for specific business types for settled appeals, and applies an appropriate rate to each type of business appeal still outstanding at year end

Work performed

We carried out the following planned audit procedures:

- Reviewed of the accuracy of the appeals data to confirm that it is complete based on the VOA list, and that settled
 appeals are removed; and
- Reviewed of the assumptions used in the preparation of the estimate including the historic success rates to confirm
 if the rates applied are appropriate.

Results

Our audit work found that the methodology for calculation of the appeals provision was satisfactory and was based on accurate information provided by the VOA.

We reviewed the accounting entries made and noted that £2.525 million of settled appeals were still recorded as provisions whereas they has been confirmed by year end and should have been included in the accounts as creditors. There is no impact on the current liabilities or net asset figure of this change.

Our review of the reasonableness of assumptions used to estimate the likely success of appeals and expected refunds is noted on the following page.

NDR APPEALS PROVISION 2

Significant estimate - Rateable value appeals provision to refund business rates

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NDR appeals provision 2010 rating list (£39.7 million collection fund and £24.1 million City Fund share)

< lower valuation



> Higher valuation

Management has applied appeal success rates to different types of appeals on the 2010 rating list based on the amounts repaid on appeal in recent years. This takes into account both the success of a rateable value reduction appeal and for the number of years the appeal is backdated.

Success rates for the 2010 valuations range from 0.0% for appeals with where the has been an omission in the list to 55% for appeals where the property should be shown as one or more difference assessments.

These assumptions are reasonable based on historic settlements and refunds for the 2010 rating list appeals for estimating the provision for the future refunds from successful appeal.

NDR appeals provision 2017 rating list (£73.1 million collection fund and £48.1 million City Fund share)

< lower valuation



> Higher valuation

The basis of appealing business rates and rateable values changed with the introduction of the 2017 rating list and now has a three stage process: Check - Challenge - Appeal. Government provided an analysis last year of the total national loss of business rates from appeals over the period of the 2010 rating list and reported that the total loss was 4.7%. Given the nature of backdating appeals to the first year of a new rating list, this results in higher refunds and losses towards the end of the period of the rating list compared to the initial years where fewer years are subject to backdating. In the absence of better information, local authorities were advised to make an appeals provision each year of 4.7% of NDR billed.

We have found that the number of appeals nationally under the 2017 rating list is significantly lower than in the early years of the 2010 rating list and it may be that many more rateable value adjustments are now processed through the Check - Challenge - Appeal process through revision to the list by the VAO. There are still no settled appeals for the 2017 rating list for the Corporation and management has continued to apply the suggested 4.7% of billed amounts each year in the absence of better information.

We consider that this is an acceptable basis given the lack of settled appeals on which to base an estimate. However, some commentators have expressed a view that after two years with many fewer appeals, that the application of the total losses under the 2010 rating list may have overstated the expected appeals losses under the 2017 rating list.

Overall we consider that the approach taken to the calculation of NDR provision is reasonable, although may tend towards potentially overstating the amount of business rate income that may be appealed.

NDR POOLING

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There is a risk that the arrangements put in place for the London-wide NDR Pooling and Strategic Investment Fund are not appropriately disclosed.

Significant risk

Normal risk

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings

Letter of Representation point

Risk description

City Fund acts as host (as an agent) for the London-wide NDR Pool and is responsible for calculating how much of the total NDR raised in London should be retained by each authority and how much is due to the GLA. City Fund is also responsible for the Strategic Investment Fund which pays out a part of the fund surplus to various projects within London. There is a risk that the amounts to be paid to other bodies or retained by each billing authority may be incorrect due to the complexity of the aggregation of the 33 NDR submissions across London.

There is a risk that the presentation and disclosure of the Strategic Investment Fund in the City Fund financial statements may not appropriately reflect the arrangement where it is not clear whether it acts as a principal or agent for these amounts.

Work performed

We carried out the following planned audit procedures:

- Reviewed the arrangements for calculating the appropriate share of retained NDR surplus for each London billing authority and what assurances and controls are put in place to confirm that the information provided by each is complete and accurate; and
- Reviewed the appropriate presentation for the retained Strategic Investment Fund monies, where City Fund act as host and GLA provide cash management, to reflect the nature of the arrangement either as principal or agent.

Results

Due to the complexity of the model used to calculate the NDR pooling figures across the 33 billing authorities and the distributions to each member of the pool, we have requested that the BDO modelling team undertake a review of this model to provide assurance that the calculations and formula are operating as intended. This review has identified some housekeeping issues with the model but can be relied upon to produce materially accurate information to support the amount of retained business rates for authorities within the pool.

From discussions with management and review of the accounting considerations for the Strategic Investment Fund, management has amended its accounting treatment from recognising this as an agent, where it recorded both the income and grants paid to approved projects in the balance sheet, to being the principal for this income and expenditure. This is on the basis that the Corporation has overall control over the awarding of grant funding and monitoring this expenditure. This has resulted in an amendment to the financial statements to recognise additional income of £59.6 million and expenditure of £46.8 million in the CIES. The excess of funds not yet awarded is held in an earmarked reserve.

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Fraud

Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud.

We obtained confirmation from you at the Committee meeting on 16 May that you are not aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Plan on 12 March 2019.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Internal audit

We reviewed the audit work of the Corporation's internal audit function to assist our risk scoping at the planning stage.

Audit differences

UNADJUSTED AUDIT DIFFERENCES: SUMMARY

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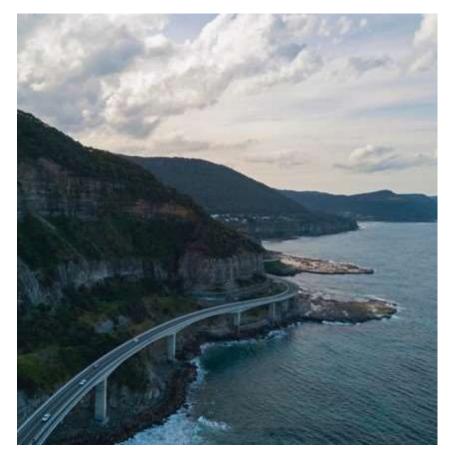
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We are required to bring to your attention unadjusted differences and we request that you correct them.

There is one unadjusted audit difference in the current year identified by our audit work which would decrease the surplus on the provision of services (and the City Fund balance) and decrease net assets by £0.190 million if adjusted.

You consider the differences to be immaterial in the context of the financial statements as a whole.

The underlying surplus for the year, adjusting for current year and brought forward errors impacting on the CIES, would reduce the 2018/19 reported surplus by £4.7 million to £29.9 million.

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		Income and ex	penditure	Statement of Fi	nancial Position
Unadjusted audit differences	NET DR/(CR) £m	DR £m	(CR) £m	DR £m	(CR) £m
Surplus on the provision of services before unadjusted audit differences	(34.60)				
1: Impact of brought forward unadjusted errors - expenditure overst	ated in 2017/18				
DR Expenditure	3.31	3.31			
CR General fund reserve					(3.31)
2: Impact of brought forward unadjusted errors - NDR appeals overs	tated				
DR NNDR appeals provision costs	1.16	1.16			
CR NNDR appeals provision					(1.16)
Impact on brought forward errors on current year surplus on the provision of services	4.47				
3: Balancing item in NDR Income					
DR Business Rates Premium income	0.19	0.19			
CR Receipts in advance					(0.19)
Total current year unadjusted audit differences	0.19				
Total unadjusted audit differences	4.66				
Surplus on the provision of services if above errors adjusted	(29.94)				

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

We have no matters to bring to your attention

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There are three audit differences identified by our audit work that were adjusted by management.

This decreased draft surplus on the provision of services and decreased net assets by £5.8 million. There was no impact on the general fund balance.

The grossing up of recharges does not impact on the surplus on the provision of services.

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	Income and expenditure		Statement of Financial Position			
Adjusted audit differences	NET DR/(CR) £m	DR £m	(CR) £m		DR £m	(CR) £m
Surplus on the provision of services before adjustments	(40.4)					
1: Change in SIP from net to gross accounting						
DR Expenditure	46.8	46.8				
DR Earmarked reserve					12.8	
CR Income	(59.6)		(59.6)			
2: Adjustment for recharges incorrectly accounted for						
DR Income	11.5	11.5				
CR Expenditure	(11.5)		(11.5)			
3: Pension liability: McCloud impact						
DR Expenditure	18.6	18.6				
CR Pension liability						(18.6)
Total adjusted audit differences	5.8				12.8	(18.6)
Adjusted surplus on the provision of services	(34.6)					

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

The following adjusted disclosure matters were noted:

 A number of minor narrative amendments have been made to the disclosures within the accounts, however these are not considered to be significant.

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We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment		
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Narrative Report is consistent with the financial statements and our knowledge		
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Corporation's review of effectiveness and our knowledge of the Corporation.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.		

WHOLE OF GOVERNMENT ACCOUNTS

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For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Corporation for use by the Ministry for Housing, Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level.

This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.

Comment

Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 28 June 2019. The Corporation did not meet this deadline.

We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the Corporation's financial statements.

We are planning to issue our opinion on the consistency of the DCT return with the audited financial statements before the National Audit Office's 13 September 2019 deadline.

Use of resources

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We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- · Informed decision making
- · Working with partners and other third parties.

As identified in our Audit Plan we assessed the following matters as being the most significant risks regarding use of resources.

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
Police financial management	Sustainable resource deployment	Significant	No issues identified
Sustainable finances	Sustainable resource deployment	Normal	No issues identified

Areas requiring your attention

POLICE FINANCIAL MANAGEMENT

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There is a need for City Police to develop an MTFS with significant savings to ensure that it can continue to deliver the level of policing required in the City.

Significant risk Normal risk Sustainable resource deployment Informed decision making Working with partners and other third parties

Significant control findings

Risk description

City of London Police has been under financial pressure for a number of years. Issues with budget monitoring have been identified in 2018/19 and at Month 9 forecast an overspend of £2.3 million. This included £5.8 million increase in pay costs compared to the original budget as a result of the budget significantly underestimating the costs of employing the planned workforce numbers, combined with spend on overtime and 'agency' resourcing. The increase has been largely masked until recently by an erroneous double inclusion of £4.5 million National & International City Grant in income as well as funding when loading the 2018/19 budget onto the system.

Work performed

We carried out the following planned audit procedures:

- Reviewed the assumptions used in the Medium Term Financial Strategy and assess the reasonableness of the cost pressures, the amount of Government grant reductions applied and increases in the business premium;
- Reviewed the delivery of the budgeted savings in 2018/19, plans to reduce costs from 2019/20, and updated strategies and transformation programmes to close the budget gap after 2019/20;
- Reviewed work undertaken by the Her Majesty's Inspectorate of Constabulary; and
- Reviewed work undertaken by internal audit relating to the financial management.

Results

City Police has reported a breakeven position for 2018/19 against an expected deficit budget. This has been achieved by the use of tactical mitigations, additional business rates premium income being allocated and the use of reserves to balance the budget. A balanced budget has been set for 2019/20 that has been achieved by increasing the City Business Premium and receiving additional Home Office Grant. For 2020/21 there is currently a £6.5 million budget gap to be addressed through a refreshed MTFS.

HMIC has carried out a PEEL review for 2018/19 and have stated that "the extent to which the force operates efficiently and sustainably is good." HMIC have also stated that further work is "needed to address the budget gap over the rest of the medium-term financial plan".

We met with the Police Chief Finance Officer to discuss the MTFS and plans to close the funding gap. A number of potential measures are being looked that are being discussed with the Corporation prior to any decisions being made. This includes both increasing income and reducing expenditure to assist with achieving a breakeven position.

While we continue to note concerns over financial management, City Police and the Corporation are actively working to address the funding gap and provide additional funding where this is required.

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The Corporation will need to deliver planned savings to maintain financial sustainability in the medium term and there is a risk that these savings may not be delivered.

Significant risk Normal risk Sustainable resource deployment Informed decision making Working with partners and

other third parties

Significant control findings

Risk description

The City Fund has not been subject to the same level of financial pressures compared to other authorities. However, at Month 9 there is a forecast overspend of £2.5 million mainly relating to the deficit on the Police budget. For 2019/20 City Fund is budgeting a £20 million surplus and this is being seen as a holding year. From 2020/21 the financial pressures are expected to increase and currently the City Fund is expecting to budget for a deficit position.

In response to this the Corporation is planning to undertake a fundamental review of income and expenditure to inform its future planning.

Work performed

We carried out the following planned audit procedures:

- Reviewed the assumptions used in the Medium Term Financial Strategy and assess the reasonableness of the cost pressures, the level of Government grant reductions applied and increases in business rates and council tax;
- Reviewed the delivery of the budgeted savings in 2018/19 and the plans to reduce costs from 2019/20; and
- Reviewed the strategies and any transformation programmes to close any budget gap after 2020/21.

Results

City Fund has achieved an surplus on the provision of services this year of £34.7 million after audit adjustments were made, before funding £47.6 million capital expenditure from revenue reserves. As noted in the previous section police have achieved a breakeven position.

City Fund are in the process of starting a fundamental review to address the budget gap from 2020/21 onwards and an away day was held at the end of July for members of the Resource Allocation Sub Committee to discuss the financial challenges facing the Corporation over the next 10 years and start to develop ideas as to how to address these. At the time of preparing this report the output from this had not yet been published.

The finances of the City Fund remain healthy and management has revisited its strategy to fund a significant element of the capital programme from revenue balances, and to fund this from borrowing over the medium term, to maintain these healthy levels of reserves and balances.

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

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

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

We do not have any such deficiencies to report to you at this time, although our audit work is still ongoing.

As part of our audit procedures we have identified other deficiencies in controls and areas for improvement. We will issue a separate Management Letter appendix to this report on these issues.

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Area	Issue and impact	Original recommendation	Progress	Management response
NNDR Appeals provision 2017 valuation	The provision on the 2017 valuation appeals received to date has been made at 100% due to the Authority not having any settled claims on the 2017 valuation.	The Corporation should review any settlement data available to ensure that the provision is based on expected settlements rather than a worse-case scenario.	In 2018/19, the provision for 2017 rating list is based on 4.7% of loss income and a management estimate. Going forward to 2019/20, the Corporation will be using Inform, a specialist in business rate retention scheme, to calculate its provision for appeal.	This area will continue to be reviewed utilising the latest information available and external support via Inform to validated the City Corporation's approach to the 2017 appeals provision calculation.
City Police financial planning	Internal audit and the Chamberlain's Department have identified weaknesses in the Budget setting and monitoring process in relation to City of London Police.	Management should ensure that it carries out the proposed review of the Police MTFS and budget setting and monitoring process as soon as possible so that a confirmed position is available to enable plans to be drawn up to assist the force in moving forward on a solid financial footing.	From our discussions with the Chamberlains department staff at City of London police budget monitoring and financial management has improved compared to the prior year. A balanced budget has been set for 2019/20 and City Police have started to refresh their MTFS to address the budget gaps in 2020/21 onwards.	The City Corporation and City of London Police are working closely together to address the financial challenges outlined in the MTFS and build on the improvements made in financial management.

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Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

There are no matters that we wish to draw attention to by way of 'emphasis of matter'.

Conclusion on use of resources

We are proposing to issue an unqualified use of resources conclusion.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Corporation of London and City Fund's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

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

Other information

We have not identified any material misstatements that would need to be referred to in our report.

Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

Audit certificate

We will issue the Audit certificate on completion of our work on the WGA return by the deadline of 13 September.

Independence and fees

INDEPENDENCE

Under ISAs (UK) and the

FRC's Ethical Standard

we are required, as

auditors, to confirm

our independence.

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

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

Details of services, other than audit, provided by us to the Corporation during the period and up to the date of this report are set out in the appendices and were provided in our Audit Plan. We understand that the provision of these services was approved by the Audit and Risk Management Committee in advance in accordance with the Corporations policy on this matter.

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

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Corporation .

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

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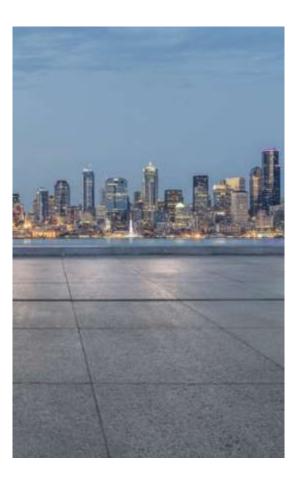
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Fees

2018/19	2018/19	2017/18
Actual	Planned	Actual
£	£	£
TBC	80,000	106,275
In progress	10,000	15,918
Work not started	3,000	2,340
Work not started	3,000	4,500
ТВС		129,033
	Actual £ TBC In progress Work not started Work not started	Actual Planned £ £ TBC 80,000 In progress 10,000 Work not started 3,000 Work not started 3,000

Additional audit costs have been incurred in relation to the Corporation hosting the London Business Rates Pool and due to the City Fund becoming a Major Local Audit under the Local Audit and Accountability Act 2014. Additional fees will be discussed with the Chamberlains Department and we will report back once finalised.

Additional costs will be incurred in relation to the Housing Benefit Subsidy Claim for 2018/19 as a result of the errors found in 2017/18 and DWP mandated audit approach to complete additional testing on these areas in the current year.



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Responsibilities and reporting

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Our responsibilities and reporting

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

We read and consider the 'other information' contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Corporation has not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review the Whole of Government Accounts Data Collection Tool provided to HM Treasury and express an opinion on whether it is consistent with the audited financial statements.

What we don't report

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



ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

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Those Charged with Governance (TCWG)

References in this report to those charged with governance are to the Corporation as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Risk Management Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Plan	12 March 2019	Audit and Risk Management Committee
Initial Audit Completion Report	16 July 2019	Audit and Risk Management Committee
Final Audit Completion Report	31 July 2019	Audit and Risk Management Committee
Annual Audit Letter	(31 August 2019)	Audit and Risk Management Committee

AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CITY OF LONDON CORPORATION

Opinion on the financial statements of the City Fund of the City of London Corporation ("the City Fund")

We have audited the financial statements of the City Fund for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements on pages 27-98 including a summary of significant accounting policies on pages 123-139. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the City Fund as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the City of London Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chamberlain's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chamberlain has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the City Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chamberlain is responsible for the other information. The other information comprises the Narrative report together with all other information included in the *Statement of Annual Accounts*, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Annual Accounts is consistent with the financial statements.

Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the City of London Corporation in respect of the City Fund has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for the conclusion on use of resources

We have undertaken our review of the City of London Corporation's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2017, as to whether in all significant respects, the City of London Corporation in respect of the City Fund had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider in satisfying ourselves whether the City of London Corporation in respect of the City Fund put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Matters on which we are required to report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the City of London Corporation in respect of the City Fund to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Responsibilities of the Chamberlain and the City of London Corporation

As explained more fully in the Statement of the Chamberlain's Responsibilities, the Chamberlain is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Chamberlain is responsible for assessing the City Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the City of London Corporation intends to cease operations or has no realistic alternative but to do so.

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The City of London Corporation is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Auditor's responsibilities in respect of the City of London Corporation's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the City of London Corporation in respect of the City Fund has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the City of London Corporation in respect of the City Fund has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the City of London Corporation's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the City Fund's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our use of resources conclusion.

Use of our report

This report is made solely to the members of City of London Corporation, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the City of London Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the City of London Corporation and the Corporation's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Leigh Lloyd-Thomas For and on behalf of BDO LLP, Appointed Auditor London, UK 31 July 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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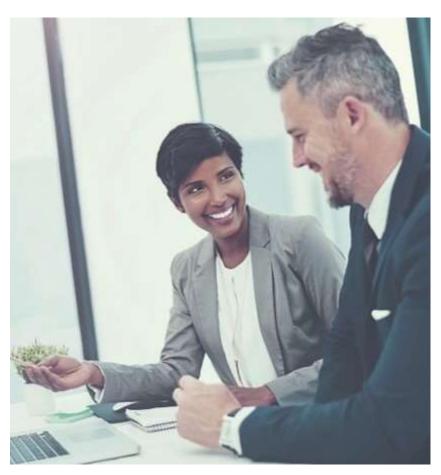
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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

Letter of representation

[Client name and Letter headed paper]

BDO LLP 55 Baker Street London WIU 7EU

Dear Sirs

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Financial statements of Corporation of London - City Fund for the year ended 31 March 2019

We confirm that the following representations given to you in connection with your audit of the Corporation's City Fund financial statements for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Corporation.

The Chamberlain has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the City Fund as of 31 March 2019 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Corporation, in respect of the City Fund, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Corporations financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

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

Going concern

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

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

Laws and regulations

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

Post balance sheet events

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

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Fraud and error

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

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

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

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

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

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

Other than as disclosed in note 34 to the financial statements, there were no loans, transactions or arrangements between the Corporation and Corporation's members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

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

Accounting estimates

a) Pension fund assumptions

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

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

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

b) Valuation of housing stock, other land and buildings and investment properties

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to dwellings and other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

We are satisfied that investment properties have been appropriately assessed as Level 2 or Level 3 on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

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c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for non-domestic rates, housing rent and sundry debt arrears are reasonable, based on collection rate data.

d) Non domestic rates appeals provision

We are satisfied that the provision recognised for non-domestic rates appeals is materially correct, and the calculation of historical appeals are consistent with those advised to me by the Valuation Office Agency. We confirm that the successful rates applied to outstanding appeals as at 31 March 2019 are consistent with our knowledge of the business.

Litigation and claims

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

Confirmation

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

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

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

Yours faithfully

Peter Kane

Chamberlain of London

[date]

FOR MORE INFORMATION:

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e: leigh.Lloyd-Thomas@bdo.co.uk

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

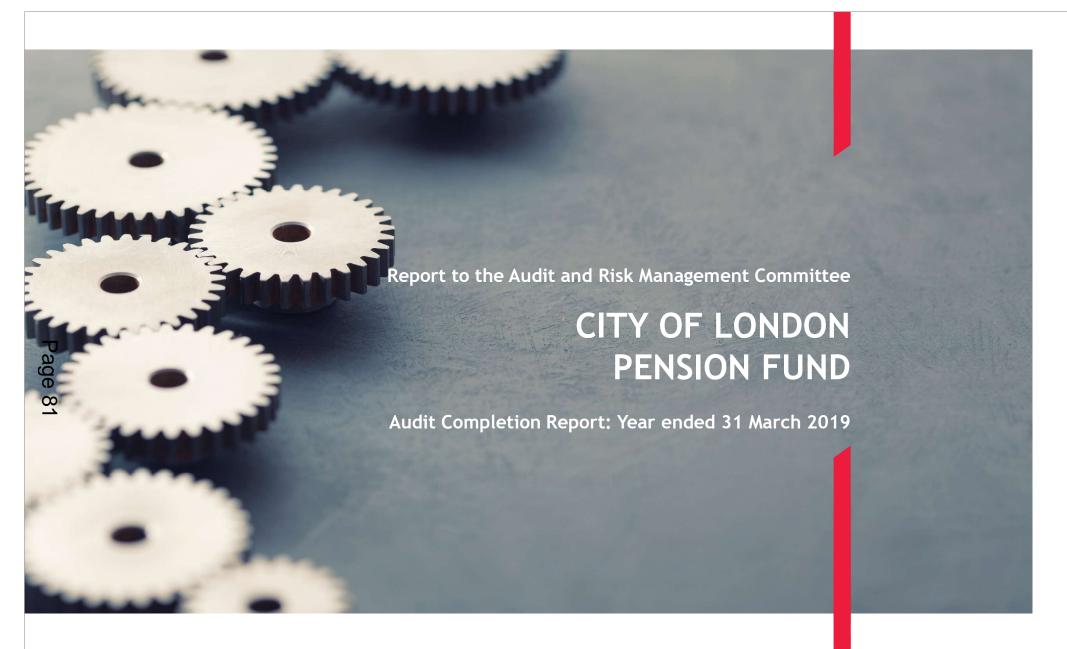
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We have pleasure in presenting our final Audit Completion Report to the Audit and Risk Management Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication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

It summarises the results of completing the planned audit approach for the year ended 31 March 2019, specific audit findings and areas requiring further discussion and/or the attention of the Audit and Risk Management Committee. At the completion stage of the audit it is essential that we engage with the Audit and Risk Management Committee on the results of our audit of the financial statements comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

This report contains matters which should properly be considered by the Corporation as a whole. We expect that the Audit and Risk Management Committee will refer such matters to the Corporation, together with any recommendations, as it considers appropriate.

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

Leigh Lloyd-Thomas

LE bloyd- Tunas

31 July 2019



Leigh Lloyd-Thomas Engagement lead

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Michael Asare Bediako Audit Manager

t: 020 7893 3643

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Audit and Risk Management Committee and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

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

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



Overview

Our audit work is complete and we anticipate issuing our opinion on the financial statements for the year ended 31 March 2019 in line with the agreed timetable.

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

No restrictions were placed on our work.

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We are proposing to issue an unmodified audit opinion on the financial statements.

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Final materiality

Final financial statements materiality was determined based on 1% of the value of investments in the net assets statement. Specific materiality on the fund account was based on 5% of contributions.

We have increased our materiality from the planning materiality of £9.8 million to £10.6 million as a result of increase in valuation of investment asset at year end.

There were no changes to final specific materiality from that reported in our audit plan.

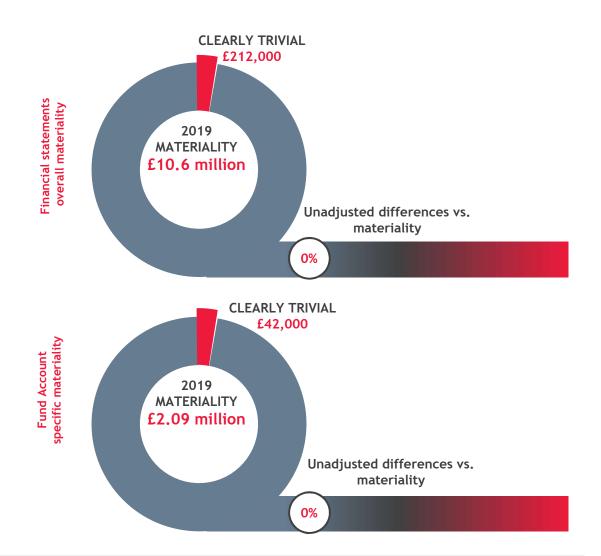
Material misstatements

We identified one material misstatement in the disclosure for the actuarial value of promised future benefits that was understated by £12.9 million in respect of liability arising from the McCloud age discrimination judgment. Pension liability disclosure updated to reflect this additional liability.

No adjustments were required to the Fund Account or Net Asset Statement.

Unadjusted audit differences

We did not identify any audit differences.



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Financial reporting

- We have not identified any non-compliance with accounting policies or the applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going concern disclosures are deemed sufficient.
- The pension fund annual report is consistent with the financial statements and our knowledge acquired in the course of the audit.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- · Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Pension Fund in accordance with the Financial Reporting Council's Ethical Standard.



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AUDIT RISKS OVERVIEW

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

Audit Risk	Risk Rating	Significant Management Estimates or Judgement	Use of Experts Required	Error Identified	Significant Control Findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	No	No
Pension liability valuation	Significant	Yes	Yes	Yes, adjusted	No	Impact of McCloud liability on actuarial value of future promised benefits ^[1]
Valuation of investment assets	Normal	No	Yes	No	No	No
Related party transactions disclosure	Normal	No	No	No	No	No
Pension contribution	Normal	No	No	No	No	No
Pension benefits payable	Normal	No	No	No	No	No

Areas requiring your attention

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^[1] Amendment arises as a result of the Government being refused leave to appeal and therefore this issue needs to be considered by an Employment Tribunal. This confirms the constructive obligation arising from the decision of the High Court in January 2019.

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

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Risk description

The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.

Under auditing standards there is a presumed significant risk of management override of the system of internal controls.

Work performed

We carried out the following planned audit procedures:

- Reviewed and verified large and unusual journal entries made in the year and agreeing the journals to supporting documentation; and
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias.

Results

Our audit work on journals and estimates did not identify any issues.

We have not found any indication of management bias in accounting estimates. Our views on significant management estimates are set out in this report.

We have identified no significant or unusual transactions to date which we consider to be indicative of fraud in relation to management override of controls.

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

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Significant management judgement

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Letter of Representation point

Risk description

The pension fund is required to report the pension liability for estimated promised future benefits for the whole fund.

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

Work performed

We carried out the following planned audit procedures:

- Assessed the qualifications and competence of the actuary;
- Reviewed the controls for providing accurate membership data to the actuary;
- Checked whether any significant changes in membership data have been communicated to the actuary;
- Agreed the disclosures to the information provided by the actuary; and
- Reviewed the assumptions used in the calculation against other actuaries and other observable data.

Results

We have agreed the disclosures to the information provided by the actuary and identified no issues.

Our review of the controls to ensure data provided to the actuary for the roll forward valuation at 31 March 2019 is complete and accurate did not identify any issues. We have identified differences in the cash flow information sent to the actuary as at month 10 plus two months estimates to the actual final figures for the year. We did not consider these to be significant differences.

Management confirmed there has been no significant changes in the membership data.

Our review of the assumptions used to calculate the present value of future pension obligations is noted in the following page.

PENSION LIABILITY VALUATION 1

Significant estimate - LGPS pension liabilities

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Whole scheme pension liabilities (£1,721 million)

< lower valuation



> Higher valuation

The pension liability has increased from £1,627 million to £1,721 million. The increased liability includes £80 million arising from changes to financial assumptions including annual salaries increases of 3.9% (previously 3.8%), annual pension increases of 2.4% (previously 2.3%), and a change in the rate of discounting scheme liabilities to 2.4% (previously 2.55%). It also includes a gain on demographic assumptions of £45 million arising from reduced mortality assumptions of approximately 0.6 years as increases in life expectancy have stalled in recent years.

We have compared the key financial and demographic assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

	Actual used	Acceptable range	Comments
Financials:			
- RPI increase	3.4%	3.40 - 3.45%	Reasonable
- CPI increase	2.4%	2.40 - 2.45%	Reasonable
- Salary increase	3.9%	3.10 - 4.35%	Reasonable (CPI +0% to 2020 and then CPI +1.5%)
- Pension increase	2.4%	2.40 - 2.45%	Reasonable
- Discount rate	2.4%	2.35- 2.45%	Reasonable
Commutation:	50%	50%	Reasonable
Mortality:			
- Male current	24.5 years	22.4 - 25.0	Reasonable
- Female current	26.1 years	25.0 - 26.6	Reasonable
- Male retired	23.2 years	20.6 - 23.4	Reasonable
- Female retired	24.6 years	23.2 - 24.8	Reasonable
Mortality gains	CMI 2018 (+1.5% im	provement rate)	Reasonable

We consider that the assumptions and methodology used by the actuary are appropriate, and will result in an estimate of the net pension liability which falls within a reasonable range.

We note that the consulting actuary has stated that the assumptions used by Barnett Waddingham do tend to produce slightly lower LGPS liabilities calculations than the other actuaries, and the relative strength of assumptions compared to the average used by others could result in a liability being at 98.2% based on average of the assumptions used by all actuaries.

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Significant estimate - McCloud impact

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McCloud age discrimination

Following the ruling on age discrimination in the McCloud case, where members approaching retirement age received protected benefits moving to the career average relevant earnings scheme from the final salary scheme but employees more than 10 years from retirement did not received this underpin of benefits, Government will have to remedy the discrimination in the LGPS and police pension schemes.

For the LGPS, the Government Actuary Department has undertaken an LGPS-wide impact assessment and a worse case scenario suggests that the liability could increase by up to 3.2% for active members where the remedy would be for all staff to receive the underpin, and using a model with an average member age of 46 and salaries increasing at +1.5% above CPI.

Management has obtained an updated whole fund valuation of the liability to take account of the impact of this ruling. This suggests that the pension liability could increase by £12.9 million (0.7% of total liabilities).

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Risk description

The investment portfolio across the funds includes unquoted infrastructure, private equity holdings and pooled investment vehicles (held through unit trust). The unquoted infrastructure funds and private equity funds are valued by the General Partner or fund manager using valuations obtained from the underlying partnerships and investments. The valuation of other funds are provided by individual fund managers and reported on a monthly basis.

Valuations for private equity are provided at dates that are not coterminous with the Corporation's year end and need to be updated to reflect cash transactions (additional contributions or distributions received) up to 31 March. There is a risk that private equity investments valuations may not be appropriately adjusted to include additional contributions or distributions at the year end.

There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.

Work performed

We carried out the following planned audit procedures:

- For unquoted infrastructure and private equity investments, we obtained direct confirmation of investment valuations from the General Partner or fund manager and requested copies, where applicable, of the audited financial statements of the underlying partnerships (and member allocations). We have confirmed that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds:
- For pooled investments, we obtained direct confirmation of investment valuations from the fund managers and agreed independent valuations, where available, provided by the custodian; and
- Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds.

Results

We agreed all valuations to fund manager reports. However, we noted that the valuation of the Carnegie fund manager differed to that provided by the custodian valuation due to differences in exchange rate used. The Carnegie valuation had applied a £:\$ exchange rate of 1.299 whereas the custodian had used 1.303 resulting in the custodian reporting a lower valuation by £323,000. The pension fund has used the valuation provided by the custodian. We confirmed the quoted value of the Carnegie funds at year-end on Bloomberg with only a trivial difference between the guoted market value and custodian's valuation.

We have obtained direct confirmation of investment valuations from the fund managers and agreed published fund manager valuations, where available, to readily available observable data such as Bloomberg.

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Risk description

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit and Risk Management Committee.

There is a risk that related party disclosures are not complete, accurate or properly disclosed.

Work performed

We carried out the following planned audit procedures:

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

Results

Our testing has not identified any issues with the disclosure of related parties transactions.

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

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Normal risk

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Significant Control Findings

Letter of Representation point

Risk description

Employers are required to deduct amounts from employee pay based on tiered pay rates and to make employer contributions to the pension fund in accordance with rates agreed with the actuary. Additional contributions are also required against pension strain for early retirements.

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

Work performed

We carried out the following planned audit procedures:

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

Results

Our testing has not identified any issues with the calculation of normal contributions receivable from employers or employees.

We identified in the prior year that pension strain costs payable for unreduced pension benefits for early retirement of employees was accounted for on a cash basis. Management has confirmed that this is now accounted for on an accrual basis when the capital cost is due.

Our testing has not identified any issues with the timings of contributions receivable to the fund.

Our review of contributions income in accordance with the Actuary's Rates and Adjustments Certificate, including specified increased rate to cover minimum contribution to be paid as set out in Certificate did not identify and issues.

We have also agreed the total contributions payable by the Corporation to the amounts received in the pension fund.

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There is a risk that pension benefits payable may not be correct or paid to non-existent member.

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Risk description

There is a risk that pension benefits payable may not be correct based on accrued benefits of members or may not be in calculated in accordance with the scheme regulations.

Payment to wrong or non-existent members will result in loss of assets and risk of reputational damage.

Work performed

We carried out the following planned audit procedures:

- For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, we checked a sample of calculations of pension entitlement;
- · Checked the correct application of annual pension uplift for members in receipt of benefits;
- Tested a sample of pensioners in receipt of pensions to underlying records to confirm the existence of the member and also review the results of the checks undertaken by ATMOS on the existence of pensioners;
- Reviewed the results of the latest National Fraud Initiative data matching exercise of members in receipt of benefits with the records of deceased persons and what actions have been taken to resolve potential matches; and
- Cross checked payments to movements in the membership statistics.

Results

We did not identify any issues regarding the accuracy and existence of pension benefits entitlement to new pensioners and deferred members. Annual pension uplifts have been correctly applied at 3% and we did not identify any issues regarding the existence of pensioners.

We checked payments to movements in the membership statistics. Our testing did not identify any payments to deceased members

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The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Issue	Comment
Audit fees incorrectly disclosed in the accounts.	We noted that 2018/19 audit fees was incorrectly disclosed in the accounts. Management has amended the financial statements.
Understatement of creditor and bank balance	We identified that £426,000 overpayment of recharges by Corporation to the pension fund for amounts due to the pension fund, was not recognised resulting in understatement of pension fund creditor and bank balance at year end. This has been corrected by the pension fund by raising a creditor (to show amounts repayable to the Corporation) and increasing the Cash general
	ledger balance for this extra cash received.
Presentation and missing disclosures in the accounts	Our review of the draft accounts identified a number of presentational and other missing disclosures.
	Management has amended the financial statements.
Fair value measurements within level 3	We identified that management did not disclose the quantitative analysis for level 3 investments including information about the ranges of inputs used.
	Management has not amended the accounts. Management has agreed to put in place the necessary arrangements to make this disclosure next year.

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Fraud

Whilst the Chamberlain and members have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud.

We requested confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Plan on 12 March 2019.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Internal audit

We reviewed the audit work of the Corporation's / internal audit function to assist our risk scoping at the planning stage.



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We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the annual report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the annual report is consistent with the financial statements and our knowledge.

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

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

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

Area	Observation & implication	Recommendation	Management response
Bank Balance	Our audit work identified that there was no complete bank reconciliation at year end. We identified that an overpayment of £426,000 relating to recharges by the Corporation to the pension fund was not accounted for in the ledger. A bank reconciliation is a key internal control in order to confirm the accuracy of the cash balance on the balance sheet.	Management should review processes for preparing cash and bank analyses and supporting bank reconciliations. Balances within clearing codes should be cleared down with equal and opposite entries and the total population of reconciling items should be identified, in order to appropriately prepare the bank reconciliations.	We will ensure that any deficiencies in the maintenance of an accurate and reliable bank reconciliation are rectified to ensure that this key internal control is operating effectively. We have reviewed the process for preparing the Pension Fund bank reconciliation and has implemented a revised system for 2019-20

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Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

There are no matters that we wish to draw attention to by way of 'emphasis of matter'.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Pension Fund's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

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

Other information

We have not identified any material misstatements that would need to be referred to in our report.

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

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

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

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

We have not identified any relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Pension Fund.

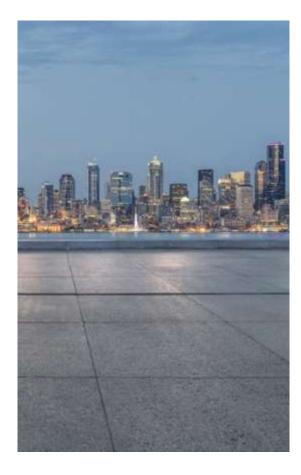
We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Pension Fund.

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

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Fees summary	2018/19	2018/19	2017/18
	Actual	Planned	Actual
	£	£	£
Audit fee			
Code audit fee	15,000	15,000	21,000
Total fees	15,000	15,000	21,000



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RESPONSIBILITIES AND REPORTING

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Our responsibilities and reporting

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

We read and consider the 'other information' contained in the Statement of Accounts such as the Annual report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

What we don't report

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



ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

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Those Charged with Governance (TCWG)

References in this report to those charged with governance are to the Corporation as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Risk Management Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Plan	23 February 2019	Audit and Risk Management Committee
Initial Audit Completion Report	11 July 2019	Audit and Risk Management Committee
Final Audit Completion Report	31 July 2019	Audit and Risk Management Committee

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF LONDON CORPORATION PENSION FUND

Opinion on pension fund financial statements

We have audited the pension fund financial statements of City of London Corporation Pension Fund ("the pension fund") for the year ended 31 March 2019 which comprise the fund account, the net assets statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The framework that has been applied in the preparation of the pension fund financial statements is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019, other than the liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where

- the Chamberlain's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chamberlain has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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Other information

The Chamberlain is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the pension fund financial statements and our auditor's report thereon. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chamberlain and City of London Corporation ("the Corporation") as administering authority of the pension fund

As explained more fully in the Statement of the Chamberlain's Responsibilities, the Chamberlain is responsible for the preparation of the Statement of Accounts, which comprises the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the pension fund financial statements, the Chamberlain is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation intends to wind up the scheme or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the pension fund financial statements our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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Use of our report

This report is made solely to the members of City of London Corporation Pension Fund as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the City of London Corporation those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the City of London and the Corporation's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Leigh Lloyd Thomas

For and on behalf of BDO LLP, Appointed Auditor

London, UK

31 July 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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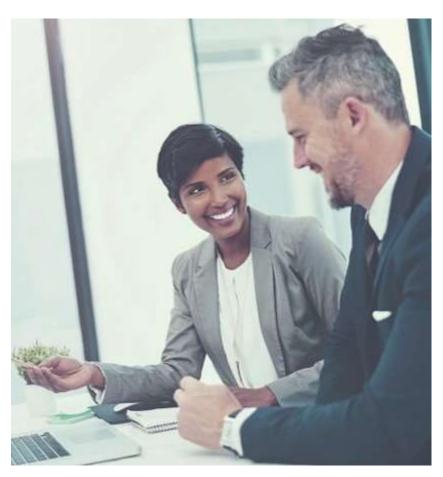
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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Corporation's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

Letter of representation

[Client name and Letter headed paper]

BDO LLP 55 Baker Street London WIU 7EU

Dear Sirs

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Financial statements of City of London Pension Fund for the year ended 31 March 2019

We confirm that the following representations given to you in connection with your audit of the Pension Fund's financial statements for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Corporation.

The Chamberlain has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Pension Fund as of 31 March 2019 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Pension Fund, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Pension Fund's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

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

Going concern

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

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

Laws and regulations

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

We have not made any reports to The Pensions Regulator nor are we aware of any such reports having been made by any of our advisers. We confirm that we are not aware of any matters which have arisen that would require a report to The Pensions Regulator. There have been no communications with the Pensions Regulator or other regulatory bodies during the year or subsequently covering areas of non-compliance with any legal duty.

Post balance sheet events

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

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Fraud and error

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

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

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

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

Misstatements

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

Related party transactions

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

There were no loans, transactions or arrangements between the Pension Fund and the members or their connected persons at any time in the year which were required to be disclosed.

The disclosures in the financial statements concerning the Administering Authority of the Pension Fund are accurate.

Carrying value and classification of assets and liabilities

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

Accounting estimates

The value at which investment assets are recorded in the net assets statement is the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuations, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the scheme. Any significant changes in those values since the year end date have been disclosed to you.

None of the assets of the scheme has been assigned, pledged or mortgaged.

The following key assumptions have been used to calculate the actuarial present value of future pension benefits disclosed in the financial statements:

• Rate of inflation (CPI): 2.4%

• Rate of increase in salaries: 3.9%

• Rate of increase in pensions: 2.4%

• Rate of discounting scheme liabilities: 2.4%

 \bullet Commutation take up option: 50%

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

We consider these assumptions to be appropriate for the purposes of estimating the pension liability in accordance with the Code and IAS 19 and IAS 26.

Litigation and claims

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

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Confirmation

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

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

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

Yours faithfully

Peter Kane

Chamberlain of London

[date]

FOR MORE INFORMATION:

Leigh Lloyd-Thomas

t: 020 7893 2616

e: leigh.Lloyd-thomas@bdo.co.uk

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

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

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Committees:	Dates:
Audit and Risk Management – For decision	24-09-2019
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Subject:	Public
Bridge House Estates Annual Report and Financial	
Statements 2018/19	
Report of: The Chamberlain	For decision
Report author:	
Karen Atkinson, Head of Charity and Social Investment	
Finance, Chamberlain's Department	

Summary

The draft version of the Annual Report and Financial Statements for Bridge House Estates (BHE) for the year ended 31 March 2019 are attached at Annex 1 for approval. These reflect changes agreed with BDO LLP, our external auditors. This report is presented to Audit & Risk Management for approval behind the original planned schedule due to the additional time required by BDO to undertake their audit fieldwork. Members should note that the version included in your papers is not the designed report for publication, hence the layout is not finalised.

BDO will be submitting their audit management report at this meeting. The audit fieldwork has been completed, the Audit Panel has met and positive feedback from the Panel has been presented to the Chamberlain. At this stage, it is anticipated that an unqualified opinion will be issued.

The key points to highlight are:

- The funds of the charity are split between the permanent endowment fund (£907.5m), unrestricted income funds (£587.0m) and a minor restricted fund (£0.2m) with total funds (net assets) held being £1,494.7m – an increase of £98.9m or 7.1% on the previous year;
- The net surplus for the year of £98.6m includes gains on financial investments of £39.1m and on property investments of £69.6m;
- A key transaction in the year was the disposal of the long leasehold of 1-5 London Wall Buildings (LWB) for £97.1m, with a profit of £13.7m;
- Subsequent to the year-end, the charity has completed on the purchase of a property on Chiswell Street, EC1 for £36.4m, utilising some of the above proceeds. It has further completed on the sale of the freehold of 185 Tower Bridge Road for £5.6m.

BDO commenced its audit on 17 June, a month earlier than the prior year audit began. This is the first year of their appointment to audit BHE. Representatives of the auditors will be in attendance at the Audit and Risk Management Committee to present their report.

Recommendations:

The Audit and Risk Management Committee are asked to:

- Consider the contents of the audit management report issued by BDO (Annex 2);
- Recommend approval of the BHE Annual Report and Financial Statements for the year ended 31 March 2019 to the Finance Committee; and
- Delegate authority to the Chamberlain, in consultation with the Chairman and Deputy Chairman of the Audit and Risk Management Committee, for approval of any material change to the financial statements required before the signing of the audit opinion by BDO.

Main Report

Introduction

- 1. The 2018/19 Annual Report and Financial Statements for BHE for the year ended 31 March 2019 are presented for review.
- 2. The Charity Commission require charities to submit their accounts within 10 months of their financial year-end, however good practice expects charities to submit their reports earlier than this deadline. As a significant charity within the sector, BHE looks to demonstrate good governance in making available its annual report on a timely basis. The audit work commenced in line with the original timetable agreed with our auditors, however the approval of the annual report has been delayed from the planned July Committee as the auditors required additional time to undertake their audit fieldwork. Representatives of BDO will be available to explain this requirement to Members.
- 3. Approval of each year's annual report and financial statements has been delegated by the Court of Common Council to the Finance Committee. For the 2018/19 annual report, approval by the Finance Committee will be made under urgency directly after this Committee.

Statement of Financial Activities

- 4. Income for the year came to £43.1m, an increase of £0.5m (1.2%) on the previous year. The income for the charity includes that generated by Tower Bridge tourism activities, up by 4.6% to £6.8m, alongside income from investment properties, increasing by £0.3m to £31.5m. Income arising from financial investments that are held on a non-pooled basis reduced in the year to £2.8m.
- 5. Expenditure totalled £53.1m, being just £0.2m below that of 2017/18 although with the constituent parts varying as described below. Each heading includes an allocation of the underlying support costs for the charity, as recharged by the City Corporation, alongside the costs of governance. These totalled £6.1m (17/18: £5.2m). Governance costs have increased in the year due to the review being undertaken of the charity.
- 6. Cost of raising funds totalled £21.5m, covering expenditure relating to the Tower Bridge tourism operations alongside those for managing the financial and property investments of the charity, an overall increase of £0.6m in the year. When comparing these costs to the total income generated, it is important to note that BHE income does not include an amount for dividend/interest income generated by financial investments held, due to the charity holding pooled investments. The change in value of these holdings is reflected as growth within the balance sheet, with capital gains of £39.1m reported in 2018/19 (2017/18: £10.8m).

- 7. Charitable activities include costs attributable to the repair and maintenance of the five Thames Bridges, the prime activity of the charity, with £6.6m spent this year (17/18: £5.6m). The level of costs in this area is planned to increase over the coming months due to the repainting of Blackfriars taking place. Funds have been set aside within the Bridges Repairs designated fund to manage this peak of activity. The activities of City Bridge Trust (CBT), the ancillary object of the charity, cover those for grant-making, philanthropy and social investment. Costs in year totalled £24.1m, compared to the record high spend level of £26.1m in the previous year. Members will recall that 17/18 commitments included several high value grants approved under the 20th Anniversary programme, alongside the next 3-year instalment of £3m to The Prince's Trust. Bridging Divides, CBT's new funding policy, was launched in April 2018. With this came a revision in the funding criteria which now includes the provision of five-year grants and increased core funding.
- 8. Net gains on investment properties and financial investments totalled £108.6m (2016/17: £64.5m), split between properties £69.6m, financial investments £39.1m, with a small unrealised loss on social investments of £0.1m.
- 9. The above gains on investment properties included realised gains of £13.7m following the sale of a long leasehold of 1-5 London Wall Buildings for £97.125m. The proceeds of this sale were held as short-term deposits as at year-end, awaiting re-investment in either newly identified properties, or to fund refurbishments of currently held properties – in line with the BHE Estates Strategy. Note that of the proceeds, £17m was returned to the unrestricted income fund to repay funds advanced for the earlier refurbishment of 21 Lime Street.

Balance Sheet

- 10. The Balance Sheet presents the increase in total funds held by the charity of £98.9m, resulting in a new total of £1,494.7m. This has been driven by the gains noted above. Total funds held comprise:
 - a. the permanent endowment fund at £907.5m, held in perpetuity to generate sufficient returns to support the five river bridges, with any income surplus above that required for the charity's principal object to be utilised by CBT in line with their approved funding policy;
 - b. the unrestricted income fund at £587.0m, being net of the pension deficit of £12.4m. An element of the unrestricted income fund has been designated for agreed purposes, as noted in section 11 below;
 - c. a restricted fund of £0.2m held at the year-end, being a contribution to a specific programme being undertaken by CBT.
- 11. Designated funds consist of unrestricted income funds which the Trustee has decided to set aside for specific purposes over the short to medium term. These total £183.5m, with key funds being:

- a. Bridges Repair Fund representing the funds required to maintain the bridges for the next 5 years, being the higher of the average annual cost over the 50-year plan or the next 5 years forecast activity;
- b. Bridges replacement fund this is based upon the present value of estimated future costs, adjusted for forecast increases in construction costs. Following a detailed review undertaken by a firm of structural engineers, the amount held has been reduced to reflect a longer time period before replacement is required for each structure. Further analysis is now being undertaken of the whole life maintenance costs to establish when the best time to replace each bridge would be. The results of this analysis will inform the future balance to be held within this fund:
- c. Grant-making fund representing the annual income surplus to that required for the primary object of the charity (to maintain and support the five bridges) and which may be applied for future funding activities undertaken by CBT in accordance with the Bridging Divides strategy. At present, the Trustee has allocated £100m to be spent over the 5-year life of the current strategy, with one-fifth of this transferred into this fund each year;
- d. Social Investment fund the balance represents the amount available to finance social investments, which includes the original £20m allocation alongside the net returns generated to date over the life of this fund.
- 12. Designated funds total £183.5m (17/18: £189.8m), leaving free reserves as being £403.5m (17/18: £374.4m). Consideration continues to be given to an appropriate level of free reserves to maintain going forward, with the further analysis on the whole life maintenance costs of the bridges, referred to in para 10(b) being key to this decision. The possibility of creating an 'Income Generation' designated fund will form part of this review, should it be recognised that the permanent endowment fund is not currently of a value to generate sufficient income for the future operations of the charity.

Allocation of Pension Scheme Costs & Deficit – McCloud Judgement

- 13. As stated within the report on the City Fund Financial Statements, the BHE Pension Liability also includes the impact of the recent McCloud judgement. This case relates to action bought against the Government by members of the Judges' and Firefighter pension schemes challenging the transitional protections given as part of pension reforms enacted in 2015.
- 14. In December 2018, the Court of Appeal ruled that transitional protections put in place under reforms to both the Judges' and Firefighters' Pension Schemes discriminated against a group of members on the grounds of age. The ruling is applicable to all public sector pension schemes including that

in place with the Corporation of London, whose staff work on behalf of Bridge House Estates. The ruling has resulted in an increase in the pensions liability on the balance sheet of £0.3m being recognised in 2018/19.

Audit Progress and Opinion

15. BDO commenced its audit on 17 June. Their audit work is completed, with the exception of final reviews prior to sign-off. No significant issues have been raised to date and no material misstatements have been identified. It is anticipated that the audit will be concluded satisfactorily to enable BDO to issue an unqualified opinion. The review by the Audit Panel has also concluded satisfactorily with no concerns raised. Representatives from BDO will be in attendance at the Audit and Risk Management Committee to present their report, update on the status of the audit and to clarify any points or issues.

Conclusion

- 16. The Chairman and Deputy Chairman of the Finance Committee will be requested to approve and sign the financial statements on behalf of the Court of Common Council.
- 17. The Charity Commission require charities to submit their accounts within 10 months of their financial year-end, however good practice expects charities to submit their reports earlier than this deadline. Copies of the published annual report and financial statements will be placed in the Members' Reading Room. A designed version of the report will be made available online and submitted to the Charity Commission. The final management report from BDO on its audit will be presented to the Court of Common Council for information.

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Annex 1: Annual Report and Financial Statements for Bridge House Estates (designed version to be presented at the meeting)

Annex 2: BDO's Report to the Audit & Risk Management Committee



Annual Report and Financial Statements for the year ended 31 March 2019

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Overview of the Year

Bridge House Estates (BHE) is proud to safeguard and maintain five of London's bridges: from tourism to traffic, the bridges play a key role in establishing London as an iconic capital. As well as planning for their long-term maintenance, preservation and replacement, much current refurbishment is in train; from Blackfriars Bridge and its parapets, to re-waterproofing London Bridge and the whole southern approach of Southwark Bridge.

Safety - as ever - remains a key concern; the bridge team continue to work closely with the Metropolitan Police, the City of London Policeand Transport for London to ensure they are meeting the requirements to keep the city safe, whether it be from terrorism, floods or natural disasters.

It has been a fantastic year for Tower Bridge – now approaching its 125th anniversary. One of London's most popular attractions, last year it enjoyed another outstanding year of tourism: resulting in a 10% rise on visitors and an increased turnover. This is due to a constantly evolving and innovative tourist and cultural offer, new merchandise, including locally produced and high-end ranges. The Bridge continues to attract more and more schools each year, and thanks to Autism Friendly events and improved access, we were able to welcome even more people with additional needs.

For the City Bridge Trust (CBT), BHE's charitable funding arm, the past year has been one of considerable uncertainty. Brexit negotiations dominated the Governmental agenda, without resolution. London's voluntary and community sector is at the frontline of this uncertainty, which is adversely affecting civil society organisations and the people they serve. This, combined with the impact of austerity and Local Government cuts, means charities are also seeing increased and more complex demands for their services.

In this climate it is essential that BHE and its historic endowment remain a stable anchor for Londoners, alleviating inequalities here in London through its social investment fund and distributing at least £20m each year through CBT.

In 2018/19 CBT's grant spend reached £21.9m, funding organisations working for a London where all individuals and communities can thrive. CBT's commitment to provide at least £80m over the next four years will provide London's charitable sector with a degree of certainty and security.

Whilst honouring the history and stability of BHE, considerable efforts have been made to keep the charity relevant to modern London. The Trustees' review of the charities governance and strategy is continuing to ensure BHE is a model of good practice. CBT have listened to the voices of the charities they fund and increased the duration of the funding it awards from three years to five to allow greater stability for our grantees, whilst also giving greater focus to core grants.

2018/19 was a year where climate change remained top of the news and political agenda. In particular the impact of poor air quality has become better understood. London is particularly affected, and it is estimated that at least 360 primary schools are in areas exceeding safe legal pollution levels. Thousands of Londoners die prematurely each year due to the poor air quality. CBT has therefore supported 13 charities in London to get greener through its Eco Audits programme and has introduced Care for the Environment as an overarching theme in its new Bridging Divides programme.

Another topical issue this year was knife-crime and gang violence in London. CBT funded several initiatives to tackle this, most notably an award to the Greater London Authority (GLA) towards the Mayor's £45 million Young Londoners Fund. This scheme is supporting a range of education, sport, cultural and other activities for young Londoners, helping them to fulfil their potential, and targets those at risk of getting caught up in crime. In addition, Youth Services infrastructure was supported, helping to protect these services and the organisations which deliver them.

We feel very proud of the support and stability that we continue to provide in this wonderful city, from our bridges, to underpinning the most vulnerable people through our charitable grants.

Origins of the charity

The origins of Bridge House Estates can be traced back to 1097 when William II, second son of William the Conqueror, raised a special tax to help repair London Bridge. By the end of the twelfth century, the shops and houses adorning Peter de Colechurch's new stone London Bridge were beginning to generate not only increased cross-river trade, but also increased taxes, rents and bequests. A significant fund began to accumulate, administered from a building on the south side of the bridge called Bridge House. Over succeeding centuries this fund has been administered by the City of London Corporation ('the City Corporation') as Trustee.

The Bridge House Estates mark has been the identifying emblem of the charity for many centuries. It is likely that the 'bridge mark' as we know it today was designed by William Leybourn, a famous seventeenth century surveyor. Leybourn is thought to have adapted a similar mark drawn against plots owned by Bridge House Estates on an earlier plan of St George's Fields, London.

The work of Bridge House Estates now reaches out across London in many important and diverse ways:

The River Bridges

The maintenance and support of five of the bridges that cross the Thames into or by the City of London – Tower Bridge, London Bridge, Southwark Bridge, Blackfriars Bridge and Millennium Bridge is the primary objective of the charity. They are gateways to the City of London and require sustained investment and expert care.

<u>Blackfriars Bridge</u> - Blackfriars Bridge was originally built between 1760-1769 and was known as 'Pitt Bridge' after William Pitt the Elder. This structure was replaced between 1860-1869 with a design by Joseph Cubitt of five wrought iron arches faced with castiron, on granite piers. The decorations include ornithological sculptures surmounting the granite columns on each cutwater, archaded cast iron parapets and enormous attached columns in red granite with Portland stone capitals. The sculptures depict land birds on the landward side of the bridge and sea birds on the side facing the sea. Queen Victoria opened the bridge in 1869.

Millennium Bridge – As the first new pedestrian bridge to be built across the Thames for over a century, Millennium Bridge links the City of London at St Paul's Cathedral with the Tate Modern Gallery at Bankside. Funded by the charity and the Millennium Commission, the 'Blade of Light' is a 325 metre steel pedestrian bridge, conceived by Sir Anthony Caro and built by Ove Arup and Foster Associates under the project management of the London Borough of Southwark and subsequently transferred to the charity to own and maintain.

<u>Southwark Bridge</u> - Originally built between 1814-1819, Southwark Bridge was purchased by the charity in 1868. The City of London had been trying to obtain control since 1827 to catch criminals escaping to Southwark, outside its jurisdiction! It was replaced between 1912-1921 with a design by Sir Ernest George and Basil Mott and comprises five steel arches with granite cutwaters and piers.

<u>London Bridge</u> - The first stone bridge across the Thames was built between 1176-1209 and replaced between 1823-1831. The current bridge was built between 1967-1972 and designed by the City Engineer, Harold Knox King with architects Mott, Hay & Anderson and William Holford & Partners. Made of concrete with polished granite, the Bridge has three spans founded on concrete piers fixed deep into the river clay. It was opened by Her Majesty, The Queen in 1973.

<u>Tower Bridge</u> - Designed by the Victorian architect Sir Horace Jones, the City Architect, in collaboration with Sir John Wolfe Barry, Tower Bridge was opened in June 1894 after eight years of construction. It is a working bascule, suspension and girder bridge, constructed as a steel frame clad in stone and granite in Gothic style to complement the neighbouring Tower of London. Under the Corporation of London (Tower Bridge) Act 1885, the City Corporation is required to raise the Bridge to provide access to and egress from the Upper Pool of London for registered vessels with a mast or superstructure of 30 feet or more. The service is provided free of charge subject to 24 hours' notice and is available any time, day or night, 365 days per year. The City Corporation ensures that the Bridge, a designated Grade 1 listed building, is properly maintained and protected as part of the nation's heritage.

As a world-famous icon of London, Tower Bridge enables tourists to have access to the internal areas of the Bridge, with a public exhibition having been in place since 1982. The exhibition showcases the Victorian architecture, engineering and also the original Victorian engines used to power the lifting of the Bridge. The operational and tourism activities at Tower Bridge are managed by the Trustee on behalf of the charity.

The Grant-Making and Other Charitable Activity of City Bridge Trust

After the responsibilities relating to the bridges have been met, the charity can use any surplus income for the provision of transport for elderly and disabled people in Greater London and for other charitable purposes for the general benefit of the inhabitants of Greater London, further to a scheme agreed with the Charity Commission in 1995. This scheme enables the charity to work through its charitable funding arm, City Bridge Trust, for a fairer London through tackling disadvantage. CBT works collaboratively to meet the charity's ancillary objectives through three key areas of activity, namely:

- Grant-making:
- Social investment; and
- Encouraging philanthropy.

Further information on the activities of CBT is available at www.citybridgetrust.org.uk

Trustee's Annual Report

Structure and Governance Governing Instruments

Bridge House Estates is a charity governed by various instruments which are listed below. In March 1994 it was registered with the Charity Commission.

Founders By various bequests over the centuries

Governing Instruments A Royal Charter of 24 May 1282

The Blackfriars Bridge Act 1863

The Blackfriars and Southwark Bridges Act 1867

The Corporation of London (Tower Bridge) Act 1885

The Corporation of London (Bridges) Act 1911

The City of London (Various Powers) Act 1926, section 11

The City of London (Various Powers) Act 1949, section 13

A supplemental Royal Charter of 26 November 1957

The City of London (Various Powers) Act 1963, section 32

The London Bridge Act 1967

The City of London (Various Powers) Act 1979, section 19

The Charities (Bridge House Estates) Order 1995

(S.I.1995/1047)

An Order of the Charity Commission sealed 10 July 1997

(350.97)

An Order of the Charity Commission sealed 20 July 1998

(251.98)

The Charities (Bridge House Estates) Order 2001

(S.I.2001/4017)

The Charity Commission Scheme dated 26 August 2005

The Charities (Bridge House Estates) Order 2007 (S.I.

2007/550)

Governance Arrangements

The Mayor and Commonalty and Citizens of the City of London (also referred to as 'the City Corporation' or 'the City of London Corporation'), a body corporate and politic, is the trustee of Bridge House Estates. The City Corporation is trustee acting by the Court of Common Council of the City of London in its general corporate capacity and that executive body has delegated responsibility in respect of the administration and

management of this charity to various committees and sub-committees of the Common Council, membership of which is drawn from the 125 elected Members of the Common Council and external appointees to those committees. In making appointments to committees, the Court of Common Council will take into consideration any particular expertise and knowledge of the elected Members, and where relevant, external appointees. External appointments are made after due advertisement and rigorous selection to fill gaps in skills. Members of the Court of Common Council are unpaid and are elected by the electorate of the City of London. The key committees which had responsibility for directly managing matters related to the charity during 2018/19 were as follows:

<u>Policy and Resources Committee</u> - responsible for allocating resources, administering the charity, and for determining the investment strategy between property and financial investments.

<u>Investment Committee</u> - responsible for the strategic oversight and monitoring of the performance of the charity's investments which are managed by three separate subcommittees, namely the Financial Investment Board, the Property Investment Board and the Social Investment Board.

<u>Finance Committee</u> - responsible for controlling budgets, support costs and other central charges that affect the charity as a whole.

<u>Audit and Risk Management Committee</u> – responsible for overseeing systems of internal control and making recommendations to the Finance Committee relating to the approval of the Annual Report and Financial Statements of the charity.

<u>Planning and Transportation Committee</u> - responsible for the maintenance and upkeep of the bridges with the exception of the tourism operation at Tower Bridge.

<u>Culture, Heritage and Libraries Committee</u> - responsible for the tourism operation at Tower Bridge.

<u>The City Bridge Trust Committee</u> - responsible for reviewing and approving individual grants to voluntary organisations up to the value of £500,000 and otherwise for other charitable expenditure under the Bridging Divides Strategy. Funding commitments above £500,000 are agreed by the Court of Common Council, on recommendation of this committee.

All of the above committees are ultimately responsible to the Court of Common Council of the City of London. Committee meetings are held in public, enabling the decision making process to be clear, transparent and publicly accountable.

Details of the membership of Committees of the City Corporation are available at www.cityoflondon.gov.uk

The trustee believes that good governance is fundamental to the success of the charity. The comprehensive review of governance, which commenced in 2017/18, is ongoing ensuring that the charity is effective in fulfilling its objectives. Reference is being made to the good practices recommended within the Charity Governance Code throughout this review.

Organisational structure and decision making process

The charity is administered in accordance with its governing instruments and the City Corporation's own corporate governance and administration framework, including Committee Terms of Reference, Standing Orders, Financial Regulations and Officer Scheme of Delegations. These governance documents can be obtained via a request to the email address stated on page 63.

Each Member by virtue of their membership of the Court of Common Council, its relevant committees and sub-committees, has a duty to support the City Corporation in the proper exercise of its functions and in meeting its duties as trustee of the charity by faithfully acting in accordance with charity law, the Terms of Reference of the relevant committee or sub-committee, and the City Corporation's agreed corporate governance framework as noted above, backed up by its standards regime.

Induction and Training of Members

The City Corporation makes available to its Members, seminars and briefings on various aspects of its activities, including those concerning the charity, to enable Members to carry out their duties efficiently and effectively. Induction meetings are provided on specific aspects of the work of BHE. The City Corporation has the Investor in People accreditation which is an external validation of the approach to valuing and developing the skills of both Members and staff who may be involved in administering and managing the charity.

Objectives and activities

The objectives of the charity are the support and maintenance of Tower Bridge, London Bridge, Southwark Bridge, Blackfriars Bridge and Millennium Bridge. After these responsibilities are met, any surplus income to that which can be usefully applied in accordance with the subsisting trusts in any given year is applied for the provision of transport for elderly and disabled people in Greater London and for other charitable purposes for the general benefit of the inhabitants of Greater London in accordance with a policy settled by the Trustee following consultation.

Public benefit statement

The Trustee confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing Bridge House Estates' aims and objectives and in planning future activities. The five river bridges maintained and supported by the charity are available to the general public on an open access basis. Regarding grant-making activities of the charity and other support for the charitable sector undertaken under the name 'City Bridge Trust', the Trustee awards grants at its discretion to address disadvantage across London's diverse communities and provides more general support to the charitable sector through various strategic initiatives. This process is based upon published criteria, and an analysis of need in consultation. The charity utilises a transparent and fair assessment process and ensures that a robust monitoring system is in place to establish the public benefit derived from each grant approved alongside the other activities of the charity.

Consequently, the Trustee considers that Bridge House Estates operates to benefit the general public and satisfies the public benefit test.		
Reference and administrative details		
The administrative details of the charity are stated on page 63.		
Achievements and Performance		
The Bridges		

This year, the bridges have continued to play host and neighbour to two major projects: The Illuminated River Project and the Thames Tideway Tunnel. Now with both on site, the team have been working very closely with the projects in order to ensure that the construction activities do not have any detrimental impact on our bridges from structural, functional and heritage perspectives.

The work on the Thames Tideway Tunnel at Blackfriars Bridge has continued to expand over the last year as the project prepares for the arrival of the Tunnel Boring Machine from the west in 2020. Investigative and enabling tasks on site this year has involved working directly underneath Blackfriars Bridge in preparation for the construction of the new permanent foreshore structures to be installed in the coming years. The bridges team have been working extensively with the project to ensure Blackfriars Bridge is continually monitored and protected in all ways throughout this process.

The Illuminated River Project has now started on site with London Bridge, Southwark Bridge and the Millennium Bridge included in the first phase of the project. Once again, the team have been working closely with the contractors as they transform the appearance of this eclectic mix of modern and heritage structures with light. The quantity and complexity of the lighting equipment is far higher than has ever been placed on the bridges and so it has been essential to ensure that the structures can continue to work both functionally and aesthetically.

Work to start the refurbishment of Blackfriars Bridge, including the refurbishment of the parapets has continued to develop. However, the challenge of how to secure access to the bridge to carry out the work whilst other major projects are on site, has caused delay. The project is due to be tendered this summer with a flexible approach to ensure that the best solution for protecting the bridge is developed. Research is being undertaken to investigate the possible use of innovative paint technology to minimise the colour degradation from ultraviolet light across the bridge.

This year, the scheme to re-waterproof London Bridge and replace its end bearings has continued to develop. However, having waited for availability of road space following Network Rail's refurbishment of London Bridge station, the works have been subject to further delay caused by essential gas works planned in the City. These works will push this project back to the spring of 2020 so that appropriate diversion routes are available.

Extensive work was successfully completed to re-waterproof Park Street Bridge (part of the Southwark Bridge southern approach) and install new drainage to preserve the life of the structure. With lessons learned from the work carried out as part of this, and taking benefit from the delay to London Bridge, a wider project to re-waterproof the whole southern approach of Southwark Bridge is being progressed for the summer of 2019.

The bridges team have also continued to work with the Metropolitan Police to facilitate and require them to maintain the Hostile Vehicle Mitigation barriers, which were placed on the bridges following on from the 2017 terrorist attacks. This was especially essential on the Tower Bridge North Approach where the gullies became blocked

causing significant flooding during heavy rainfall. The team also participated in Transport for London's Threat and Vulnerability Assessments for our bridges along with Police and security advisors, and we await the output from these reviews.

Work was commissioned and undertaken during the year regarding the potential long-term replacement plans of the bridges, alongside consideration of ongoing maintenance requirements. This work has fed into consideration in the year of the designated reserves required for both replacement and maintenance of our bridges, as considered on pages 22 and 23 of this report.

Tourism at Tower Bridge

The iconic architecture and engineering of Tower Bridge are showcased to the public in the form of a paid visitor attraction within the historic structure, offering panoramic views from the high-level walkways of Wapping, Canary Wharf and Greenwich to the east of the City and central London skyline to the west. Steam machinery which originally powered the Bridge is preserved, curated and on display as a key element of the attraction, and in addition, glass flooring panels installed in 2014 continue to attract visitors, providing a unique aspect of the roadway, the river and the Bridge raising to allow the movement of river traffic directly beneath. Additional income generating activities for the charity include on site and online retail sales, venue hire charges, catering commissions and filming activities.

Tower Bridge experienced a record year in 2018/19, with numbers of visitors and turnover representing 10% and 6% respective increases on the previous year. The Bridge received excellent feedback within the tourism sector, achieving consistently positive reviews from visitors and a Trip Advisor ranking of 4th (as of April 2019) among all London visitor attractions.

The Bridge achieved a rating of Excellent (93%) in the annual assessment by Visit England as part of their Visitor Attraction Quality Assurance Scheme, and for an unprecedented second year in a row it was awarded a Visit England Gold Accolade, which recognises attractions "where the visitor experience is of the highest quality". Of 1,000 participating attractions, only 16 Gold Accolades were awarded in 2018, with only 2 of these located in the Capital.

The positive performance of the Bridge as an attraction in 2018/19 was attributable to the continuous development of the visitor offer, including improvements to its ticket office and particularly the growth of tourism retail, with income for the onsite gift shop having grown by 15% in comparison with the previous year. The Bridge's retail provision was recognised at the 2018 National Museums and Heritage Awards, achieving the title of 'Best Gift Shop with turnover exceeding £500,000'. Efforts were dedicated in 2018 to pursuing partnership commissioned publications, with positive results: an authoritative book was created in partnership with Thames & Hudson in light of the Bridge's upcoming 125th anniversary, and 'The Tower Bridge Cat' won the 2019 Association of Cultural Enterprise's Best Product Award in the category of 'Best Children's Publication'.

Following redevelopment of the Engine Rooms in 2017, the overhaul of all visitor content within the Bridge's towers in April represented the second phase of Tower Bridge's long-term interpretation development plan. Housed in the North and South towers, the new displays commemorate and celebrate the human stories and social heritage of the Bridge. Included in this new content were stories and images of the teams of divers who dug out the Bridge's foundations during its construction (these men earned up to £10 per minute in 1890) and insights into the lives of the engineers, architects and workmen who designed and built Tower Bridge.

A new identity for Tower Bridge as a visitor attraction launched in June 2018, which focused on its architectural and engineering heritage, in line with the new content which relays the Bridge's history through personal stories. This overhaul included a new logo, signage, marketing campaigns, uniforms, and also included the removal of the word 'Exhibition' from the attraction name, with the aim of making the visitor experience and the Bridge itself synonymous in terms of public perceptions. This has been well-received by visitors to date.

After retaining the Sandford Award for Heritage Education, the Tower Bridge formal learning programme continued to attract new and repeat school visits in 2018/19. The completion of a new accessible Learning Centre in the Bridge's south tower in March 2019 provides a modern and high-quality facility for visiting schools and community engagement organisations as the Bridge's learning provision continues to grow.

Autism Friendly events, involving opening the attraction earlier than usual, were well-attended and facilitated on a monthly basis throughout 2018/19. After a successful trial period, the Special Educational Needs and Disability offer at Tower Bridge has been further embedded with a tailored, multi-sensory guided tour for schools as well as an outreach workshop session delivered by the dedicated learning team. The Bridge also participated in national and local initiatives throughout the year, such as Engineering Open House Day and London History, leading to greater engagement with families and schools and increased general awareness through key national and London-based publications.

The cultural profile of Tower Bridge was also developed further in 2018/19 with its second Artist in Residence programme, including meaningful engagement with the Bridge's learning offer and local school groups. The initial stage of the residency saw the appointed data artist Imogen Piper focus on research, delving into the historical, cultural, geographical and physical entanglement of Tower Bridge within London and the world. From Bridge Lifts, to visitor numbers, vehicle crossings and pedestrians, Piper explored the data behind Tower Bridge to inform her final piece of art, on display to visitors in the Engine Rooms since November 2018.

Public-ticketed performances of a set of original musical compositions again took place over the penultimate weekend in September in the Bridge's Bascule Chamber space for the Totally Thames Festival. This year's creative offering included the work of disabled musicians and performers and special technologies were employed to enable this, given the naturally restrictive and inaccessible nature of the operational space. Positive feedback was received from ticket holders and a good level of publicity was achieved in mainstream, national and specialist media.

Tower Bridge maintained its profile in 2018/19 as a globally recognised symbol of London and a key part of the Capital's transport infrastructure. It was raised almost 700 times to allow Thames river vessels safe access to and egress from the Pool of London, positive progress was made with regard to illegal trader enforcement in association with the City Corporation's Department of Markets and Consumer Protection, and the Bridge's security planning, protocols and facilities were further developed throughout the year.

Performance indicators for 2018/19

	Target 2018/19	Actual 2018/19	Actual 2017/18
Visitor numbers to Tower Bridge	820,000	862,696	785,315
Visitors to second part of the Exhibition: Engine Room No. of pupils participating in Education Programme	80% 3,500	72% 3,975	80% 3,023
Visit England VAQAS Score	90%	93%	91%
	£	£	£
Admissions income Retail income	4,102,000 1,179,000	4,367,647 1,498,267	4,174,840 1,305,981
Venue hire	858,000	916,478	945,706

Activities of City Bridge Trust

At the heart of Bridge House Estates lies its charitable commitment to improving the lives of Londoners: City Bridge Trust (CBT). CBT is proud to be London's biggest independent grant maker. As it sits right in the centre of the private, voluntary and government sectors, it has the distinctive vantage point of being able to convene, understand and serve the needs of all those working to create a thriving capital city, where no one gets left behind.

For almost 25 years, CBT has worked to reduce inequality and support London's communities. 2018 was an especially important year: a new strategy was launched – *Bridging Divides*. The creation of this exciting new strategy gave CBT and its partners the space to re-consider the increasingly complex social problems it tackles - how to approach them and how to use its power and partnerships to make positive change happen. *Bridging Divides* is pan-London and places increased focus on early interventions that tackle the root causes of poverty, inequality, need and disadvantage. CBT will continue to work collaboratively with partners across civil society, public and private sectors to deliver this ambitious strategy.

Since its inception in 1995, CBT has awarded more than 8,000 grants, totalling more than £400m. During the financial year 2018/19, CBT exceeded its annual £20m target, giving £21.9m across Greater London to 213 different projects, ranging from

tackling knife crime, to supporting the LGBTQ+ community and enabling employment opportunities for some of the capital's most marginalised people.

As well as grant-making, CBT will continue to use its unique convening power to develop London as a global hub for Philanthropy and Social Investment.

Strategic Initiatives

During 2018/19, nineteen strategic initiatives were funded totalling £3.1m. These initiatives add value to the grants portfolio by increasing CBT's learning and by contributing to the wider policy arena. They covered a wide range of issues, although throughout the year several common themes emerged.

Youth Services

Projects targeting children and young people were prioritised, reflecting the growing concern across London at the rise in youth violence and knife crime. Specific projects included:

- Two awards totalling £420,000 to the Federation of London Youth Clubs to help youth organisations improve services for young people in London;
- Greater London Authority were awarded £300,000 towards the costs of commissioning charitable organisations to provide sub-regional networking and multi-agency co-ordination of projects under the Young Londoners Fund;
- Centre for Youth Impact received £60,000 to support London-based youth organisations to measure their impact better;
- Partnership for Young London, an umbrella body that provides advice and support to other organisations receiving Young Londoners Fund grants, was awarded £180,000 to improve their impact.

More Than Just Funding

- As part of the Bridging Divides programme, CBT worked innovatively with our grantees to improve and develop their resilience in a climate of political and financial uncertainty. A total grant of £560,000 was awarded to the Cranfield Trust to continue its Strive programme, providing management consultancy support to around 420 organisations;
- Locality and Cranfield Trust were each provided with a grant of £150,000 to carry out a 'diagnosis' of grantees' needs and then connect them up with a suitable provider of support services.

Prisoners and Ex-Offenders

CBT funded several initiatives and projects supporting prisoners and ex-offenders. These included:

- Hosting a seminar aimed at funders to discuss how to support the most vulnerable in the criminal justice system, particularly women and young people:
- Women In Prison received £446,000 to cover the cost of a Programme Manager and 4 part-time Specialist Advocates across London;

 Prisoners Abroad received £233,300 towards their resettlement fund, supporting destitute British citizens returning to London after imprisonment overseas.

The Prince's Trust

A strategic 10-year partnership with The Prince's Trust entered its fourth year, following a successful review in 2017/18. This partnership continued to engage hundreds of young people across London in activities and programmes providing positive outcomes and increased opportunities. Projects include:

- Strengthening Education Support; and
- Developing Employment Opportunities.

Anniversary Programmes

Employability – Bridge to Work

Following the award of grants totalling £2.62m in 2017/18, this initiative, which supports young disabled Londoners into employment, has made significant progress in this past year. Reporting on the first 12 months of the project has shown that to date 82% of participants have experienced a positive outcome, with 28% progressing into paid employment; 41% going into further training or education; and 13% moving on to other programmes.

A full evaluation report on the first year of the Bridge to Work programme will be published in 2019/20.

Also agreed in 2017/18, an award of £1.24m to the Centre for Mental Health focuses on individuals who have experienced mental health issues and require specialist individual support, tailored to their diagnosis to enable them to re-enter the workplace. During the first full year of this project, working in two London Boroughs, the organisation reported that they were exceeding all targets, with over four times the expected number of people starting the programme. Of these, the target for the number of individuals who have moved into employment has been exceeded by 70%.

Infrastructure Support and The Way Ahead

In the context of scarce resources and uncertainty for many civil society organisations, CBT has continued to support The Way Ahead programme, which seeks to put Londoners at the very heart of how their services are delivered. CBT will work collaboratively with civil society, public sector bodies and funders to improve their infrastructure and ability to continue delivering their services.

To enable this, CBT established The Cornerstone Fund, to support the strategic development of the infrastructure underpinning London's civil society in partnership with other funders and key stakeholders. Following the allocation of £3m in 2017/18, a total of £990,995 was distributed during the year through a two-stage application process.

The first stage of funding was launched alongside the Bridging Divides programme, and invited applications from organisations wishing to work collaboratively to build

more resilient communities. A panel of aligned funders¹reviewed the initial applications and recommended that eleven development grants be awarded – with CBT then going on to approve three of these to receive stage two grants: H4All, Race on the Agenda and British Refugee Council.

As part of the Cornerstone Fund Programme, our funding partners also awarded grants: John Lyons Charity to the London Village Network and the National Lottery Community Fund to HEAR Equality and Human Rights Network.

CBT was delighted that the Greater London Assembly awarded £175,000 to The Cornerstone Fund. This was in the spirit of collaboration, to help build our joint understanding of the challenges, opportunities and impact of these types of initiatives.

Responsive grant-making

Whilst around 20% of the grant-making budget is available for Strategic Initiatives as outlined above, most of the funds allocated are used for responsive grant-making to charitable organisations reaching the most disadvantaged people in London.

The new Bridging Divides programme has the following priority areas:

- Connecting the Capital;
- Positive Transitions; and
- Advice and Support.

Along with the above programmes, CBT also revised their funding criteria to include the provision of five-year grants, increased core funding for organisations, and small grants of up to £10,000 for groups with an income of less than £75,000 per year.

Following the opening of these programmes to applications in April 2018, the first grants were awarded in September 2018. This was because CBT prioritised those requests already received under its previous 'Investing in Londoners' programmes.

Grants awarded during the year included:

- Baobab Centre for Young Survivors in Exile was awarded £123,000 towards their specialist therapeutic mental health interventions for young asylum seekers and refugees in London;
- Beat, an eating disorder charity, received £254,600 for support to young Londoners. This helped them begin specialist treatment earlier, which is shown to improve the chances of successful recovery;
- Polka Children's Theatre was awarded £100,000 towards a £6.5m refurbishment project which will make this unique venue, in the London Borough of Merton, fully accessible for all visitors;
- Clink Charity, which aims to reduce re-offending by providing prisoners with training in catering, hospitality and horticulture, received a grant of £105,000.
 This award will fund a Support Worker based in High Down Prison, providing

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¹ Comprising National Lottery Community Fund, Trust for London, John Lyons Charity, Greater London Authority and London Councils

- additional advice and mentoring to help clients find and maintain long-term employment after they are released;
- Kalayaan, an organisation which supports vulnerable migrant domestic workers in London and campaigns for their rights, received £288,100. This award will pay for an Immigration Lawyer, allowing them to provide expert advice and information to their client group;
- Age UK Bexley was awarded £90,000 for its 'Men in Sheds' project for older men to socialise and learn new skills through creative woodwork workshops;
 and
- Women's Environmental Network Trust received £110,600 towards the cost of the Tower Hamlets Food Growing Network which brings together and promotes food growing projects in the borough.

Social Investment

The Social Investment Fund represents the designation of £21.4m from the charity's unrestricted income funds, which are to be invested for a financial return as part of the charity's balanced investment portfolio, but focuses solely on markets that achieve social impact.

Since its inception in 2012 the Social Investment Fund has committed a total of £18m and achieved a return of 4.3% (gross) on invested capital. During the year, the Fund bought retail charity bonds from Golden Lane Housing (£0.45m), to enable people with learning disabilities to live independently and provided a bridging loan to Dartington Hall Trust (£3m) to support the charity with development plans. These brought the total funds invested at the end of 2018/19 to £13.2m with a further £2.1m either committed but not yet placed or subject to agreement of terms.

During 2018/19, two investments were refinanced, a five-year fixed rate bond to Greenwich Leisure Limited to continue Olympic legacy work and other projects consistent with its social aims; and a £0.5m fixed rate loan to HCT Group, to increase transport opportunities to disabled people or in poverty.

In 2018/19 CBT held the fifth round of the "Stepping Stones Fund", an award-winning social investment readiness facility. This programme, which continues to be delivered in partnership with UBS, is open to charitable organisations, social enterprises and not-for-profit companies working in Greater London. Twelve grants totalling £429,240 were awarded to organisations tackling a range of social issues, including homelessness, elderly social care and unemployment. These latest awards brought the total number of Stepping Stones grants to 77, with a value of over £3.2 million. CBT and UBS have re-opened Stepping Stones to new applicants on a rolling basis from April 2019.

In recognition that a gap exists between the programme and the size of investments available from the charity's Social Investment Fund, CBT launched a follow-on loan scheme for Stepping Stones grantees in partnership with the Clothworkers' Foundation and UBS.

Philanthropy

Over the centuries, philanthropy has played a major part in City life, with the very existence of Bridge House Estates partly originating from Londoners donating money

to "God and the Bridge". Today, millions of pounds are raised and distributed each year by City businesses, the Livery Companies and the Mayoralty. However, there remains a huge potential for additional giving within the City and London in general whether through the giving of money, time, skills or assets.

CBT and its Trustee, the City Corporation, therefore jointly appointed a Philanthropy Director in 2017 to develop a cross cutting strategy for CBT and the City Corporation. The strategy was approved in the summer of 2018 and is focused on ensuring that individuals and communities, especially those experiencing marginalisation, thrive as a result of higher impact and higher value philanthropy. An implementation plan was approved in February 2019.

Whilst the consultation for and development of the strategy and implementation plan have been underway, CBT has played an active role in promoting high impact and high value philanthropy through sponsoring the launch of the Centre for London's strategic review of giving in London: 'More, better, together', engaging with the Global Donors Forum's first London conference and, together with the City Corporation and consultants Corporate Citizenship, supporting the development of research into the levels of giving by financial and professional service firms. Work is also underway to scope the potential of developing a physical space with a working title of 'Philanthropy House' in which to co-locate organisations specialising in philanthropy and social investment.

Property Investment

Bridge House Estates has an income driven investment property fund which is held within its permanent endowment fund, comprising of assets located primarily in the City of London and the London Borough of Southwark with one building in the West End and a small estate in Lewisham. The fund is predominately comprised of offices, with the majority of the remainder of the properties being a mix of office and retail uses within each building. There are 72 assets within the fund of which some 40% are ground leases. Due to their unique nature, including properties beneath or adjacent to the bridges, 12 of these assets are not benchmarked alongside the rest of the portfolio, however these are externally valued annually.

The objectives, as stated within the Investment Policy on page 24, are to maximise rental income and to outperform the MSCI Benchmark (Greater London Properties including owner occupied) total return on an annualised 5-year basis. The rental income has been maximised in accordance with the business plans for each asset and the property fund outperformed the relevant benchmarks on an annual basis (13.1 % versus MSCI benchmark of 5.6% and MSCI universe of 3.6%) and on an annualised 5-year basis as detailed below. The underlying value of the property portfolio decreased by £27.0m (3.5%) to £739.3m following the sale of a long lease of 1-5 London Wall Buildings for £97.125m in December 2018. This receipt is included within the total return figures. The performance of the fund is depicted in the table below:

	31 March 2019	31 March 2018
Capital Value	£739.3m	£766.3m
Gross Rental Income	£31.5m	£31.8m
5-year annualised Total Return	14.7%	15.4%
Benchmark 5-year annualised Total Return	11.4%	13.9%
MSCI Universe (All UK Property) 5-year annualised Total Return	9.1%	11.1%

Within the portfolio the key achievements during the year were as follows:

- The sale of a long lease of 1-5 London Wall Buildings for £97.125m, including a gain of £13.7m, with proceeds to fund future acquisitions and refurbishment projects;
- Planning permission for the refurbishment of Candlewick House, Cannon Street:
- Completion of joint sale agreement with Transport for London and London Borough of Southwark to allow marketing of a long lease of Colechurch House, SE1;
- Terms agreed for re-gear of the head lease of 160 Blackfriars Road to allow for an office and hotel development (subject to planning permission);
- 32,000 sq ft of new lettings have completed at a total rent of £770,000 per annum;
- 17 rent reviews have completed totalling an annual rent uplift of £990,500 per annum.

Plans for future periods

The vision for the next year across the activities of the charity includes:

The Bridges - over the coming year, both the Thames Tideway Tunnel and the Illuminated River projects will continue to develop and interface directly with the bridges. The bridges team will continue to work closely with both projects to provide technical approval and ensure that the assets are protected. With the launch of the first phase of the Illuminated River Project due in the summer of 2019, there will be a focus on London, Southwark and Millennium bridges.

The inquest into the London Bridge terror attack will take place during 2019. As owner and maintainer of the bridge, we are an Interested Party, statements have been prepared and staff have been called as witnesses.

We will also be commissioning the next contract for our Consultant Engineer for the Inspection of the bridges and the provision of engineering advice, which is again proposed as a six-year commission to reflect the inspection cycle of the bridges.

Tower Bridge Tourism - plans for the coming year for the tourism activities at Tower Bridge include:

- Celebrate Tower Bridge's 125th Anniversary with a year-long activities, events and publicity programme;
- Complete the final stage of the Interpretation Plan in overhauling the visitor experience in the Walkways;
- Implement the second phase of the Bridge's new commercial identity and seek comprehensive feedback and evaluation;
- Positively develop the Bridge's cultural profile via Artist in Residence and Bascule Chamber programmes;
- Revisit the potential for secure entrance/exit facility at the South Tower.

Activities of City Bridge Trust - over the next 12 months CBT will continue to implement its Bridging Divides strategy. This will include developing its Funder Plus offer to grantees, making best use of all of its assets as a funder, including networks, knowledge and links to public and private sector, and further work on learning and impact.

CBT will launch a second Call for Ideas around Responding to the Resilience Risk. This responds directly to the growing need to develop the resilience of frontline workers in the voluntary sector.

Following a governance review, CBT will appoint two Co-opted Members to its committee, ensuring that it has the broad range of skills and experience necessary to deliver its mission of reducing inequality across London.

The Social Investment Fund will explore refining its investment strategy to allow for closer alignment with CBT's grant-making focus. The Stepping Stones Fund will also be relaunched as a continuous rolling programme.

In the year ahead, in order to implement the Philanthropy Strategy, we will analyse our current philanthropy data and practices to better understand what we are currently doing and what we could do better. We will understand much more about the resourcing, networks and expertise required to maximise our philanthropic potential and develop a plan to achieve this longer term. We will forge a range of strategic partnerships with key actors on the global philanthropic stage and have plans in place to maximise our collective potential to raise awareness of, and drive up engagement with, high impact and/or high value philanthropy in London, the UK and internationally.

Property investments - key activities planned within the investment property fund for 2019/20 include:

- Maximise the price achieved from the sale of a long lease of Colechurch House, SE1;
- Complete the acquisition of head leaseholds and any new investments where opportunities arise, utilising proceeds received from 1-5 London Wall Buildings, with a view to increasing income across the portfolio;
- Progress the refurbishment of Candlewick House, Cannon Street now planning permission has been achieved;
- Complete the lease to WeWork of Electra House and progress the refurbishment of Tower Chambers, both located on Moorgate.

Financial Review Overview of financial performance

Income

In 2018/19, the charity's total income for the year was £43.1m, an overall increase of £0.5m against the previous year (£42.6m).

The income derived from the various activities at Tower Bridge reached record levels in 2018/19. The continuous development of the charity's visitor attraction, including the retail and events offer, has seen income from charitable activities increase to £6.8m (2017/18: £6.5m).

Investment income is driven by the rental income earned from the property portfolio, which is currently all held within the endowment fund. For 2018/19, property income totalled £31.5m an increase of £0.3m against the previous year (2017/18: £31.8m). This strong performance was supported by the inclusion of further collections of backdated rents. The majority of the financial investment holdings of the charity continue to be held on a pooled basis, with the income equivalent forming part of the movement in the value of assets held within the balance sheet. Income arising from financial investments held on a non-pooled basis is reported within the statement of financial activities at £2.8m for the year (2017/18: £3.9m). The balance of investment income includes earnings from the charity's social investment fund, together with interest received on money market deposit balances held.

Grant income of £0.2m was received in the year, restricted towards specific programmes administered by City Bridge Trust (2017/18: £nil).

Other income includes fees received by CBT to undertake grant administrative duties on behalf of other organisations. Within the current year a one-off amount was received relating to access to land owned by the charity, explaining the increase in this income area to £1m (2017/18: £0.2m).

Expenditure

Total expenditure for the year was £53.1m, being just £0.2m below the prior year total but with a different split between activities. All expenditure is unrestricted with the exception of £0.6m (2017/18: £0.3m) of costs attributable to the maintenance of the capital value of the endowment.

Within the above total, expenditure on raising funds increased by 2.9% to £21.5m (2017/18: £20.9m). This amount covers the costs of managing the charity's investment property portfolio plus the fees attributable to the financial investments held, alongside expenditure relating to the Tower Bridge tourism operations.

Charitable activities expenditure in the year totalled £30.7m (2017/18: £31.7m). £6.6m was spent on maintaining the five Thames Bridges in the year, an increase of £1.0m compared to the previous year. Much of the focus has been on working towards several projects due to take place over the coming months, which will incur higher levels of spend. Grant-making activities and related spend totalled £24.1m (2017/18: £26.1m), with spend now including grant commitments made under the new Bridging

Divides funding policy, adopted from April 2018. The reduction in new grant commitments of £2.5m to £21.9m (2017/18: £24.4m) reflects the one-off 20th Anniversary grants that were awarded in the previous year, now being actively managed by the team. The increase in the costs of administering grant-related activity includes the introduction of a new team structure within the year, alongside embedding the charity's philanthropy activities.

Other expenditure covers the net costs of the pension scheme for the staff of the City Corporation that work on behalf of the charity, with costs increasing following a ruling by the Court of Appeal on public sector pension schemes, as disclosed in Note 21.

Overall Performance

The above activity levels in the year resulted in an overall operating deficit of £10.0m (2017/18: £10.7m deficit), prior to gains on investments. However strong performances have been delivered by both the property and financial investment portfolios, adding a further £108.7m to the assets of the charity.

Property investments held reported gains of £69.6m (2017/18: £53.6m), including a realised gain of £13.7m following disposals in the year. The long leasehold disposal of 1-5 London Wall Buildings in the year has resulted in an increase in short term financial investments held, as the charity progresses plans to reinvest the proceeds within the property portfolio. Financial investments achieved gains of £39.1m (2017/18: £10.8m). The social investment fund delivered a small unrealised loss of £0.1m (2017/18: £0.1m gain).

Under its delegated responsibility from the City Corporation as Trustee, the Financial Investment Board, as a sub-committee of the Investment Committee, set an absolute return target of CPI (Consumer Prices Index) plus 4% for the non-property investments, being 6.0% for 2018/19 (2017/18: target based on RPI +4%, being 7.3%). The fund achieved an overall return of 5.6% in the year (2017/18: 1.8%). Over the past three years and five years respectively, the fund has achieved an overall return of 7.7% and 6.6% per annum. This performance consists of both capital gains and inyear earnings retained across the various holdings, resulting in the overall gain in the year of £39.1m reported above.

During the year the charity completed the transition of £60.7m of financial investment assets from the Standard Life Global Absolute Return Strategy Fund to the Multi Asset Credit Fund, managed by CQS, alongside £50.0m of assets from the Wellington Global Value Equity Fund to the Baillie Gifford Global Alpha Growth Fund. Both transitions were undertaken to support the Charity's investment objectives.

Funds held

The charity's total funds held increased by £98.9m or 7.1% to £1,494.7m as at 31 March 2019 (2017/18: £1,395.8m). Within the total funds held, £907.5m (2017/18: £831.6m) represent permanent endowment funds which are held in perpetuity as a capital fund to generate income for the activities of the charity. Any income arising from this capital is accounted for within unrestricted funds. The permanent endowment is held to enable the charity to generate income to meet its primary objective of

maintaining and supporting the five river bridges across the Thames, with the remaining surplus income available to undertake the activities of City Bridge Trust.

Unrestricted income funds held include the general fund and a number of designated funds. The total unrestricted income fund was £587.0m as at 31 March 2019 (2018: £564.2m), net of £12.4m held to cover the pension deficit (2018: £11.8m).

The charity's designated funds consist of unrestricted income funds which the Trustee has chosen to set aside for specific purposes. Such designations are not legally binding and the Trustee can decide to "undesignate" these funds at any time. Designations as at 31 March 2019 totalled £183.5m (2018: £189.8m). £19.7m was transferred to the bridges repair fund in the year to meet the future maintenance costs of its five bridges, with £34.0m now set aside to cover costs planned over the next 5 years (2017/18: £19.9m). The increase provides for the expected higher costs of major projects planned for Blackfriars Bridge over the next few years. However the balance held within the bridges replacement fund was reduced by £18.9m to £104.6m (2017/18: £123.5m) in line with detailed analysis undertaken, as explained below. Detail of all designated funds, including their purpose, is set out within Note 23 to the financial statements.

A restricted fund of £0.2m (2017/18: nil) was held at year-end, being a contribution to specific programmes undertaken by CBT.

Reserves Policy

The permanent endowment funds are held in perpetuity. It is the Trustee's policy to invest the assets of the charity held within this fund to retain the real value of the endowment, while also generating sufficient returns to fund the charity's primary objectives of maintaining and supporting the five river bridges, whilst preserving both the 'real' value of the asset base and the purchasing power of the sums available for annual expenditure over the long term.

Any income surplus to that required to be applied to the charity's principal object is predominantly used to provide assistance in the form of grants to charitable organisations across Greater London. The level of funds available for grant awards is monitored and adjusted to ensure compliance with the policy to preserve the 'real' value of the asset base.

The charity is considering, within its governance review, adopting a total return basis for its permanent endowment fund. With this approach, the Trustee decides each year how much of the total return within the endowment fund can be released to income for spending against the objectives and how much is retained for investment. Prior to adopting this approach, the charity will be maintaining a designated fund for bridge replacement out of its unrestricted income funds.

Reserve levels held as at 31 March 2019 are set out in Note 23. The charity holds free reserves of £403.5m (2018: £374.4m). Whilst the charity has undertaken modelling to consider the future costs of potential replacement of the five bridges, further analysis

continues to be required in relation to this complex area, with a focus on the appropriate timing. Alongside this analysis, consideration is being given as to whether the permanent endowment fund holds sufficient funds to enable the charity to undertake future activities at levels determined to meet its objectives. The creation of a designated 'income generation fund' will be considered during 2019/20. As a result of the above facts, following the reconstitution of the endowment fund in 2017/18, the trustee is continuing to consider a suitable level of free reserves to maintain on an ongoing basis.

Investment Policy

The charity's financial investments are invested in accordance with the powers set out in an Order of the Charity Commission dated 20 July 1998, the Trustee Act 1925, the Trustee Act 2000 and within its investment policy. The Order enables the charity to invest the property of the charity either:

- in the acquisition of any securities or property (real or personal) of any sort: or
- on deposit or loan whether in the UK or elsewhere.

The policy is to seek an absolute return over the long term in order to provide for real increases in annual expenditure, whilst preserving the charity's capital base in real terms. Investments are made by the charity's appointed fund managers in accordance with the above policy. The charity considers proactive engagement, via its fund managers, with the companies in which it invests to be the most effective means of understanding and influencing the social, environmental and governance policies of those companies. It expects investment managers to take steps to ensure that these factors are adequately addressed in the selection, retention and realisation of investments as far as such factors may affect investment performance. The City Corporation is committed to being a responsible investor and the long term steward of the assets in which it invests. The City Corporation has developed a Responsible Investment Policy which applies to the charity. During 2018/19, the City Corporation finalised its Statement of Commitment to the UK Stewardship Code and became a signatory to the Principles for Responsible Investment. Consideration is being given as to how the Trustee's general investment policies might have application to the charity.

Full details of the charity's Investment Policy are set out in the City Corporation's Investment Strategy Statement which is available from the Chamberlain of London, at the email address on page 63.

The performance of the charity's financial investments during the year is discussed on page 22 and set out in Note 15.

The property investments of the charity are managed within an approved Estates' strategy, which is reviewed in depth on a three-yearly basis. The strategic objectives of the property fund are to:

- Maintain and maximise rental income; and
- To outperform the MSCI Benchmark (Greater London properties including owner occupied) total return on an annualised 5-year basis.

The performance of the fund during 2018/19 is set out on page 19 and within Note 14.

Grant-making Policy

The charity has established its grant making policy to achieve its ancillary objects, as laid out on page 5, for the public benefit. In the name of The City Bridge Trust, its charitable funding arm, BHE considers and funds a large number of grantees and makes awards through a wide programme of funding schemes. The majority of grants are for revenue expenditure, awarded over 2–5 years.

All applications are assessed via a robust process to ensure that proposed activities for funding will be supported by adequate and appropriate resources and will be used only for activities that match the charity's criteria. Approved grantees are required to report annually on the impact of their work. Information is collected in a uniform and systematic way, enabling analysis and feedback to take place. The results of monitoring reports are used to assess the overall effectiveness of grant-making, along with a commissioned grantee perception survey providing benchmarking and performance data.

Details of how to apply for grants are available on the City Bridge Trust website – www.citybridgetrust.org.uk

Remuneration Policy

The charity's senior staff are employees of the City Corporation and, alongside all staff, pay is reviewed annually. The City Corporation is committed to attracting, recruiting and retaining skilled people and rewarding employees fairly for their contribution. As part of this commitment, staff are regularly appraised and, subject to performance, eligible for the payment of bonuses and recognition awards.

The above policy applies to staff within the charity's key management personnel, as defined within Note 12 to the financial statements.

Fundraising

Charities subject to the audit requirements of the Charities Act 2011 are required to include a statement in their annual report relating to fundraising activities. The charity is aware of these requirements and, as it does not undertake fundraising activity, has nothing to disclose under the provisions of section 13 of the Charities (Protection and Social Investment) Act 2016.

Principal Risks and Uncertainties

The charity is committed to a programme of risk management as an element of its strategy to preserve the charity's assets. In order to embed sound practice the senior leadership team ensures that risk management policies are applied, that there is an on-going review of activity and that appropriate advice and support is provided. A key risk register has been prepared for the charity, which has been reviewed by the Trustee. This identifies the potential impact of key risks and the measures which are in place to mitigate such risks.

The principal risks faced by the charity, and actions taken to manage them are as follows:

Risk	Actions to manage risks
Appropriate returns from investment activities are not achieved to enable the charity to maintain its asset value and support its charitable activities.	Property investments The property portfolio is managed within an approved Estates' strategy, which is reviewed on a three-yearly basis. KPIs are in place to monitor and drive rental income, with a working group in place to review cyclical maintenance costs to ensure effectiveness. Financial investments Risk is reduced through the use of a range of fund managers implementing different investment mandates. The Financial Investment Board continually monitors individual fund manager performance. As a result, during the year two underperforming managers were replaced. Although BHE is a long term investor, the Trustee acts decisively where it believes a fund manager is unable to recover from poor performance.
The outcome of Brexit negotiations has an adverse impact on the charity's income streams, on procurement and supply chains and on the recruitment and retention of staff.	A close watching brief continues to be kept on the implications of events as they unfold, with risks being identified, assessed, mitigated and recorded. The risk of a reduction to property income is low in the short term with tenants tied to rental values in long lease agreements. Financial investments are mainly invested in pooled global securities and therefore have limited exposure to any potential deterioration or volatility in the FTSE Index.
Structural damage to one of the bridges may cause it to become non-operational.	The City Surveyor's Department and Department of the Built Environment within the City Corporation work together, alongside other statutory bodies, to manage ongoing actions associated with this risk which includes potential structural damage as a result of issues such as a substantial vessel strike or through acts of terrorism. Possible impacts from the Thames Tideway tunnelling continue to be monitored. A 50-year maintenance plan is in place to manage on-going works.
Grant funding not used for its intended purpose.	Rigorous grants management and monitoring systems are in place which would pick up if a grant was being used for a different purpose. Grantees may also receive an unannounced visit during the life of their grant.

Trustee responsibilities

The Trustee is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustee to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under charity law the Trustee must not approve the financial statements unless the Trustee is satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustee is responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable the Trustee to ensure that the financial statements comply with the Charities Act 2011. The Trustee is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Trustee's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Trustee's website is the responsibility of the Trustee. The Trustee's responsibility also extends to the ongoing integrity of the financial statements contained therein.

Adopted and signed for on behalf of the Trustee.

Jeremy Paul Mayhew MA MBA

Chairman of Finance Committee

Jamie Ingham Clark FCA, Deputy

Deputy Chairman of Finance

Committee

Guildhall, London

September 2019

Independent Auditor's Report to the Trustee of Bridge House Estates

Opinion

We have audited the financial statements of Bridge House Estates ("the charity") for the year ended 31 March 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2019 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion;

- the information contained in the financial statements is inconsistent in any material respect with the Trustees' Annual Report; or
- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns: or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Trustee

As explained more fully in the Responsibilities of the Trustee statement, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act[s] and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance

is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charity's Trustee, as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Fiona Condron (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

September 2019

BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Report of the Audit Review Panel to the Right Honourable the Lord Mayor, Aldermen and Livery of the several Companies of the City of London in Common Hall assembled

We, whose names are hereunto subscribed, the Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts, elected by the Livery of London in Common Hall assembled on 25 June 2015, 24 June 2016, 26 June 2017 and 25 June 2018 pursuant to Act 11, George 1, Cap. 18, an Act for regulating elections within the City of London, etc., do report as follows:-

We have reviewed the processes adopted by BDO LLP for the audit of the Bridge House Estates for the period from 1 April 2018 to 31 March 2019.

In our view the audit of the Financial Statements has been conducted in accordance with auditing procedures as stated on pages 28 to 30.

This report is made solely to the above named addressees. Our work has been undertaken to enable us to make this report and for no other purpose.

P. Dossett

A. Francis

P. Watts

Dated: September 2019

The BDO City Corporation Engagement Lead, Leigh Lloyd-Thomas, is also a member of the Audit Review Panel. However, as the role of the Panel is to provide independent confirmation that the processes adopted by BDO LLP have been conducted in accordance with auditing procedures, it is not appropriate for Leigh Lloyd-Thomas to sign the report.

Statement of Financial Activities

For the year ended 31 March 2019

	Notes	Unrestricted Funds £m	Restricted Funds £m	Endowment Funds £m	2018/19 Total Funds £m	2017/18 Total Funds £m
Income and Endowments from:						
Voluntary income	2	-	0.2	-	0.2	-
Charitable activities	3	6.8	-	-	6.8	6.5
Investments	4	35.1	-	-	35.1	35.9
Other income	5 _	1.0	-	-	1.0	0.2
Total Income	_	42.9	0.2	-	43.1	42.6
Expenditure on:						
Raising funds	6	20.9	-	0.6	21.5	20.9
Charitable activities						
Repair and maintenance of bridges		6.6	-	-	6.6	5.6
Grants to voluntary organisations	_	24.1	-	-	24.1	26.1
Total charitable activities	7_	30.7	-	-	30.7	31.7
Other						
Net pension scheme costs	9_	0.9		-	0.9	0.7
Total Expenditure	_	52.5	-	0.6	53.1	53.3
Net Expenditure	_	(9.6)	0.2	(0.6)	(10.0)	(10.7)
Net gains on property investments	14	-	-	69.6	69.6	53.6
Net gains on financial investments	15	32.2	-	6.9	39.1	10.8
Net (losses)/gains on social investments	16 _	(0.1)	-	-	(0.1)	0.1
Total Gains on Investments	_	32.1	-	76.5	108.6	64.5
Net Income after gains/(losses)						
on investments	_	22.5	0.2	75.9	98.6	53.8
Other recognised gains:	_					
Actuarial gains on defined benefit pension						
scheme	9 _	0.3	-	-	0.3	0.8
Net movement in funds		22.8	0.2	75.9	98.9	54.6
Reconciliation of funds:						
Fund balances brought forward at 1 April 2018		564.2	-	831.6	1,395.8	1,341.2
Total funds carried forward	22	587.0	0.2	907.5	1,494.7	1,395.8

All of the above results are derived from continuing activities.

There were no other recognised gains and losses other than those shown above.

The notes on pages 35 to 62 form part of these financial statements

Balance Sheet As at 31 March 2019

	Notes	2019 Total £m	2018 Total £m
Fixed assets:			
Tangible assets	13	3.7	3.7
Investment properties	14	739.3	766.3
Financial investments	15	687.6	645.4
Social Investment Fund	16	13.2	8.5
Total fixed assets		1,443.8	1,423.9
Current assets			
Stock		0.2	0.2
Debtors	18	12.0	15.1
Short term investments and deposits	15	104.3	25.4
Cash at bank and in hand		5.5	0.7
Total current assets	_	122.0	41.4
Creditors: Amounts falling due within one year	19	(34.6)	(35.7)
Net current assets		87.4	5.7
Total assets less current liabilities	_	1,531.2	1,429.6
Creditors: Amounts falling due after more than one year	20	(24.1)	(22.0)
Net assets excluding pension scheme liability		1,507.1	1,407.6
Defined benefit pension scheme liability	21	(12.4)	(11.8)
Total net assets		1,494.7	1,395.8
The Funds of the charity:			
Permanent endowment funds		907.5	831.6
Restricted funds		0.2	-
Unrestricted income funds		587.0	564.2
Total funds	22	1,494.7	1,395.8
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The notes on pages 35 to 62 form part of these financial statements Approved and signed on behalf of the Trustee

Dr Peter Kane

Chamberlain of London

2019

Statement of Cash Flows For the year ended 31 March 2019

	Notes	2018/19 Total £m	2017/18 Restated Total £m
Cash flows from operating activities: Net cash generated from/(used in) operating activities	24	(8.2)	(10.6)
Cash flows from investing activities:			
Interest and income from financial investments		3.5	3.9
Cash added to short term deposits		(78.9)	(13.2)
Purchase of tangible fixed assets		(0.3)	(0.2)
Sale of investment property		97.4	2.0
Purchase of property		(8.0)	(14.9)
(Proceeds)/additions from/to social investments		(4.8)	0.3
Additions to financial investments		(194.2)	(51.8)
Proceeds from sale of financial investments		191.1	84.4
Net cash (used in)/provided by investing activities		13.0	10.5
Increase/(decrease) in cash in the year		4.8	(0.1)
Change in cash and cash equivalents in the			
reporting period		4.8	(0.1)
Cash and cash equivalents at the beginning of the reporting period		0.7	0.8
Cash and cash equivalents at the end of the year		5.5	0.8
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Notes to the Financial Statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements of the charity.

a. Basis of preparation

The financial statements of the charity, which is a public benefit entity under FRS102, have been prepared under the historical cost convention, as modified for the revaluation of investment property and financial investments measured at fair value, and in accordance with the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities, published in 2015, Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities Act 2011.

b. Going concern

The financial statements have been prepared on a going concern basis as the Trustee considers that there are no material uncertainties about the charity's ability to continue as a going concern. A rolling annual review of the charity's forecast financial position over a five-year period is carried out to confirm that sufficient income funds will be generated to finance required expenditure on the bridges with surplus funds allocated to charitable funding.

c. Critical accounting judgements and assumptions

Key accounting judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the significant judgements that have been made in the process of applying the charity's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements:

Valuation processes

Some of the charity's investment assets are measured at market value for financial reporting purposes. The charity applies judgement in approving the appropriate values for inclusion, using qualified professionals in such decisions. Unquoted social investments are in some cases internally valued, and management is required to make certain judgemental assumptions.

ii. Investment property disposals

When accounting for the disposal of long leaseholds of investment properties, the charity utilises the methodology as set out within the RICS Professional Standards ("the Red Book") in apportioning values between land and buildings. This includes a number of factors such as insurance values and future construction costs, which are subject to judgement.

iii. Defined benefit pension scheme

The charity has an obligation to pay pension benefits to those working for it. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 21 for the disclosures relating to the defined benefit pension scheme, alongside futher detail on the sensitivity of assumptions made.

d. Income and expenditure

All income is included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income; it is more likely than not that the economic benefit associated with the transaction will come to the charity and the amount can be quantified with reasonable certainty. Income consists of fees and charges from the tourism operation at Tower Bridge, income from property and financial investments and income on money market deposits held.

Expenditure is accounted for on an accruals basis and has been classified under the principal categories of 'expenditure on raising funds', 'expenditure on charitable activities' and 'other expenditure'. Expenditure on raising funds comprises those related to the operation of the Tower Bridge tourist attraction, alongside those related to management of the investment property portfolio and financial investments, including apportioned support costs. The element of costs relating to property and financial investments that are attributable to maintaining the capital value of the endowment are charged to that fund, with the balance of these costs coming from the unrestricted income fund. Expenditure on charitable activities comprises repair and maintenance of the bridges alongside grantmaking, including apportioned support costs. Grants are recognised as expenditure at the point at which an unconditional commitment is made, with notification made in writing to the grantee, and where the liability can be quantified with reasonable certainty. Where the payment is planned to be more than 12 months after the reporting date of the charity's accounts, the charity reviews the present value of future payments and considers whether the effective financing cost is material to the charity's reporting. If so, the financing charge is disclosed in the SOFA. Otherwise the unadjusted value of the grant awarded is shown within creditors. In 2018/19 the charity does not consider the effective financing cost of future payments as material, and no adjustment has been made.

Governance costs include the costs of governance arrangements which relate to the general running of the charity as opposed to the direct management functions inherent in the activities undertaken. These include external audit, internal audit and costs associated with constitutional and statutory requirements such as the cost of Trustee meetings.

Support costs (including governance costs) include activities undertaken by the City Corporation on behalf of the charity, such as human resources, technology,

legal support, accounting services, committee administration, public relations and premises costs. The basis of the cost allocation is set out in Note 11.

The Trustee, the City Corporation, accounts centrally for all payroll related deductions. As a result, the charity accounts for all such sums due as having been paid.

e. Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are valued at the year-end rate of exchange. All gains or losses on translation are taken to the Statement of Financial Activities in the year in which they occur.

f. Pension costs

Defined benefit scheme

The Trustee operates a funded defined benefit pension scheme for its staff employed on its activities, which includes staff acting for the Trustee on behalf of Bridge House Estates. The original scheme is based on final salary and length of service on retirement. Changes to the Scheme came into effect from 1 April 2014 and any benefits accrued from this date are based on career average revalued salary, with various protections in place for those members in the Scheme before the changes took effect.

The Pension Fund is the responsibility of the City Corporation as a corporate body exercising its functions including as Trustee of BHE, and the charity does not have an exclusive relationship with the City of London Pension Fund. Although the proportion of the Pension Fund that relates to City Corporation employee members engaged on BHE activities is not separately identifiable, a share of the total Pension Fund has been allocated to BHE based on employer's pension contributions paid into the Fund by BHE as a proportion of total employer's contributions paid.

For the defined benefit scheme the amounts charged within expenditure are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on the assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

The assets of the scheme are held separately from those in the charity, and are invested by independent fund managers appointed by the Trustee. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis by a qualified actuary using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality

corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after net assets on the face of the balance sheet.

Barnett Waddingham LLP, an independent actuary, carried out the latest triennial actuarial assessment of the scheme as at 31 March 2016, using the projected unit method. The actuary will carry out the next triennial actuarial assessment of the scheme as at 31 March 2019 during 2019/20, which will set contributions for the period from 1 April 2019 to 31 March 2022.

g. Operating leases – Bridge House Estates as the lessor

Assets subject to operating leases are included in the Balance Sheet according to the nature of the assets. Rental income from operating leases, excluding charges for services such as insurance and maintenance, are recognised on a straight-line basis until the next rent review, even if the payments are not received on this basis, unless another basis is more representative of the time pattern in which the benefits derived from the leased asset are diminished. Lease incentives are allocated over the term of the lease.

h. Taxation

The charity meets the definition of a charitable trust for UK income tax purposes, as set out in Paragraph 1 Schedule 6 of the Finance Act 2010. Accordingly, the charity is exempt from UK taxation in respect of income or capital gains under part 10 of the Income Tax Act 2007 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

i. Fixed Assets

Tangible fixed assets

Assets that are capable of being used for more than one year and have a cost greater than £50,000 are capitalised. Such assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged from the year following that of acquisition, on a straight line basis, in order to write off each asset over its estimated useful life as follows:

Computer Software 3 years

Computer and other equipment 5 years

Fixtures and fittings 8-20 years

Operational assets 10-30 years

Land is not depreciated.

Where a fixed asset (other than freehold land) is not depreciated or has a life of more than 50 years, an annual impairment review is carried out.

Heritage assets

In recognition of the historical and cultural nature of the five bridges maintained by the charity, these are considered to be heritage assets in line with the definition within SORP2015. The bridges are also considered to be inalienable (i.e. they may not be replaced or disposed of without specific statutory powers). A valuation of the bridges, and certain strategic properties integral to the operation of Tower Bridge, is not included in these accounts as the Trustee does not consider that relevant cost or valuation information can be obtained at a cost commensurate with the benefit to readers of the financial statements. This is because of the unique nature of the assets held, the lack of reliable cost information held and the lack of comparable market values. The insured value, with cover being for all risks, of the five bridges at 31 March 2019 was £929m (2018: £857m).

Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an on-going basis are measured at fair value annually with any change recognised in the Statement of Financial Activities. The valuations are estimated by appropriately qualified professional valuers.

No depreciation or amortisation is provided in respect of freehold or leasehold investment properties with over 20 years to run.

Financial Investments

i. Quoted Investments

Quoted investments comprise publicly quoted, listed securities including shares, bonds and units. Quoted investments are stated at fair value at the balance sheet date. The basis of fair value for quoted investments is equivalent to the market value, using the mid-price. Asset sales and purchases are recognised at the date of trade.

ii. Unquoted Investments

Unquoted investments are valued at a valuation advised by the fund managers.

Social investments

Social investments that are loans are accounted for at the outstanding amount of the loan less any provision for unrecoverable amounts. Unquoted equity, social investment funds and partnerships, and similar social investments are held at cost, less any provision for diminution in value, unless the charity is able to obtain a reliable estimate of fair value.

j. Stocks

Stocks are valued at the lower of cost or net realisable value. All stocks are finished goods and are held for resale as part of the Tourism operation at Tower Bridge.

k. Financial assets and liabilities

The charity has chosen to adopt Section 11 of FRS 102 in respect of financial instruments. Financial assets and liabilities, including debtors and creditors, are recognised when the charity becomes party to the contractual provisions of the instrument. Additionally all financial assets and liabilities are classified according to the substance of the contractual arrangements entered into. Financial assets and liabilities are initially measured at transaction price (including transaction costs) and are subsequently re-measured where applicable at amortised cost.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

I. Funds structure

Income, expenditure and gains/losses are allocated to particular funds according to their purpose:

Permanent Endowment Fund – this fund consists of funds which are held in perpetuity for the benefit of the charity as a result of conditions imposed by the original donors and trusts. Income generated from the investments which represent these funds can be spent on the charitable purposes of the charity, hence is allocated to the unrestricted income fund. Gains/losses on the underlying assets remain as part of the endowment.

Restricted funds – these include income that is subject to specific restrictions imposed by donors, with related expenditure deducted when incurred.

Unrestricted income funds – these funds can be used in accordance with the charitable objects at the discretion of the Trustee, and include both income generated by assets held within the permanent endowment fund and from those representing unrestricted funds. Specifically, this represents the surplus of income over expenditure for the charity which is carried forward to meet the requirements of future years, known as free reserves.

Designated Funds – these are funds set aside by the Trustee out of unrestricted funds for a specific purpose.

2. Income from voluntary activities

Grant income

Restricted		Restricted	
Income	Total	Income	Total
Funds	2018/19	Funds	2017/18
£m	£m	£m	£m
0.2	0.2	-	-
0.2	0.2	-	-

3. Income from charitable activities

	Unrestricted		Unrestricted		
	Income	Total	Income	Total	
	Funds 2018/19		Funds	2017/18	
	£m	£m	£m	£m	
Tower Bridge tourism fees and charges	6.8	6.8	6.5	6.5	
	6.8	6.8	6.5	6.5	

4. Income from investments

	Unrestricted		Unrestricted	
	Income	Total	Income	Total
	Funds	2018/19	Funds	2017/18
	£m	£m	£m	£m
Investment property	31.5	31.5	31.8	31.8
Financial investments	2.8	2.8	3.9	3.9
Interest receivable	8.0	0.8	0.2	0.2
Total Investment income	35.1	35.1	35.9	35.9

All investments are held to provide an investment return to the charity.

5. Other income

	Unrestricted		Unrestricted	
	Income	Total	Income	Total
	Funds	2018/19	Funds	2017/18
	£m	£m	£m	£m
Other income	1.0	1.0	0.2	0.2
	1.0	1.0	0.2	0.2

6. Expenditure on raising funds

	Direct costs	Support costs	Total 2018/19	Direct costs	Support costs	Total 2017/18
	£m	£m	£m	£m	£m	£m
Tourism expenses	5.5	0.9	6.4	4.6	0.9	5.5
Investment property expenses	6.7	3.5	10.2	6.8	3.0	9.8
Financial investment expenses	4.9	-	4.9	5.6	-	5.6
	17.1	4.4	21.5	17.0	3.9	20.9

Of the total expenditure on raising funds £20.9m (2017/18: £20.6m) relates to the unrestricted income fund and £0.6m (2017/18: £0.3m) to the endowment fund.

Tourism expenses - staff costs and other expenses related to the management and operation of the Tower Bridge tourist attraction.

Investment property expenses - staff costs, repairs and maintenance costs, and professional fees relating to the management of the investment property portfolio.

Financial investment expenses – fees paid to fund managers.

7. Expenditure on charitable activities

	Direct costs	Support costs	Total 2018/19	Direct costs	Support costs	Total 2017/18
	£m	£m	£m	£m	£m	£m
Repair and maintenance of bridges	5.6	1.0	6.6	4.8	8.0	5.6
Grants to voluntary organisations	23.4	0.7	24.1	25.6	0.5	26.1
_	29.0	1.7	30.7	30.4	1.3	31.7

Repair and maintenance of bridges

Staff costs, repairs and maintenance, insurance, equipment and materials costs relating to the Thames river bridges maintained by the charity.

Grants to voluntary organisations

Grants awarded in the name of the City Bridge Trust, the grant making arm of the charity, for purposes benefiting the inhabitants of Greater London. Direct costs include net grants awarded of £21.3m (2017/18: £23.8m) and costs of administering the grants process of £2.1m (2017/18: £1.8m).

All expenditure on charitable activities is unrestricted.

8. Grants awarded

During the year ended 31 March 2019, grants were awarded to institutions under the following programmes:

	2018/19	2017/18
	£m	£m
Investing in Londoners	8.2	12.7
Bridging Divides	9.2	-
Strategic Initiatives	3.1	6.4
Stepping Stones Fund	0.4	0.6
CBT 20th Anniversary Grants	1.0	4.7
Grants awarded	21.9	24.4
Grant adjustments and cancellations	(0.6)	(0.6)
Net grants awarded	21.3	23.8
Other grant related activities	2.1	1.8
	23.4	25.6

Grants were made to 200 organisations in the year (2017/18: 210), supporting 213 projects (2017/18: 227). The average amount of a grant equalled £102,962 (2017/18: £107,807). All grantees receiving funding must work for the benefit of inhabitants of Greater London and have to meet stated eligibility criteria. Grants are not given directly to individuals.

Details of all the grants approved are shown on the CBT website www.citybridgetrust.org.uk, within the News & events section, including organisation name, amount given and purpose of the award.

Reconciliation of grants payable:

	2018/19	2017/18
	£m	£m
Commitments at 1 April	31.9	27.6
Commitments made in the year	21.9	24.4
Grant adjustments and cancellations	(0.6)	(0.6)
Grants paid during the year	(19.3)	(19.5)
Commitments at 31 March	33.9	31.9

Outstanding grant commitments at 31 March 2019 are payable as follows:

	2018/19	2017/18
	£m	£m
Within one year (note 19)	20.1	20.3
After more than one year (note 20)	13.8	11.6
Commitments at 31 March	33.9	31.9

The split of future payment dates is based upon contractual terms, which may relate to multi-year commitments.

9. Other costs: net total pension scheme costs

	2018/19 £m	2017/18 £m
Deficit at 1 April	(11.8)	(11.9)
Current service cost	(1.2)	(0.9)
Net interest	(0.3)	(0.3)
Employer contributions	0.6	0.5
Net total charge for the year	(0.9)	(0.7)
Actuarial gains	0.3	0.8
Deficit at 31 March	(12.4)	(11.8)

The net total pension costs charged in the Statement of Financial Activities represents 2% (2017/18: 2%) of the total charge in the City Corporation Pension Fund financial statements. This allocation is based on the split of the employee pension contribution across the funds managed by the City Corporation and is reviewed annually.

10. Net income for the year

Net income is stated after charging:

	2018/19	2017/18
	£	£
Auditors' remuneration for the audit of the financial statements	37,280	38,240
Additional fees incurred in 18/19 for the audit of the 17/18 financial statements	17,000	-
Depreciation	281,303	302,956

11. Support Costs

Support costs include activities undertaken by the City Corporation on behalf of the charity, such as human resources, digital services, legal support, accounting services, committee administration, public relations and premises costs. Such costs are determined on a departmental basis, and are allocated on a cost recovery basis to the charity on the basis of resources consumed by the respective activities as follows:

		Investment					
	Tourism	Property	Bridges	Grants	Governance	2018/19	2017/18
	£m	£m	£m	£m	£m	£m	£m
Department:							
Chamberlain	-	0.3	0.1	-	-	0.4	0.4
Comptroller & City Solicitor	-	0.4	0.2	0.1	-	0.7	0.3
Town Clerk	-	-	-	0.1	0.3	0.4	0.4
City Surveyor	-	2.4	0.2	-	-	2.6	2.3
Built Environment	-	-	0.1	-	-	0.1	0.1
Culture, Heritage & Libraries	0.2	-	-	-	-	0.2	0.3
Public Relations	-	-	-	-	-	-	-
Digital Services	0.3	0.1	0.1	0.1	-	0.6	0.7
Premises costs	0.1	-	0.1	0.1	-	0.3	0.2
Other	0.1	0.2	-	0.2	0.3	0.8	0.5
Sub-total	0.7	3.4	0.8	0.6	0.6	6.1	5.2
Reallocation of governance costs	0.2	0.1	0.2	0.1	(0.6)	-	-
Total Support costs	0.9	3.5	1.0	0.7	-	6.1	5.2

All support costs are undertaken from unrestricted funds. Governance costs are allocated on the basis of FTE staff within each activity.

12. Details of staff costs

All staff that work on behalf of the charity are employed by the City Corporation. The average full-time equivalent number of people directly undertaking activities on behalf of the charity during the year was:

	2018/19	2017/18
Investment properties	16	18
Tower Bridge tourism	54	53
Repair & maintenance of bridges	30	28
Grants team	22	20
	122	119

Amounts paid in respect of employees directly undertaking activities on behalf of the charity were as follows:

	2018/19	2017/18
	£m	£m
Salaries and wages	4.5	4.0
National Insurance costs	0.4	0.4
Employer's pension contributions	0.8	0.8
Total emoluments of employees	5.7	5.2
Agency staff	0.7	0.4
Total emoluments	6.4	5.6

The number of directly charged employees whose emoluments for the year were over £60,000 was:

	2018/19	2017/18
£60,000 - £69,999	5.0	4.0
£70,000 - £79,999	1.0	1.0
£80,000 - £89,999	2.0	-
£100,000 - £109,999	-	1.0
£110,000 - £119,999	1.0	
	9.0	6.0

All employees paid over £60,000 have retirement benefits accruing under the defined benefit scheme.

In addition, support staff are charged to the charity on the basis described within Note 11. The full-time equivalent number of support service staff charged is 72 (2017/18: 67.0).

The charity is committed to equal opportunities for all employees. An Equality and Inclusion Board has been established to actively promote equality, diversity and inclusion in service delivery and employment practices. The Board is responsible for monitoring the delivery of the Equality and Inclusion Action Plan and progress against the Equality Objectives for 2016-20. This also includes addressing the City Corporation's gender pay gap.

Remuneration of Key Management Personnel

The charity considers its key management personnel to comprise the Members of the City of London Corporation, acting collectively for the City Corporation in its capacity as the Trustee, and senior officers employed by the City of London Corporation to manage the activities of the charity. These senior officers include the Town Clerk and Chief Executive, Chamberlain, Deputy Town Clerk, Comptroller and City Solicitor, City Surveyor and the Chief Grants Officer. These officers work on a number of the City Corporation's activities and their salaries and associated costs are allocated to the activities under its control, including Bridge House Estates, on the basis of employee time spent on the respective services, as stated within Note 11.

The proportion of senior officer employment benefits, including employer pension contributions, allocated to the charity amounted to £229,000 in 2018/19 (2017/18: £200,000). No Members received any remuneration, with directly incurred expenses reimbursed, if claimed. Expenses totalling £119 were claimed in 2018/19 from the charity (2017/18: nil).

13. Tangible fixed assets

	Computers & other equipment	Fixtures & fittings	Leasehold Improvements	Total
	£m	£m	£m	£m
Cost				
At 1 April 2018	0.7	2.2	4.2	7.1
Additions	0.1	0.2	-	0.3
Disposals	(0.2)	-	-	(0.2)
At 31 March 2019	0.6	2.4	4.2	7.2
Depreciation				
At 1 April 2018	0.3	1.0	2.1	3.4
Charge for the year	0.1	0.1	0.1	0.3
Disposals	(0.2)	-	-	(0.2)
At 31 March 2019	0.2	1.1	2.2	3.5
Net book value				
At 31 March 2019	0.4	1.3	2.0	3.7
At 31 March 2018	0.4	1.2	2.1	3.7

14. Investment Properties

	2019	2018	
	£m	£m	
Market value at 1 April	766.3	702.2	
Purchases	0.8	14.9	
Book value of disposed assets	(83.7)	(2.0)	
Total unrealised gains*	55.9	51.2	
Market value at 31 March	739.3	766.3	

^{*} Includes rent free adjustment of £3.9m (2017/18: £2.7m).

The net gain on property investments is arrived at as follows:

	2019	2018
	£m	£m
Total unrealised gains	55.9	51.2
Realised gain on disposal	13.7	2.4
	69.6	53.6

A full valuation was performed as at 31 March at market values determined in accordance with the RICS Valuation – Professional Standards ("the Red Book"). This was undertaken by C&W(UK) LLP and Savills(UK) Ltd, chartered surveyors, acting as indepent valuers. The carrying values of investment properties are primarily dependent on judgements of such variables as the state of the markets, location, condition of the properties and various indices.

As many of the investment properties were gifted to the charity and others were acquired centuries ago, it is impracticable to provide historical cost information. It has therefore been assumed that the historical cost is nil. The properties are all situated in Greater London.

15. Financial Investments

Total financial investments as at 31 March are split as follows:

	2019	2018
	£m	£m
Long term investments	687.6	645.4
Short term investments:		
- short term deposits and money market funds	95.0	5.0
- short term investments in hands of fund managers	9.3	20.4
	104.3	25.4
Total market value at 31 March	791.9	670.8

Analysis of movement in financial investments

	2019	2018
		Restated
Investments held by fund managers	£m	£m
Market value 1 April	645.4	667.3
Additions to investments at cost	194.2	51.8
Disposals at market value	(191.1)	(84.4)
Gain from change in fair value	39.1	10.7
Investments at 31 March	687.6	645.4
Cash investments Investments at 1 April	25.4	12.2
Cash held as short-term deposits and as part of long-term portfolio	78.9	13.2
Investments at 31 March	104.3	25.4
Total investments at 31 March	791.9	670.8

The increase in short-term deposits held as at 31 March 2019 is as a result of the sale of a property in the year for £97.1m, with proceeds awaiting re-investment.

The movements within 2017/18 has been restated due to previously incorrect analysis between additions and disposals. Cash held by fund managers is now disclosed within cash investments.

The geographical spread of investments at 31 March was as follows:

	Held in the UK	Held outside the UK	Total at 31 March 2019	Total at 31 March 2018
	£m	£m	£m	£m
Fixed Interest	95.0	40.9	135.9	33.6
Index Linked	25.3	10.7	36.0	43.7
Pooled units	103.6	390.3	493.9	460.8
Listed equities	13.3	31.4	44.7	45.7
Managed funds	9.3	-	9.3	20.4
Private equity	3.9	22.3	26.2	22.0
Infrastructure		45.9	45.9	44.6
	250.4	541.5	791.9	670.8

Investment powers

The Charity Commission Order dated 20 July 1998, the Trustee Act 1925 and the Trustee Act 2000 enable the Trustee to invest the property of the charity either:

- in the acquisition of any securities or property (real or personal) of any sort; or
- on deposit or loan whether in the UK or elsewhere.

16. Social Investment Fund

	Value as at 01 April 2018 £m	Drawn down £m	Repaid £m	Investment gain/(loss) £m	Value as at 31 March 2019 £m
Investment Fund	2.8	-	-	-	2.8
Loan	1.8	5.3	(0.6)	-	6.5
Bond	1.9	0.6	(0.5)	(0.1)	1.9
Property Fund	2.0	-	-	-	2.0
	8.5	5.9	(1.1)	(0.1)	13.2

The geographical spread of social investments at 31 March was as follows:

	Held in the UK	Held outside the UK	Total at 31 March 2019	Total at 31 March 2018
	£m	£m	£m	£m
Investment Fund	2.5	0.3	2.8	2.8
Loan	6.5	-	6.5	1.8
Bond	1.9	-	1.9	1.9
Property Fund	2.0	-	2.0	2.0
	12.9	0.3	13.2	8.5

At the year-end £0.1m (2017/18: £2.8m) had been committed but remained undrawn, with £2.0m (2017/18: £0.5m) approved but subject to agreement of terms, making a total promised of £15.3m (2017/18: £11.8m). Details of all investments placed are shown on the City Bridge Trust website www.citybridgetrust.org.uk.

17. Nature and extent of risks arising from Financial Instruments

In accordance with FRS102 11.48A (f), the charity has disclosed the nature and extent of those risks relating to its' financial investments. The charity's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund activities.

<u>Credit Risk</u> - this is the potential risk that a counterparty will fail to meet its obligations in accordance with agreed terms. This principally arises from cash and cash equivalents, deposits with banks and with financial institutions. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of Long term A, Short term F1. The Trust also invests in Money Market Funds, which are subject to a minimum credit rating of AAA/mmf. The lending list is reviewed on a regular basis using advice from credit rating agencies, treasury advisors and in-house judgements based partially on credit default swap rates. The charity's maximum exposure to credit risk in relation to its investments in banks and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

<u>Liquidity risk</u> - this is the risk that the charity may not have sufficient funds available to meet its payment obligations as they fall due. The charity has no borrowing exposure and has no plans to borrow to finance future expenditure. Operations are financed by realising investments as necessary to meet both current and future forecast cash requirements.

<u>Market risk</u> – this covers the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements. Price risk is the risk of a decline in the value of a security or a portfolio. The charity minimises price risk through a strategy of diversification by holding a geographical spread of investments in the UK and overseas markets.

Potential market movements

Asset type	% Change
Global Equities - Developed Markets (incl UK)	17.0%
Global Equities - Emerging Markets	28.7%
Global Bonds	4.1%
Multi-Asset	7.3%
Private Equity	24.2%
Infrastructure	14.7%

The potential percentage allowance for changes in asset values are within a onestandard deviation tolerance. Taking these changes, the potential increase/decrease in the market prices of the fund's assets have been derived, and provide a range of possible net asset values which would be available to meet the fund's liabilities.

Asset type	Value	Change	Value on increase	Value on decrease
	£m	%	£m	£m
Global Equities - Developed Markets (incl UK)	294.4	17.0%	344.4	244.4
Global Equities - Emerging Markets	12.0	28.7%	15.4	8.6
Global Bonds	29.4	4.1%	30.6	28.2
Multi-Asset	289.1	7.3%	310.2	268.0
Private Equity	26.1	24.2%	32.4	19.8
Infrastructure	45.9	14.7%	52.6	39.2
Total	696.9		785.8	608.0
UK Cash	95.0	0.0%	95.0	95.0
Total financial investments	791.9		880.8	703.0

The percentage change for equities includes a grouping of listed and private equities and the equity funds categorised elsewhere as pooled unit trusts. The percentage change for bonds includes a grouping of government and corporate fixed interest securities. Separate consideration of the individual asset types is not available.

<u>Foreign Currency Risk</u> – this risk exists when a financial transaction or asset/liability is denominated in a currency other than that of the base currency of the charity. The risk is that a movement in the exchange rate may cause a foreign currency investment value to either decrease or increase when the investment is sold and converted back into the base currency.

The following table shows the illustrative effect on the charity's asset values that would result from movements in exchange rates.

Currency Baskets	Value	Change	Value on increase	Value on decrease
	£'m	%	£'m	£'m
GBP	458.6	0.00%	458.6	458.6
EUR	70.5	2.38%	72.2	68.8
USD	183.4	2.67%	188.3	178.5
Other	79.4	3.86%	82.5	76.3
Total financial investments	791.9		801.5	782.3

18. Debtors

	2019	2018
	£m	£m
Trade debtors	1.6	3.5
Rental debtors	4.0	3.5
Prepayments & accrued income	6.4	8.1
	12.0	15.1

Debtors include £3.7m balances which are due after more than one year (2017/18: £0.8m)

19. Creditors – amounts falling due within one year

	2019	2018
		Restated
	£m	£m
Grants payable (note 8)	20.1	20.3
Trade creditors	2.0	1.7
Accruals	1.1	1.3
Deferred income	5.8	5.7
Rent deposits	5.2	6.4
Other creditors	0.4	0.3
	34.6	35.7

Deferred income relates to property rental income and lease premiums received in advance for periods after the year-end.

The split of grant commitments payable between due within one year and and after more than one year as been restated following a detailed review of payment schedules. The overall total due remains unchanged.

	2019	2018
Deferred income analysis within creditors:	£m	£m
Balance at 1 April	5.7	5.1
Amounts released to income	(5.7)	(5.1)
Amounts deferred in the year	5.8	5.7
Balance at 31 March	5.8	5.7

20. Creditors – amounts due after more than one year

	2019	2018 Restated
	£m	£m
Grants payable (note 8)	13.8	11.6
Deferred income	10.3	10.4
	24.1	22.0
	2019	2018
Deferred income - due after more than one year:	£m	£m
Balance at 1 April	10.4	10.5
Amounts transferred to less than one year	(0.1)	(0.1)
Balance at 31 March	10.3	10.4

Deferred income includes lease premiums that will be released over periods of up to 166 years.

21. Pensions

City of London Corporation defined benefit pension scheme

The City Corporation operates a funded defined benefit pension scheme, The City of London Pension Fund, for its staff employed on activities relating predominantly to the three principal funds for which it is responsible (City Fund, City's Cash and Bridge House Estates).

The assets of the scheme are held in a specific trust separately from those of the Corporation and contributions are paid to the scheme as agreed with the scheme's Trustees. As the proportion of the Pension Fund that relates to Bridge House Estates is not separately identifiable, the share of pension contributions paid to the scheme by the charity is calculated pro-rata to employer's contributions paid by each of the City Corporation contributors to the scheme.

In December 2018 the Court of Appeal ruled that transitional protections put in place under reforms to both the Judges' and Firefighters' Pension Schemes discriminated against a group of members on the grounds of age. The ruling is applicable to all public sector pension schemes including that in place with the Corporation of London, whose staff work on behalf of Bridge House Estates. The ruling has resulted in an increase in the pensions liability on the balance sheet of £0.3m being recognised in 2018/19.

Accounting for the defined benefit scheme under IAS19

The full actuarial valuation of the defined benefit scheme was updated to 31 March 2019 by an independent qualified actuary in accordance with IAS19. As required by IAS19, the defined benefit liabilities have been measured using the projected unit method. The valuation has been completed under IFRS, in line with the City Fund requirements, rather than under FRS102, with the differences considered not to be materially incorrect.

The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities is then assumed to be a margin above gilt yields.

The estimated amount of total employer contributions expected to be paid to the scheme by the charity during 2019/20 is £567,000 (2018/19 actual: £593,000). This figure is calculated pro-rata to total contributions that will be payable by the City Corporation in accordance with the Schedule of Contributions towards the scheme's deficit.

a) Major assumptions by the actuary

Financial

The financial assumptions used for the purposes of the FRS102 calculations are as follows:

Assumptions as at:	2019	2018	2017
	% p.a.	% p.a.	% p.a.
RPI increases	3.4	3.3	3.6
CPI increases	2.4	2.3	2.6
Salary increases	3.9	3.8	4.1
Pension increases	2.4	2.3	2.6
Discount rate	2.4	2.6	3.7

Life expectancy

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		2019	2018
Age 65 retiring today	Males	23.2	23.9
	Females	24.6	25.2
Retiring in 20 years	Males	24.5	25.3
	Females	26.1	26.7

The table reflects the change in the mortality tables used for the 31 March 2019 valuation and allowance is made for future improvements in life expectancy.

Sensitivity analysis

The sensitivity of the liabilities to changes in the key assumptions used to measure the Pension Scheme's liabilities is shown in the table below:

Sensitivity analysis	Change to assumptions	Impact on liabilities
	%	£m
Salary increases	+/- 0.1	+/- 0.1
Life expectancy	+/- 0.1	+/- 1.2
Discount rate	+/- 0.1	+/- 0.6

b) Amounts included in the balance sheet

The amounts included in the charity's balance sheet arising from the City Corporation pension scheme's liabilities in respect of the defined benefit scheme for the current and previous two periods are as follows:

	2019	2018
	£m	£m
Fair value of assets (bid value)	19.4	18.0
Fair value of liabilities	31.8	29.8
Net liability in balance sheet	12.4	11.8

The net pension fund liability represents 2% of the total net balance sheet liability in the City Corporation Pension Fund financial statements.

c) Amounts included in the Statement of Financial Activities

The amounts included within total expenditure in relation to the defined benefit scheme are as follows:

	2019	2018
	£m	£m
Current service cost	0.9	0.9
Past service cost	0.3	-
Interest cost	0.3	0.3
Contributions	(0.6)	(0.5)
Total expense	0.9	0.7

The total pension costs charged in the Statement of Financial Activities (as adjusted for current service cost and employer's contributions) represents 2% of the total charge in the City Corporation Pension Fund financial statements.

d) Asset allocation

The current allocation of the scheme's assets is as follows:

Employer asset share - bid value	20	2019		2018	
	£m	% p.a.	£m	% p.a.	
Equity Investments	13.0	67	11.8	65	
Cash	0.2	1	0.1	1	
Infrastructure	1.1	6	1.1	6	
Absolute Return Portfolio	5.1	26	5.1	28	
Total assets	19.4	100	18.1	100	

The charity's share of pension scheme assets at 31 March 2019 represents 2% of the total pension scheme assets of the City Corporation Pension Fund.

e) Movement in the present value of scheme liabilities

Changes in the present value of the scheme liabilities over the year are as follows:

	2019	2018
	£m	£m
(Deficit) at beginning of the year	(29.8)	(29.5)
Current service cost	(0.9)	(0.9)
Interest Cost	(8.0)	(0.8)
Remeasurement gains/losses:		
Actuarial gains/losses arising from changes in		
demographic assumptions	0.8	-
Actuarial gains/losses arising from changes in		
financial assumptions	(1.4)	0.9
Past service cost, including curtailments	(0.3)	-
Benefits paid	0.8	0.7
Contributions from scheme participants	(0.2)	(0.2)
Unfunded pension payments		
(Deficit) at the end of the year	(31.8)	(29.8)

The charity's share of the closing value of the pension scheme liabilities represents 2% of the total closing value of the pension scheme liabilities of the City Corporation Pension Fund.

f) Movement in the scheme net liability

The net movement in the scheme liabilities over the year are as follows:

	2019	2018
	£m	£m
(Deficit) at beginning of the year	(11.8)	(11.9)
Current service cost	(0.9)	(0.9)
Net interest	(0.3)	(0.3)
Employer contributions	0.6	0.5
Past service cost	(0.3)	-
Actuarial gains/(losses)	0.3	0.8
(Deficit) at the end of the year	(12.4)	(11.8)

g) Movement in the present value of scheme assets

Changes in the fair value of the scheme assets over the year are as follows:

	2019	2018
	£m	£m
As at 01 April	18.0	17.6
Interest on assets	0.5	0.5
Remeasurement gains/losses:		
Return on assets less interest	0.9	(0.1)
Contributions by employer including unfunded	0.5	0.5
Contributions by scheme participants	0.2	0.2
Estimated benefits paid net of transfers in and		
including unfunded	(8.0)	(0.7)
Closing value of scheme assets	19.3	18.0

h) Projected pension expense for the year to 31 March 2020

No allowance has been made for the costs of any early retirements or augmentations which may occur over the year and whose additional capitalised costs would be included in the liabilities. As it is only an estimate, actual experience over the year may differ. No balance sheet projections have been provided on the basis that they will depend upon market conditions and the asset value of the scheme at the end of the following year.

	Year to	Year to
	31/03/2020	31/03/2019
	£m	£m
Service cost	1.0	0.8
Interest cost	0.3	0.3
Total expense	1.3	1.1
Employer contribution	0.5	0.5

22. Analysis of net assets between funds

At 31 March 2019		ed Income nds	Restricted Funds	Endowment Funds		
	General Funds	Designated Funds	Restricted Funds	Endowment Funds	Total at 31 March 2019	Total at 31 March 2018
	£m	£m	£m	£m	£m	£m
Fixed Assets - Investment properties	0.0	0.0	0.0	739.3	739.3	766.3
Fixed Assets - Financial investments	427.3	170.3	-	90.0	687.6	645.4
Other fixed assets	3.7	13.2	0.0	0.0	16.9	12.2
Current assets & liabilities	9.0	0.0	0.2	78.2	87.4	5.7
Long-term liabilities	(24.1)	-	-	0.0	(24.1)	(22.0)
Pension liability	(12.4)	-	-	-	(12.4)	(11.8)
	403.5	183.5	0.2	907.5	1,494.7	1,395.8

At 31 March 2018	Unrestric	ted Income Funds	Restricted Funds	Endowment Funds		
	General	Designated	Restricted	Endowment	Total at 31	Total at 31
	Funds	Funds	Funds	Funds	March 2018	March 2017
	£m	£m	£m	£m	£m	£m
Fixed Assets - Investment properties	-	-	-	766.3	766.3	702.2
Fixed Assets - Financial investments	381.1	181.3	0.0	83.0	645.4	667.3
Other fixed assets	3.7	8.5	0.0	=	12.2	12.4
Current assets & liabilities	6.4	-	=	(0.7)	5.7	(14.5)
Long-term liabilities	(22.0)	-	-	=	(22.0)	(14.3)
Pension liability	(11.8)	-	-	=	(11.8)	(11.9)
Interfund account	17.0	-	=	(17.0)	-	-
_	374.4	189.8	0.0	831.6	1,395.8	1,341.2

23. Movement in funds

At 31 March 2019	Total as at 01 April 2018 £m	Income £m	Expenditure £m	Gains & losses £m	Transfers £m	Total as at 31 March 2019 £m
Endowment Funds	831.6	_	(0.6)	76.5	_	907.5
Total Endowment Funds	831.6	-	(0.6)	76.5		907.5
Restricted Funds	-	0.2	_	-	-	0.2
Total Restricted Funds	-	0.2	-	-	-	0.2
General Funds	386.2	42.2	(23.9)	32.2	(20.8)	415.9
Pension Reserve	(11.8)	_	(0.9)	0.3	-	(12.4)
Total General Funds	374.4	42.2	(24.8)	32.5	(20.8)	403.5
Property Dilapidations	1.1	0.3	(0.8)	-	_	0.6
Service Charges	0.5	-	-	-	-	0.5
Bridges Repairs	19.9	-	(5.6)	-	19.7	34.0
Bridges Replacement	123.5	-	-	-	(18.9)	104.6
Grant-making	23.7	-	(21.3)	-	20.0	22.4
Social Investment Fund	21.1	0.4	-	(0.1)	-	21.4
Total Designated Funds	189.8	0.7	(27.7)	(0.1)	20.8	183.5
Total Unrestricted						
Income Funds	564.2	42.9	(52.5)	32.4	-	587.0
Total Funds	1,395.8	43.1	(53.1)	108.9	-	1,494.7

At 31 March 2018	Total as at 01 April 2017 £m	Income £m	Expenditure £m	Gains & losses £m	Transfers £m	Total as at 31 March 2018 £m
Endowment Funds	779.4	-	(0.3)	52.5	-	831.6
Total Endowment Funds	779.4	-	(0.3)	52.5	-	831.6
General Funds Pension Reserve	416.0 (11.9)	42.5 -	(47.3) (0.7)	12.0 0.8	(37.0)	386.2 (11.8)
Total General Funds	404.1	42.5	, ,	12.8	(37.0)	374.4
Property Dilapidations	1.5	0.1	(0.2)	-	(0.3)	1.1
Service Charges	0.2	-	-	-	0.3	0.5
Bridges Repairs	19.0	-	(4.8)	-	5.7	19.9
Bridges Replacement	117.0	-	-	-	6.5	123.5
Grant-making	-	-	-	-	23.7	23.7
Social Investment Fund	20.0	-	-	-	1.1	21.1
Total Designated Funds	157.7	0.1	(5.0)	-	37.0	189.8
Total Unrestricted						
Income Funds	561.8	42.6	(53.0)	12.8	-	564.2
Total Funds	1,341.2	42.6	(53.3)	65.3	_	1,395.8

Purpose of the endowment fund

The permanent endowment fund is held in perpetuity as a capital fund to generate income for the activities of the charity. Any income arising from this capital is accounted for within unrestricted funds. Further detail of the origins of this fund is stated on page 4.

Purposes of restricted funds

The restricted fund represents funds received from the Greater London Assembly towards the Cornerstone Fund, supporting the strategic development of the infrastructure underpinning London's civil society (see pages 15-16).

Purposes of designated funds

Designated funds have been set aside by the Trustee for the following purposes:

_	• • • • • • • • • • • • • • • • • • • •
Property Dilapidations	represents funds not yet utilised as received from tenants at the end of a lease to enable the property to be brought back to the required condition.
Service charges	represents service charges received from tenants to enable major cyclical works to be financed.
Bridges Repairs	represents funds required to maintain the bridges for the next 5 years.
Bridges Replacement	represents funds set aside to fund the future rebuild of the bridges. This is based on the present value of estimated future costs, adjusted for increases in construction costs.
Grant-making	represents surplus income which has been designated for future grant-making activities in the name of City Bridge Trust.

Social Investment Fund

to finance investments that generate a financial return, alongside an associated social return, consistent with the agreed investment policy.

The charity also maintains a Pension Reserve Fund, representing the net liability owed.

Transfers are made to and from unrestricted income funds in order to maintain designated funds at the required levels.

24. Note to the statement of cash flows

Reconciliation of net income to net cash inflow from operating activities.

	2018/19	2017/18
		Restated
	£m	£m
Net income for the reporting period (as per the		
statement of financial activities)	98.6	53.8
Adjustments for:		
Interest and income from investments	(3.5)	(3.9)
Depreciation charges	0.3	0.3
Gains on financial investments	(39.1)	(10.8)
Gains on property investments	(69.6)	(51.2)
Losses/(gains) on social investments	0.1	(0.1)
Decrease/(increase) in debtors	3.1	(3.8)
Decrease in creditors falling due within one year	(1.1)	(3.2)
Increase in long term creditors	2.1	7.6
Net pension scheme costs	0.9	0.7
Net cash generated by/(used in) operating activities	(8.2)	(10.6)

Movements in creditors in 2017/18 have been restated following the reanalysis of grants payable as disclosed in Notes 19 and 20.

25. Commitments

There were no commitments as at 31 March 2019 in respect of future accounting periods (2018: nil).

26. Related parties

The City Corporation is the sole Trustee of the charity, as described on page 6. The City Corporation provides various services to the charity, the costs of which are recharged to the charity. This includes the provision of banking services, charging all transactions to the charity at cost and crediting or charging interest at a commercial rate. The cost of these services is included within expenditure, as set out in Note 11.

The charity is required to disclose information on related party transactions with bodies or individuals that have the potential to control or influence the charity. Members are

required to disclose their interests, and these can be viewed online at www.cityoflondon.gov.uk.

Members and Senior Staff are requested to disclose all related party transactions, including instances where their close family has made such transactions.

All related party transactions are arm's length agreements.

Figures in brackets represent the amounts due at the balance sheet date.

Related Party	Connected party	2018/19 £'000	2017/18 £'000	Detail of transaction
London Funders (LF)	An Officer of CoL is a Trustee of LF	(213)	27 (363)	LF received grant funding from CBT
		2 (-)	2 (-)	The charity paid a membership fee to LF
Age UK London (AUL)	A member represents the City Corporation on AUL	(24)	25 (85)	AUL received grant funding from CBT
Trust for London (TL)	The City Corporation nominates 3 members to TL	300 (370)	400 (350)	TL received grant funding from CBT
Blind in Business (BiB)	A Member of CoL is a Trustee of BiB	84 (63)	- (16)	BiB received grant funding from CBT
		13 (-)	16 (-)	BiB paid rent & service charges to the Charity
Partnership for Young London (PYL)	A Member of CoL is a Trustee of PYL	305 (247)	23 (23)	PYL received grant funding from CBT
Cripplegate Foundation, incorporating Islington Giving (CF)	Two members of CoL are Trustees of CF, alongside the husband of a Member	25 (48)	- (95)	CF received grant funding from CBT
UBS	A Member of COL is an employee of UBS	40 (-)	50 (-)	CBT received funding from UBS

Heart of the City (HoTC)	Two Officers of CoL were Trustees of HoTC during the year. Three members of CoL are Council members of HoTC	- (404)	475 (475)	HoTC received grant funding from CBT
Michael Hudson (MH)	A Member held a lease at a property of the charity	6 (-)	7 (-)	MH paid rent & service charges to the Charity
London & Partners Ltd (L&P)	A Member is a Director of L&P	1 (-)	- (-)	The charity paid for a membership fee to L&P
Thames Festival Trust (TFT)	A member is a Trustee of TFT	5 (-)	- (-)	TFT paid for services provided at Tower Bridge
Guild of Freemen of the City of London (GF)	A member is a Trustee of GF	9 (-)	21 (2)	GF paid rent & service charges to the Charity

The Members and Officers noted above did not participate in the discussions or decision making relating to the award of the grants.

Related Party Transactions with the City Fund (the City Fund is held by the City Corporation in respect of its activities as a local authority, police authority and port health authority):

During 2018/19 BHE contributed £114k to the 'Ring of Steel' security infrastructure project being undertaken within the City Fund. There were no other significant transactions between BHE and the other principal funds of the City Corporation during the year (nil transactions in 2017/18).

Related Party Transactions with City's Cash (City's Cash is held by the City Corporation and finances activities mainly for the benefit of London as a whole but also of relevance nationwide):

City's Cash holds a lease with BHE for the rental of a property. Rental income of £26.5k was received in the year (2017/18: £13.5k). The balance owed to BHE at year-end was £16.4k (17/18: £3.4k).

27. Subsequent events

There are risks to Bridge House Estates from the vote to leave the EU which took place on 23 June 2016. In particular, the future levels of demand for office accommodation in the City and surrounding areas and the consequential impacts on rental incomes. A close watching brief continues to be kept on this and other implications as events unfold with financial forecasts being refreshed if and when the picture becomes clearer.

In line with its plans for future periods (as stated on pages 19 and 20), in July 2019 the charity completed the purchase of a property on Chiswell Street, EC1 for £36.4m. This investment property was purchased utilising proceeds from a disposal made in 2018/19 and forms part of the income generating assets that back the charity's endowment fund.

In September 2019, the charity also sold the freehold of one of its investment properties, 185 Tower Bridge Road, for £5.6m.

Reference and Administration details Bridge House Estates

Registered charity number 1035628

The grant-making and other charitable activity of the charity operates under the name City Bridge Trust.

Principal office

Guildhall, London, EC2P 2EJ

Trustee

The Mayor and Commonalty & Citizens of the City of London

Senior management:

Chief Executive John Barradell OBE - The Town Clerk and Chief Executive of the

City of London Corporation

Treasurer Dr Peter Kane - The Chamberlain of the City of London

Corporation

Solicitor Michael Cogher - The Comptroller and City Solicitor of the City of

London Corporation

Surveyor Paul Wilkinson – City Surveyor

Grants David Farnsworth – Chief Grants Officer and Director of City

Bridge Trust

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

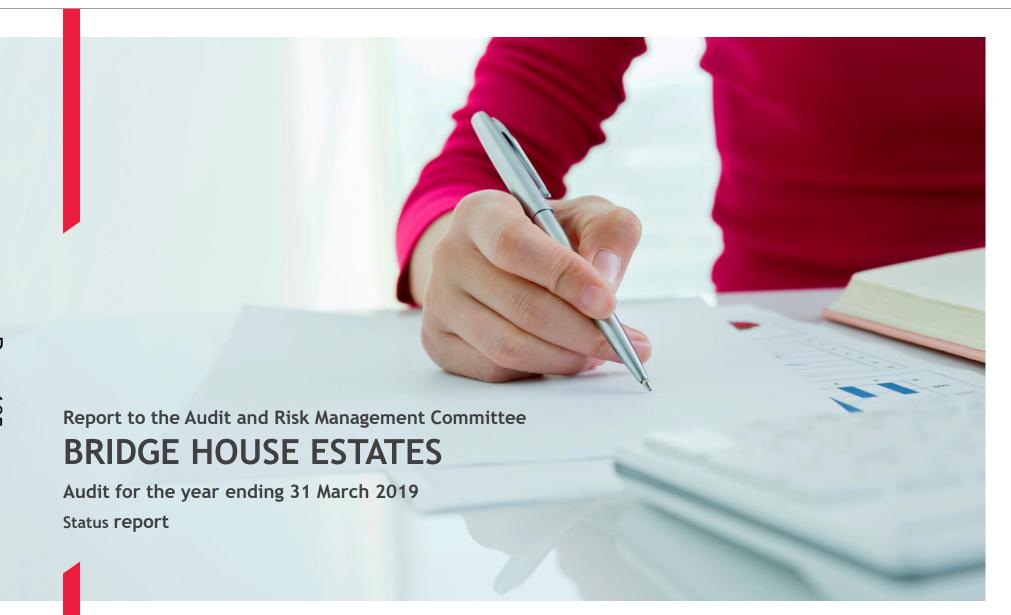
Bankers

Lloyds Bank Plc., P.O. Box 72, Bailey Drive, Gillingham Business Park, Kent ME8 0LS

Investment advisors

Mercer, Quartermile One, 15 Lauriston Place, Edinburgh, EH3 9EP

Contact for The Chamberlain, to request copies of governance documents - <u>PA-DeputyChamberlain@cityoflondon.gov.uk</u>







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WELCOME

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

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

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

We look forward to discussing these matters with you at the Audit and Risk Management Committee meeting on 24 September 2019, and to receiving your input.

This report contains matters which should properly be considered by the City of London Corporation. We expect that the Audit and Risk Management Committee will refer such matters to the appropriate Committees within the Corporation together with any recommendations, as it considers appropriate.

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

Fiona Condron

12 September 2019



Fiona Condron Partner

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

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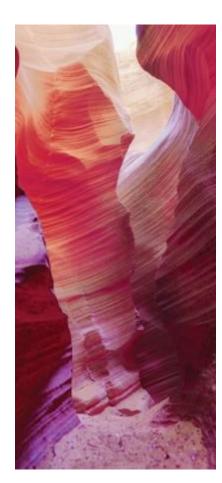
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This summary provides an overview of the audit matters that we believe are important to the Audit and Risk Management Committee in reviewing the results of the audit of the financial statements for Bridge House Estates for the year ended 31 March 2019.

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



Overview

Our audit work is now complete and subject to the successful resolution of outstanding matters we anticipate being in a position to issue an unmodified audit opinion on the Charity's financial statements for the year ended 31 March 2019.

Outstanding matters are listed on page 30 in the appendices.

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

Recommendations regarding systems and internal controls are detailed on page 26.

Adjusted and unadjusted audit differences are listed on pages 22, 23 and 24.

No restrictions were placed on our work.

Audit report

We are currently unaware of any matters which would prevent us from issuing an unmodified audit opinion on the financial statements of the Charity.

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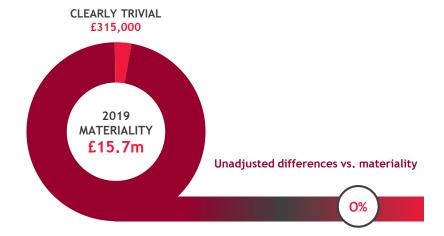
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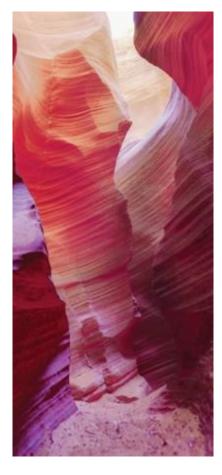
Final Materiality

Materiality was determined as follows:

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

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





Unadjusted audit differences

Clearly trivial was set at 2% of financial statement materiality (£315k) and specific materiality (£9k) It is only unadjusted differences that are above clearly trivial that we report to the Board on the unadjusted differences summary.

We have identified audit adjustments that, if posted, would increase the reported surplus by £0.03m and net assets by £0.03m.

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Financial reporting

- We have not identified any noncompliance with accounting policies or applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.



Other matters that require discussion or confirmation

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

Independence

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

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OVERVIEW - SIGNIFICANT RISKS

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

Significant Audit Risk	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported in Management letter	Specific Letter of Representation Point	Discussion points for Audit and Risk Management Committee
Management override of controls	Yes	Yes	No	No	No	No
Revenue recognition	Yes	No	Yes	No	Yes	No
Investment property valuations	Yes	Yes	No	No	Yes	Yes
Pension liability valuation	Yes	Yes	No	No	Yes	Yes



Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

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

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmnt letter

Letter of Representation point

Risk description

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

Details

Our audit procedures included the following:

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

Results

Our audit work on journals and estimates did not identify any issues.

We have not found any indication of management bias in accounting estimates. Our views on significant management estimates are set out in this report.

We have identified no significant or unusual transactions to date which we consider to be indicative of fraud in relation to management override of controls.



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

Significant management judgement

Use of experts

Unadjusted error

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Additional disclosure required

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Letter of Representation point

Risk description

- Under auditing standards there is a presumption that there is a risk of fraud in revenue recognition.
- For Bridge House Estates, we consider there to be a significant risk in respect of the completeness of investment property income which accounts for approximately 75% of total income.

Details

Our audit procedures included the following:

- Carried out audit procedures to gain an understanding of the charities internal control environment for the significant income streams, including how this operates to prevent loss of income and ensure that income is recognised in the correct accounting period. Audit procedures included substantive testing on the material income streams and cut off testing to ensure income is recognised in the correct period and appropriately classified as restricted or unrestricted funds:
- Tested a sample of fees and charges to ensure that income has been recorded in the correct period and that all income that should have been recorded has been:

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

Results

Investment Property Income

We traced a sample of rental income amounts through to lease agreements. We also obtained a report from the tenant system and developed an expectation of the rental income for the year and compared this to the general ledger.

Testing was completed satisfactorily however we identified two audit adjustments;

- £70k was included within financial investment income however it related to investment property income. This has been adjusted.
- £13k of income was not deferred correctly. On the basis of materiality this has not been adjusted.

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Letter of Representation point

Results Continued

Financial Investment Income

We selected a sample of investments income and agreed these through to investment manager reports. No issues were noted.

Tower Bridge Income

Tower Bridge income was tested substantively by selecting a sample of 34 days from the nominal ledger and agreeing these back to G4S reports. For completeness we selected 21 random days' reports and ensured these had been recorded in the general ledger. No issues were noted.

Other Income

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

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

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmnt letter

Letter of Representation point

Risk description

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

The Corporation applies an annual revaluation process for investment properties to provide assurance that carrying values are not materially misstated. The Corporation has appointed four different valuers for investment property - two of which are used specifically to value the portfolio of 72 properties held by Bridge House Estates.

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

Details

Our audit procedures included the following:

Assessed the qualifications and competence of the valuers used;

- Reviewed the instructions provided to the valuers and review the values' skills and expertise in order to determine if we can rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewed accuracy and completeness of asset information provided to the valuer such as rental agreements and land plot / building sizes;
- Reviewed assumptions used by the valuers and movements against relevant indices for similar classes of assets and follow up valuation movements that appear unusual;
- Discussed with the BDO specialist Real Estate Team the reasonableness of assumptions on benchmark and yields range for investment properties;
- Compared movements in the valuation of assets year-on-year and investigated unusual movements; and

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Significant management judgement

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Results

- Our review of instructions to the valuer including the valuer's skills and expertise did not identify any issues. We also confirmed the basis of valuation for assets valued in year is appropriate.
- No issues were identified in respect of our work carried out on the accuracy and completeness of asset information used as the basis of valuations.
- We reviewed the final accounting treatment for the sale of 1-5 London Wall for £97.125 million on a long lease which occurred in December 2018. We are comfortable with the accounting treatment proposed by management following their extensive review and consideration of the options.
- Investment properties are valued by reference to highest and best use market value using an income based approach. Investment properties decreased in value by £27.0 million to £739.3 million (-3.5%) in 2018/19 due to the sale of 1-5 London Wall.

- We set investment property yield expectations, based on market evidence, for office, retail and mixed commercial space as well as residential properties. To support the valuations, we agreed a sample of rental amounts used in the valuation to the lease or rent agreements and reviewed the data for properties where the movement in value appeared unusual compared to expectations.
- · Based on our work, we are satisfied that the valuations of investment properties are reasonable.

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

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmnt letter

Letter of Representation point

Risk description

The LGPS pension fund is required to report the pension liability for estimated promised future benefits for the whole fund. The Corporation's share of the net liability, including its share of the assets held in the pension fund, is allocated across the funds in proportion to the payroll cost for each fund. This is currently 2% for Bridge House Estates.

An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate is based on the roll forward of membership data from the 2016 triennial valuation exercise for the LGPS and the 2017 triennial valuation for the police pension, updated at 31 March 2019 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

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

Details

Our audit procedures undertaken as part of the Pension Fund audit and reviewed for the purposes of the BHE audit included the following:

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

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

Results

We have agreed the disclosures to the information provided by the actuary and identified no issues.

We have taken assurance from the work undertaken on the Pension Fund audit regarding the review of the controls to ensure data provided to the actuary is complete and accurate.

The allocation of the Corporation's share of LGPS assets and liabilities as 2% Bridge House Estates is reasonable based on the proportion of payroll costs for each Fund.

A full assessment of the pension scheme assumptions is set out in the BDO report to the Committee on the City's Fund. These are also set out in the representation letter.

From the review of the BHE Annual Report, we gueried the reference relating to the valuation of the pension scheme under IFRS as opposed to FRS102 (which is the accounting standard under which all UK registered charities must prepare their accounts). BHE's actuary confirmed that the value of the assets and liabilities measured under the two accounting standards (IAS19 and FRS102) would be exactly the same for the charity.

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OVERVIEW - OTHER RISKS

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

Other Audit Risk	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported in Management letter	Specific Letter of Representation Point	Discussion points for Audit and Risk Management Committee
Accounting for leases	No	No	Yes, adjusted	No	No	No
Fund accounting	No	No	Yes, adjusted	No	No	Yes
Investment valuations	No	Yes	No	No	No	No
Related Party transactions disclosure	No	No	Yes, adjusted	No	Yes	No
Pension contributions	No	Yes	No	No	Yes	No

Areas requiring your attention

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There is a risk leases may not be correctly accounted.

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmnt letter

Letter of Representation point

Risk description

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

Details

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

Results

No issues were noted from our testing.

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Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmnt letter

Letter of Representation point

Risk description

Bridge House Estates had a significant prior year restatement of funds associated with endowment funds having not been correctly identified and accounted for historically. We therefore consider as a risk, the accuracy and presentation of the closing funds position and the net assets by fund.

We have committed to reviewing the prior year adjustment and rationale early to ensure any feedback can be considered by management.

Details

We have:

- reviewed in detail the papers documenting the issue as prepared by management and the previous auditor
- Reviewed the opening balances
- Reviewed the allocation of income, expenditure and investment gains/ losses to restricted/endowment funds as this may require some judgement.
- Reviewed the disclosure of the net assets by fund for each entity as this will need consideration of the evidence available to support the disclosure.

Results

- We are content that the opening balance position, for the purposes of the FY19 financial statements is not materially misstated.
- Our review of an early draft of the financial statements highlighted a new designated fund of £38m which had been created in the year. Further investigation confirmed that this new designated fund had not been formally minuted before the year end and as such should be accounted for as a non adjusting post balance sheet event and not a designated fund as at 31 March 2019. This has been corrected in the final draft of the financial statements.
- We recommend that the creation of a designated fund post year end is noted in the reserves policy as a ring-fencing of future funds and note that the decision should be minuted during FY20. Through our discussions with management we recommended that, going forward the establishment of any new designated fund is documented pre year end in order to be included in the financial statements. However the amount(s) of funds to be transferred into the new designated fund can be agreed subsequently. Please refer to slide 26 for recommendation.
- We also note that the final draft of the financial statements there is reference to ongoing considerations regarding an appropriate level of free reserves for the charity. In the context of the requirements for all charities to disclose the free reserves policy and position at the reporting date, we would encourage the Trustee to conclude this review prior to the issue of the March 2020 financial statements.

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

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmnt letter

Letter of Representation point

Risk description

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

Details

Our audit procedures include the following:

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

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

Results

We have agreed investments to confirmations received from investment managers.

We have confirmed the existence of a sample of the social investments held within the portfolio and a small sample of additions made during the year. No indicators of impairment have been identified.

We have confirmed a sample of listed investment balances to external published sources. We have also performed testing over purchases and sales of Investments.

Our testing of the private equity and other non listed elements of the portfolio did not identify any issues.

In conjunction with the City Fund auditors, we have reviewed the control reports for the investment managers.

A reclassification of cash held within the investment portfolio was identified during our work and has been amended in both the current year and prior year presentation of the investments funds.

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

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmnt letter

Letter of Representation point

Risk description

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

Details

Our audit procedures included the following:

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

Results

Through our testing of leases we identified that BHE had one transaction with City's Cash during the year for the rental of archways under Southwark Bridge. This has now been disclosed as a related party transaction. We have performed additional work around completeness of Related Parties to ensure all transactions are included.

In addition, we noted that related parties below £10k were not being disclosed in the financial statements. As related party transactions are material by nature, this has been corrected in the financial statements. However notwithstanding this, we note that many of the items disclosed as related party transactions do not, strictly speaking, fall within the definition and therefore the voluntary disclosures are designed to provide enhanced transparency regarding relationships between Members of the Corporation and organisations that interact with BHE.

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

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Significant Control Findings to be reported in Mgmnt letter

Letter of Representation point

Risk description

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

Details

Our audit procedures, carried out as part of the Pension Fund audit and reviewed for the purposes of the BHE audit, included the following:

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

Results

Please refer to page 13

SIGNIFICANT JUDGEMENTS, KEY ASSUMPTIONS & ESTIMATES

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

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

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Judgements

Fair Value of investment properties

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

Discussion

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

Defined benefit pension scheme

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

Discussion

• Refer to page 13

Going concern

Management and the Trustee are required to consider at least the 12 month period from date of sign off in assessing the going concern assumption

Discussion

 Whilst a wider review of reserves continues to be an ongoing project for the Charity, given the significant value of unrestricted assets held as at the year end we have not identified any issues regarding Going Concern.

Investment Valuations

Inappropriate assumptions may be used to value investments

Discussion

• Refer to page 17

Depreciation and amortisation

Depreciation is charged on a straight line basis based on the useful economic • No significant issues noted life of the assets

Discussion

MATTERS REQUIRING ADDITIONAL CONSIDERATION

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	Significant matter	Comment based on progress to date
1	Significant difficulties encountered during the audit	No exceptions to note
2	Significant matters that arose during the audit that were discussed or were subject to correspondence with management	No exceptions to note
3	Serious incident reporting	No serious incident reports have been communicated to us
4	Written representations which we seek	We enclose a copy of our draft representation letter
5	Any fraud or suspected fraud issues	No exceptions to note
6	Any suspected non-compliance with laws or regulations	No exceptions to note
7	Any misstatements in opening balances that exist in the current period financial statements	No exceptions to note
8	Significant matters in connection with related parties	No exceptions to note
9	Any other significant matters arising relevant to the oversight of the financial reporting process	No exceptions to note
10	Any material misstatements effecting prior period financial statements on which a predecessor auditor had previously reporting	No exceptions to note

OVERVIEW: UNADJUSTED AUDIT DIFFERENCES AND DISCLOSURES

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Unadjusted audit differences:

We are required to bring to your attention unadjusted differences and we request that you correct them.

There are five unadjusted audit differences identified by our audit work to date which would decrease draft income of £98.9m by £13k and would decrease draft net assets of £1,495m by £13k. Management consider the differences to be immaterial in the context of the financial statements as a whole. We request that the reason for not correcting is included in the letter of representation.

Details of the unadjusted audit differences can be found on page 23.

Unadjusted financial reporting matters

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

There are no unadjusted financial reporting matters.

Adjusted audit differences

A small number of audit adjustments have been posted through the accounts by the finance team subsequent to the draft accounts presented for audit.

Two prior year presentational adjustments were identified during the audit which have been adjusted by management.

The first related to the split of grant creditors due within, and after more than one year. The second related to the split of financial investment additions and disposals. Cash held by fund managers is now disclosed within cash investments.

Details of the adjusted audit differences for the current year can be found on page 24.

Adjusted financial reporting matters

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

These are detailed on page 25.

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		Income and expenditure		Balance sheet	
Unadjusted audit differences	£m	£m Dr	£m Cr	£m Dr	£m Cr
Net income for the year before adjustments	98.9				
Adjustment 1: Deferral of investment income					
DR Investment Property income		0.013			
CR Deferred income					0.013
2: Adjustment to overstated rates creditors					
DR Creditors				0.03	
CR Expenditure			0.03		
3: Adjustment to credit balances in debtors and debit balances in creditors (net)					
DR Debtors				0.39	
CR Creditors					0.39
4: Adjustment to account for potential interest due to HMRC					
DR Expenditure			0.03		
CR Creditors					0.03
5: Cut off adjustment relating to rental income receivable pre year end					
DR Debtors				0.04	
CR Income			0.04		
Net income for the year if adjustments accounted for	99.0	0.013	0.10	0.46	0.433

ADJUSTED AUDIT DIFFERENCES: DETAIL

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	Income and expenditure		Balance sheet		
Adjusted audit differences	£m	£m Dr	£m Cr	£m Dr	£m Cr
Net income for the year before adjustments	98.9				
1: Adjustment to correctly allocate investment property income					
DR Investment Income		0.07			
CR Investment Property Income			0.07		
Adjusted net income for the year	98.9				

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

The following adjusted disclosure matters were noted:

- Management had initially presented the draft accounts incorporating a
 new designated fund. It was however not possible to obtain evidence that
 this had been minuted by any of the Committees of the charity prior to
 the year end. Therefore the new designated fund was removed and the
 amount included within general funds.
- We noted that BHE had included a disclosure threshold for related parties transactions of £10k. In accordance with FRS 102 all related party transactions (as defined under the standard) should be disclosed.



CONTROL ENVIRONMENT

CONTROL ENVIRONMENT: OBSERVATIONS NOTED

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

We have not identified any significant deficiencies in internal control.

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

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

Area	Observation & implication	Recommendation	Management response
Designated Funds	BHE determined to include an amount of general reserves in a designated fund however this decision was not formally minuted before the year end.	We recommend that going forward BHE should ensure that any intention to designate funds is minuted prior to the year end in line with the Charities SORP.	We confirm that any new designated funds will be approved by the appropriate Committee prior to yearend.
Accounting Treatment of large, one off or complex transactions	We noted that key accounting treatments (e.g. for 1-5 London Wall) were not determined until the accounts were prepared.	We recommend that management engage with us throughout the year so that we can agree and confirm the accounting treatment of large, one off or complex transactions well in advance of the year end audit. Prior to this, management should ensure that these are considered fully in terms of the accounting treatment at the time the transaction is completed rather than at the year end.	We confirm that the accounting treatment of large, one off or complex transactions will be discussed with our auditors in advance of the year end audit, with full consideration of these made at the time the transaction is made in a timely manner.

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Opinion on financial statements

We are not aware of any matters which would prevent us being able to issue an unmodified opinion on the financial statements.

There are no matters that we wish to draw attention to by way of 'emphasis of matter'.

Going concern

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

Comments on the Annual report and statutory other information

- We have reviewed the Trustee's Annual report and fed back comments to management on the drafts which have subsequently been incorporated.
- We have identified no material misstatements in the statutory other information accompanying the financial statements.

Comments on the Annual report and statutory other information

We have reviewed the other information accompanying the financial statements in the Group's annual report. We have not identified any material misstatements that would need to be referred to in our report.

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

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

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

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

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

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence. We note that Leigh Lloyd-Thomas is on the Audit Panel but is not involved in reviewing our work not signing the opinion on these accounts.

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

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

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Audit fee for year ending 31 March 2019

Bridge House Estates financial statements 40,000

Total fees 40,000



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

- Subsequent events procedures up until the date of signing on 24 September
- Completion of internal review processes of the final signed accounts (to be completed on 24/25 September)
- Receipt of the signed letter of representation





APPENDICES

TRUSTEE'S RESPONSIBILITIES EXPLAINED

The Trustee's Responsibilities and Reporting

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

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

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

Trustee responsibilities

What this means

 Maintain adequate accounting records and maintain an appropriate system of internal control for the charity Further information regarding these responsibilities is provided in the engagement. We are happy to explain these in more detail to you.

- Prepare the annual report and the financial statements which give a true and fair view and which are prepared in accordance with UK Generally Accepted Accounting Practice.
- Safeguard the assets of the charity and take reasonable steps for the prevention and detection of fraud and other irregularities.

To make available to us, as and when required, all the charity's accounting records and related financial information.

To provide us with Committee papers on key issues including but not limited to:

- Review of business risks
- · Going concern assessments
- Impairment reviews
- Any key judgments and estimates.

Having made enquiries of fellow Members of the Corporation, state in the Annual report that:

- So far as they are aware, there is no relevant audit information of which the charity's auditors are unaware
- They have taken all reasonable steps they ought to have taken as the Trustee in order to make themselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

In addition to answering our queries, this requires proactive behaviour in order to make us aware of any relevant information. Relevant information is very broad and includes any information needed in connection with our report.

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Our responsibilities and reporting

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

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

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

What we don't report

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

FRAUD RISK

Respective responsibilities

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

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Our responsibilities

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

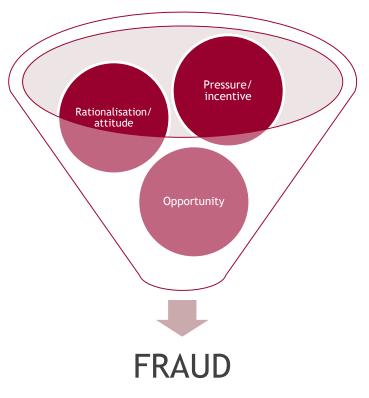
Management's Responsibility

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

Auditor's Responsibility

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

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



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

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

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

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

LETTER OF REPRESENTATION

BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 OPA

Dear Madams/Sirs

Financial Statements of Bridge House Estates for the year ended 31 March 2019

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

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

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

Going concern

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

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

Laws and regulations

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

Post balance sheet events

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

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Fraud and error

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

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

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

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

Misstatements

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

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

Related party transactions

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

Other than as disclosed in note 26 to the financial statements, there were no loans, transactions or arrangements between the charity and the charity's trustees or their connected persons at any time in the year which were required to be disclosed.

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

Carrying value and classification of assets and liabilities

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

Accounting estimates

a) Pension fund assumptions

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

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

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

LETTER OF REPRESENTATION

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b) Valuation of investment properties

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

Litigation and claims

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

Serious incident reports

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

Charity income

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

Confirmation

Yours faithfully

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

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

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

Caroline Al-Beyerty
(Signed on behalf of the Trustee)
Date:

FOR MORE INFORMATION:

Fiona Condron

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e: fiona.condron@bdo.co.uk

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

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Agenda Item 10

Committee(s):	Date(s):
Audit and Risk Management Committee – For	24/09/2019
Information	
Subject:	Public
Internal Audit Recommendations Follow-up	
Report of:	For Information
Head of Audit and Risk Management	
Report author:	
Matt Lock, Chamberlain's Department	

Summary

This report has been prepared to provide Members with a status update on the implementation of high priority Internal Audit Recommendations made. Overall, 59% of recommendations that fell due since the last update have been implemented within agreed timescales, 16% are partially implemented and 25% not yet implemented.

There are, including those that are not yet due, 10 Red and 123 Amber live recommendations.

Recommendation(s)

Members are asked to:

Note the report.

Main Report

Background

 The Audit and Risk Management Committee receives regular status updates on the implementation of high priority (Red and Amber) Internal Audit recommendations made. This report provides Members with the latest position, based upon information received from departments and Audit testing undertaken.

Current Position

- 2. Follow-up activity has recently been completed in respect of all live red and amber priority recommendations where their due date has passed. A summary of follow-up outcomes by department is shown at **Appendix 1** and demonstrates that implementation was confirmed for 59% of high priority recommendations, partial implementation was confirmed for 16%, and the remaining 25% had either not been progressed or evidence was not supplied to Internal Audit to demonstrate implementation progress. This compares to 48%, 23% and 29% respectively.
- 3. High priority recommendations due but not implemented or only partially implemented are summarised at **Appendix 2** and a comparison of revised target

dates to original agreed dates is shown where available. Departments have, in the main, provided explanations for non-implementation together with revised target dates: of the 41 outstanding recommendations, revised implementation dates are still required for 10. The appendix also identifies where revised target dates have previously been provided, i.e. where original target dates had not been met at first follow-up.

- 4. Including the 41 overdue recommendations, there were a total of 133 (10 Red and 123 Amber) live high priority recommendations as at 31 August 2019. A breakdown of the number of live recommendations by department is shown at **Appendix 3**.
- 5. The 10 live Red recommendations relate to the following:
 - City of London School planning in relation to penetration testing of IT systems
 - City of London Freemen's School the need to undertake penetration testing of IT systems
 - City of London Freemen's School improving security over the use of USB drives/devices
 - City of London Police regular reconciliation of Police bank accounts for prisoner and "found" funds
 - City of London Police Improvements to the budget setting process
 - Community and Children's Services Establishing clearly defined roles and responsibilities for the sourcing and procuring placements for looked after children (young asylum seekers)
 - Community and Children's Services formalising contract arrangements for placements for young asylum seekers
 - Community and Children's Services ensuring that individual agreements are in place for placements for all young asylum seekers
 - Community and Children's Services value for money in relation to the use of semi-independent living providers (asylum seekers)
 - Community and Children's Services improved contract monitoring arrangements for providers of services to looked after asylum seekers
- 6. A further 4 Red recommendations have been raised in an audit review finalised since 31 August, this is the subject of a separate report on the Non-Public agenda for this Committee. These recommendations will be tracked in the subsequent implementation update report.

Conclusion

- 7. Implementation progress has improved since the last report made, with 59% of high priority recommendations having been implemented in full by the agreed due date (compared to 48%). This improvement is attributed to more regular follow-up activity, with the support of the departmental Audit Liaison Officers.
- 8. Internal Audit work is ongoing to confirm revised implementation dates for those outstanding recommendations where no information was provided.

Appendices

- Appendix 1 Summary of Formal Follow-up Outcomes
- Appendix 2 Analysis of Follow-up Recommendations Not Implemented
- Appendix 3 Live High Priority Recommendations at the end of August 2019

Background Papers

 Report to Audit and Risk Management Committee: Internal Audit Recommendations Follow-up (May 2019)

Matt Lock

Head of Audit and Risk Management

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Corporate Follow-Up Exercise Outcomes – Recommendations due by August 2019

High Priority (Red & Amber) Recommendations

Department	Implementation Evidenced	Partially Implemented	Not Implemented	Total	Comments
Barbican	1	1	2	4	Revised target timescales have been supplied in the three outstanding recommendations and explanations for slippage have been provided in respect of two of these.
Built Environment	0	1	1	2	No revised target date or explanation has been supplied in respect of one of these outstanding recommendations.
Chamberlain's IT	1	1	2	4	Revised target dates have been supplied for both outstanding recommendations.
Chamberlain's Procurement	7	2	4	13	Explanations for slippage and revised target timescales have been provided in respect of these outstanding recommendations.
City of London Freemen's School	0	1	0	1	A revised target date and explanation for slippage have been supplied.
City of London Police	9	0	7	16	Revised target dates and explanations for slippage have been supplied for all seven outstanding recommendations.
City of London School	5	2	2	9	Revised target implementation timescales have been supplied for two of the outstanding recommendations.

Department	Implementation Evidenced	Partially Implemented	Not Implemented	Total	Comments
					Further evidence has been requested in respect of the partially implemented recommendation, as the School indicates that this has been addressed in full.
City of London School for Girls	2	2	3	7	Revised target implementation timescales have been supplied for four of the outstanding recommendations. No update has been received in respect of the implementation of one of the 'partially implemented' recommendations.
City Surveyor	2	1	0	3	An explanation for slippage and a revised target timescale has been supplied in respect of the outstanding recommendation.
Community & Children's Services	18	3	0	21	Revised target timescales and explanations for slippage have been supplied in respect of two partially implemented recommendations. Revised target timescale for demonstrating full implementation of the remaining partially implemented recommendation is TBC.
Guildhall School of Music & Drama	0	0	2	2	Revised target timescales have been supplied for both 'not implemented' recommendations and an explanation for slippage has been supplied in respect of one of these.
Mansion House	6	0	0	6	N/A
Markets & Consumer Protection	1	1	0	2	Full implementation of the outstanding recommendation is awaiting roll-out of a corporate initiative; revised target timescale TBC.

Department	Implementation Evidenced	Partially Implemented	Not Implemented	Total	Comments
Open Spaces	1	0	1	2	No update has been supplied in respect of implementation progress in respect of the outstanding recommendation.
SJC Foundation School	0	1	0	1	An explanation for slippage and a revised target timescale for demonstration of full implementation have been supplied.
Town Clerk's	6	0	1	7	An explanation for slippage and a revised target date for implementation has been supplied.
TOTAL	59	16	25	100	
Percentage of total recommendations	59%	16%	25%		

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High Priority Recommendations Partially Implemented / Not Implemented

High priority recommendations outstanding at time of August 2019 follow-up exercise

Department & Audit Area	Original Target	Previous Revised	New Target Date	t Implementation Status		Management Comment / Internal Audit Comment
	Date	Target Date		Not	Partial	
Barbican Fraud Risk Management: Retail and Bars Training Records	31/07/19	N/A	25/10/19	0	1	Management Comment: A system has been set up to record training but due to vacancies and shop floor cover this has not been completed. Revised target date 25/10/19.
Fraud Risk Management: Engineering Stock Procedures	31/08/19	N/A	25/10/19	1	0	Management Comment: Due to pressure on the team from an ongoing restructure and an unexpected absence due to health, this has not been carried out. Revised target date 25/10/19.
Fraud Risk Management: Previous Instances of Fraud – Approval of the Use of Consultants	31/07/19	N/A	31/12/19	1	0	No Management Comment supplied.
Department of the Built Environment Bank on Safety Management – Home Working Proactive Monitoring	29/03/19	N/A	TBC	1	0	Internal Audit Comment: Revised target timescale required for demonstration of full implementation.
Bank on Safety Management – Scheme Impact on the Parking Ticket Office	29/03/19	N/A	TBC	0	1	Internal Audit Comment: Revised target timescale required for demonstration of full implementation.
Chamberlain's IT IT Data Storage Management - Information Management Strategy	31/12/18	31/07/2019	30/09/2019	1	0	Management Comment: Records Management Policy drafting by LMA delayed due to work on Fundamental Review will be presented for sign-off by Summit on the 26 th September. Revised implementation date 30 th September 2019.

Department & Audit Area	Original Previous Target Revised		New Target Date		mentation tatus	Management Comment / Internal Audit Comment
	Date	Target Date		Not	Partial	
Oracle Application - Restart Procedure	30/12/18	31/05/2019	31/10/2019	1	0	Management Comment: The BCP is currently in development for the Chamberlain's Department, by the Corporate Risk Manager, and this will incorporate the Oracle DR, RPO and RTO. Internal Audit Comment: The report is currently being drafted and will be completed and issued by 31/10/19.
Oracle Application – License exceeded	30/04/19	N/A	30/09/2019	0	1	Management Comment: The licence position for Oracle Property Manager is now resolved for the current usage vs licence numbers. The COL commissioned an independent Oracle Audit through their Strategic IT partner, Agilisys and their licencing specialist third party, Snow.
						Following this audit, the advice was that iProcurement licences can be used for Self Service and therefore the COL is not under licenced in this area. This matches the recommended licences purchase from the original installed, PWC. However, Agilisys have since stated that this is their opinion and that further independent verification should be sought. They stated that they no longer have a relationship with Snow, therefore the COL have sought the advice from their licencing reseller, Phoenix. Closing this action is therefore delayed. CoL have started to discussions with a Third party to clarify these issues. This will be completed by 30/09/19.
Chamberlain's Procurement Corporate Wide - Business Travel - Contract for Taxis	31/05/18	N/A	31/03/20	1	0	Management Comment: Addison Lee have refused to agree to City of London contract conditions. As a result, the contract will be retendered as soon as resources are available, likely to be March 2020
Corporate Wide Suppliers Financial Health and Resilience: Category A Supplier Scorecards	31/07/2019	N/A	31/10/19	0	1	Internal Audit Comment: Assessed as 'partially implemented' on the basis that a template is now in place to record the sign off of scorecards. Evidence of the template being used will be available from October 2019. Revised target date set accordingly.

Department & Audit Area	Original Target	Previous Revised	New Target Date		nentation tatus	Management Comment / Internal Audit Comment
	Date	Target Date		Not	Partial	
Corporate Wide Suppliers Financial Health and Resilience: Financial Statements Analysis – Management Review	31/05/2019	N/A	TBC	1	0	Internal Audit Comment: A revised target date is required for demonstration of recommendations implementation.
Corporate Wide Suppliers Financial Health and Resilience: Financial Metrics Analyses & Commercial Analyses	30/06/2019	N/A	31/10/19	0	1	Management Comment: The sign-off process was completed in July and included in Commercial Analyses issued from that time. The scoring process has a four month's duration, so evidence of this having been followed will be available from October 2019.
Corporate Wide Review: Commercial Contract Management Team Scorecards – Procedures Audit: Backlog of Supplier Scorecards	30/06/2019	N/A	TBC	1	0	Management Comment: Cannot be evidenced. All scorecards are not up to date.
Corporate Wide Review: Commercial Contract Management Team Scorecards – Procedures Audit: Reporting to Members & Senior Management	31/07/2019	N/A	31/12/19	1	0	Management Comment: Agreed reporting to each occurrence of committees is included in the September 2019 agenda. Evidence will be available from Committee Services following the issue of the papers.
J. Comments of the comment of the co						Internal Audit Comment: September 2019 is when the reporting timetable will be agreed. A revised target date of December 2019 has been set for demonstration that reports have been issued in line with the timetable.
City of London Freemen's School						
Cyber Security – USB Ports Unlocked	31/01/19	30/06/19	30/11/19	0	1	Management Comment: Following a recommendation from the COLFS ICT Strategy Governance Group, COLFS has agreed the following policy for implementation with immediate effect: Only encrypted USB devices will be allowed on the network. All other non-encrypted storage devices will be blocked by Sophos device control. There will be a single managed device in the Technical Services office which staff can take media, such as photo and

Department & Audit Area	Target Revised Date Status			Management Comment / Internal Audit Comment		
	Date	Target Date		Not	Partial	
						videos from school trips and have then copied on the network. This process will be completed by Monday 4th November.
City of London Police Police Bank Accounts - Reconciliation of Funds (RED)	31/12/18	N/A	30/09/19	1	0	Internal Audit Comment: There is confusion as to who is responsible for undertaking the bank account reconciliations in respect of defendants' and found funds. It is understood from the CoL Corporate Treasurer that bank statements are sent to the Force for reconciliation but the Head of Courts & Covert Finance, CoLP, advised that the only statements received are US dollar and Euro ones from Lloyds and reconciliation is undertaken to local spreadsheets as this team has no access to the General Ledger. Confirmation required of the action owner and revised target timescale for full implementation.
Demand and Event Policing - Record of Event Income and Expenditure	30/09/18	N/A	30/09/19	1	0	New FBPs will work more closely with services and identify Demand and Events Policing required in advance. Income due will be identified at monthly meetings and logged centrally by the
Key Financial Controls - Budget- Setting Timetable	31/09/18	N/A	30/04/20	1	0	Management Comment: The budget-setting process for 2020-21 will address this recommendation. The process will start in September 2019 and flow through to the start of the new financial year.
Key Financial Controls - Financial Administration Guidance	31/03/19	N/A	30/09/19	1	0	Management Comment: Internal processes have been documented. Communications being prepared for circulation across the Force reiterating process, responsibilities and expectations. Part of this will be reinforcing the benefits of self service and training available to transition. A revised implementation date end of September 2019 is provided.
Key Financial Controls – Compliance with Procurement Code (Waivers)	31/03/19	N/A	31/12/19	1	0	Management Comment: Work is ongoing. Contract register being used to identify forward plan. Business Partners discuss with budget holders. A revised implementation date of end of December 2019 is provided.

Department & Audit Area	Target Revised Date Status			Management Comment / Internal Audit Comment		
	Date	Target Date		Not	Partial	
Key Financial Controls – Financial Dashboard	31/03/19	N/A	31/03/20	1	0	Management Comment: The monthly reporting pack has been developed and is developing further to provide more meaningful information. Developing a meaningful dashboard in Oracle needs to be taken forward with the Corporation. Revised implementation dates as are follows: August 2019 for further developed reporting pack. March 2020 for Oracle dashboard.
Key Financial Controls – Risk of subsidising from core operations	31/03/19	N/A	31/12/19	1	0	Management Comment: Work in progress. A review of funded units and an appropriate standard charging mechanism is being developed. There is not always a clear distinction between core and funded work, and there will always be a cross-over. However, this will be identified in a transparent model and monitored accordingly. A revised implementation date of end of December 2019 is provided.
City of London School Financial Management – Inventory Maintenance	31/03/19	N/A	TBC	0	1	Internal Audit Comment: current copies of the inventory obtained. Partially implemented pending confirmation of the arrangements for ensuring that the inventories are kept up to date, to include mechanisms for flagging purchased items for inclusion in the inventory. Revised timescale for demonstration of full implementation required.
Financial Management – Timeliness of Interface and Reconciliation	30/06/18	30/01/19	TBC	0	1	Management Comment: July 2019 ongoing / not complete but will be completed imminently.
Cyber Security –Cyber-Security Reporting to SMT Meetings	30/06/19	N/A	31/12/19	1	0	Management Comment: This will be implemented in Autumn 2019.
Cyber Security – Recording Key Points of Discussions	31/07/19	N/A	31/12/19	1	0	Management Comment: This will be implemented in Autumn 2019.
City of London School for Girls ICT – Disaster Recovery Test	11/12/15	28/02/19	TBC	0	1	No information on implementation progress supplied.

Department & Audit Area	dit Area Original Previous New Target Implementati Target Revised Date Status			Management Comment / Internal Audit Comment		
	Date	Target Date		Not	Partial	
Internal Controls – Procurement: Management Information Review	04/07/19	N/A	30/09/19	0	1	Internal Audit Comment: A revised target timescale of 30/09/19 has been supplied to demonstrate that issues identified in the last exception report have been addressed.
Internal Controls – Consistent Asset Register Format	11/07/19	N/A	30/09/19	1	0	Management Comment: Discussion could not be scheduled before the Summer holidays. Will pick this up with Heads of Department in early September 2019.
Internal Controls – Minimum Values for Non-Routine Expenditure Business Cases	04/07/19	N/A	30/09/19	1	0	Management Comment: Process being written by Bursar – not yet started. Nothing falling into this category so far.
Internal Controls – Submission of Non-Routine Expenditure Business Cases to the Bursar.	04/07/19	N/A	30/09/19	1	0	Management Comment: Process being written by Bursar – not yet started. Estimate this to be ready by the end of September.
City Surveyor Building Management System Configuration	31/12/11	31/08/19	31/12/19	0	1	Management Comment: The agreed solution to meet this requirement is the full segregation of the BMS communication network from the main corporate IS network. An order has been placed with Skanska for the BMS Sub-contractor, Schneider, to implement the necessary changes to the BMS infrastructure. A detailed technical specification for these works has been developed by Schneider and is currently awaiting final sign-off by the IT Division and Police Head of Infrastructure Services, prior to implementation.
Community & Children's Services Community Centre Revenue – Income Administration	30/09/18	31/07/19	30/09/19	0	1	Management Comment: The July reconciliation has been delayed due to annual leave of key staff. August reconciliation will be carried out by end of September.
Housing Allocations, Lettings & Voids	31/12/18	31/07/19	31/10/19	0	1	Management Comment: An email has been sent to Estate Managers form the Housing and Property Business Support

Department & Audit Area	Original Target	Previous Revised	New Target Date	<u> </u>		Management Comment / Internal Audit Comment
	Date	Target Date		Not	Partial	
						Manager on 30 August 2019 stating "I am aware that given the delay in Documotive go live (down to technical issues with Castleton) some of you have a back log of documents that need to be loaded on to the system. A deadline of 31st October has been agreed for the backlog to be loaded on.
						Once we are up to date we will run a report of all new tenancies since 1st April for you/your team to check that a signed tenancy and supporting information is available & has been loaded on.
						The report will need to be signed and dated (and stored electronically) to confirm the check has been done. Should any information be missing the rents/housing needs team should be contacted to see if they have the missing documentation
						Moving forward we will then run the report on a quarterly basis at the end of the quarter"
Health & Social Care Integration – Delivery Mechanisms: Signed Contracts	31/03/19	30/06/19	TBC	0	1	Management Comment: The Commissioning Team are developing a spreadsheet to record progress on new contracts and this will include regular updates and a field asking form information contract signing progress. This spreadsheet will be accessible to the whole Team.
Guildhall School Student Affairs – Recording of Budget Monitoring Outcomes	28/02/19	31/07/19	30/09/19	1	0	Internal Audit Comment: Revised target timescale supplied.
Student Affairs – Service Provision Objective-Setting	30/04/19	N/A	31/10/19	1	0	Internal Audit Comment: Revised target timescale supplied.
Markets & Consumer Protection Markets Fraud Risks – Fraud Awareness Training	30/11/18	N/A	TBC	0	1	Management Comment: As has been confirmed by the CoL's Anti- Fraud Manager, the new eLearning package on this subject is still being developed. When the new module is live, we will be able to

Department & Audit Area	Original Target	Previous Revised	New Target Date	Implementation Status		Management Comment / Internal Audit Comment
	Date	Target Date		Not	Partial	
						progress this action, ensure all our staff undertake the Fraud Awareness training at the mandated intervals, and obtain evidence of this.
Open Spaces Financial Management - Hampstead Heath Cash Handling Procedure	30/12/18	N/A	TBC	1	0	As per the last Internal Audit Follow-Up Report to this Committee, no information on implementation progress has been supplied.
Sir John Cass's Foundation School Income Generation – Dinner Money Report	16/02/19	26/04/19	31/10/19	0	1	Management Comment: Since Audit attended the school the dinner debt has reduced considerably following a concerted effort of debt collection. The balance owing is £821.35 and a payment plan is in place for the large debt of £798.85; we anticipate full payment by next April. We have to be reasonable in what we are asking the parent to pay. An aged debtor report will be presented at each Governor's meeting for them to monitor debt levels. The next aged debtor will be presented at the Finance meeting in October 2019.
Town Clerk's Corporate Wide – Emergency Planning – Emergency Management Plan	30/06/18	N/A	31/10/19	1	0	Management Comment: The Emergency Management Plan has been reviewed and all comments, changes and lessons from departments are incorporated. We are in the process of setting out the document in a different way of working with the Communications Team. Revised implementation date is 31st October 2019.
TOTAL				25	16	

High Priority (Red & Amber) Recommendations:

Department	Red Priority	Amber Priority	Total High Priority
Barbican	0	17	17
Built Environment	0	3	3
Chamberlain's IT	0	12	12
Chamberlain's Procurement	0	10	10
City of London Freemen's School	2	9	11
City of London Police	2	6	8
City of London School	1	10	11
City of London School for Girls	0	22	22
City Surveyor	0	1	1
Community & Children's Services	5	12	17
Guildhall School of Music & Drama	0	10	10
Markets & Consumer Protection	0	1	1
Open Spaces	0	1	1
SJC Foundation School	0	1	1
Town Clerk's	0	8	8
TOTAL	10	123	133

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Agenda Item 11

Committee(s):	Date(s):
Audit and Risk Management Committee	24 th September 2019
Subject:	Public
Annual Summary of HMICFRS Inspections and Reports	
Report of:	For Information
Commissioner of Police	
Report author:	
Head of Strategic Development, City of London Police	

Summary

This report provides Members with an overview of Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) continuing programme of inspections and published reports, together with the City of London Police (CoLP) response where relevant. It additionally provides assurance that the recommendations from reports are being addressed by the Force.

During the reporting period (July 2018 – August 2019) HMICFRS published 10 reports and 1 public letter relevant to the City of London Police:

- Understanding the difference: the initial police response to hate crime (national report by HMICFRS published July 2018);
- Joint inspection of the handling of cases involving disability hate crime (national joint report of HMICFRS and HMCPSI published October 2018)
- Policing and Mental Health Picking Up the Pieces (national report by HMICFRS published November 2018)
- Police response to domestic abuse: An update report (national report, published February 2019)
- City of London Police Joint inspection of police custody (Force joint report HMI Prisons and HMICFRS, published March 2019)
- City of London Police Complaints and misconduct file review (Letter to the Force referencing progress against previous recommendations, published March 2019)
- Fraud: Time to choose (national report by HMICFRS, published April 2019)
- City of London Police Efficiency, Effectiveness and Legitimacy (PEEL) 2018/2019 (Force report by HMICFRS, published May 2019, overall grading GOOD
- PEEL Spotlight report: A system under pressure (national report of HMICFRS highlighting emerging findings from the first 14 forces inspected under the Integrated PEEL Assessment, published May 2019)
- The poor relation The police and CPS response to crimes against older people (national report by HMICFRS, published July 2019)
- City of London Crime Data Integrity (Force report by HMICFRS, published July 2019, graded GOOD)

All reports together with details of progress against recommendations and areas for further improvement are reported in detail quarterly to the Police Performance and Resource Management Committee for scrutiny and oversight.

Recommendation

Members are asked to receive this report and note its contents.

Recommendation

Main Report

Background

- 1. This report provides Members with an overview of Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) continuing programme of inspections and published reports, together with the City of London Police (CoLP) response where relevant. It also provides assurance that the recommendations from reports are being addressed by the Force.
- Members are reminded that HMICFRS use the terms 'recommendation' and 'area for further improvement' (AFI) to denote specific levels of concern. A recommendation is only made where in HMICFRS's assessment there is a significant underlying cause for concern. Where there is no such concern but where HMICFRS feel general improvements can be made, areas for further improvement are identified.

Current Position

3. During the reporting period (July 2018 – August 2019) HMICFRS published 10 reports and 1 letter, relevant to the City of London Police.

Understanding the difference: the initial police response to hate crime (July 2018)

- 4. This report sets out findings from an initial scoping study which HMICFRS undertook across areas that included:
 - i. how forces raise awareness of hate crime in their communities:
 - ii. crime and incident recording, including the use of hate crime and online flags;
 - iii. how forces use problem profiles to help identify trends and patterns of offending and victimisation; and
 - iv. the police response to reports of hate crime; and the system for referrals to victim support services.
- 5. The report made 15 recommendations, 8 of which were relevant to police, aimed at improving policing practices and service delivery to victims. All

recommendations except 1 has been implemented by CoLP; the outstanding recommendation (which relates to use of flags on the crime recording system) is expected to be delivered by October 2019.

Joint inspection of the handling of cases involving disability hate crime (published October 2018)

- 6. This inspection focused on progress made by the police and Crown Prosecution Service (CPS) in response to findings from the previous reports:
 - Living in a different world: Joint review of disability hate crime in 2013;
 and
 - Joint review of disability hate crime follow up in 2015.
- 7. Conducted jointly by Her Majesty's Crown Prosecution Service Inspectorate (HMCPSI) and HMICFRS, 6 police forces were inspected¹. 4 issues were identified for the police service to address, all of which have been implemented by CoLP.

Policing and Mental Health - Picking up the pieces (November 2018)

- 8. This report sets out findings from an inspection during which HMICFRS sought to understand how effective forces are at protecting and helping those with mental health problems.
- 9. It additionally examined how people are identified as having mental health issues when they first come into contact with forces and what help and support is available from other organisations, in particular health professionals
- 10. The report highlighted innovative work conducted by forces, and included this reference to CoLP: and this includes the force:

"City of London Police is focusing on the effect of fraud on the mental health of victims. They have responded to over 170 calls from victims of fraud since October 2016, who have described themselves as feeling suicidal. These calls are dealt with by way of public protection notices, safeguarding referrals or signposting to specialist support services."

Police response to domestic abuse: An update report (February 2019)

11. This report was the fourth in a series of thematic reports, which considered the response the police service provides to victims of domestic abuse. In March 2014, HMICFRS published their first report in this series (*Everyone's Business: Improving the Police Response to Domestic Abuse*). HMICFRS noted that since that time, the service the police provide to victims of domestic abuse has improved markedly, with victims better supported and better protected.

¹ Cheshire, Devon and Cornwall, Hampshire, the Metropolitan Police, Nottinghamshire, and South Wales

12. Unlike their previous reports, HMICFRS did not make any recommendations for forces to implement.

City of London Police – Joint inspection of police custody (March 2019)

- 13. An unannounced Force level inspection carried out jointly by HMI Prisons and HMICFRS over a period of 2 weeks during November 2018, which considered strategy, treatment and conditions, individual rights and health care relevant to custody provisions. As well as examining documentation, viewing CCTV recordings and interviewing staff, the inspection team observed custody services 24/7 for almost a week. The focus of the inspection was on outcomes for detainees, not internal processes, although the latter were naturally considered.
- 14. The unannounced inspections of custody are not awarded grades in the same way as other inspections. The Force's report was, however, generally very positive and a Member of the Police Authority Board was present when formal feedback was provided to CoLP.
- 15. The inspection produced 1 recommendation and 21 areas for further improvement. The Force has published a comprehensive action plan to address these findings, delivery of which is being scrutinised by the Custody User Group in addition to Force internal governance provisions.

City of London Police Complaints and misconduct file review (Letter to the Force referencing progress against previous recommendations, published March 2019)

- 16. During their 2017 legitimacy inspection HMICFRS found that City of London Police did not fully comply with requirements to communicate with complainants. In response, in August 2018 they carried out a review of complaints and misconduct files. This letter reported the findings of that review.
- 17. The letter noted that the Force had substantially addressed the concerns raised by the 2017 inspection and that the results would feed into the assessment of legitimacy as part of the Integrated PEEL Assessment (see paragraph 21 below).

Fraud: Time to choose (April 2019)

- 18. This was a national thematic inspection, with HMICFRS looking at the effectiveness and efficiency of the police response to fraud, including online fraud. HMICFRS assessed the extent to which:
 - law enforcement has a well-designed strategy for tackling fraud;
 - organisational structures provide the necessary capacity, capabilities and partnerships; and
 - victims of fraud receive a high-quality response.

- 19. The inspection included fraud against individuals and business but not fraud against those public authorities that have responsibility for dealing with fraud against their own organisations.
- 20. The report made 14 recommendations and identified 5 areas for further improvement for forces to implement. Given the CoLP's national lead status for investigating economic crime, a number of the recommendations are specifically for the National Police Chiefs' Council Coordinator for Economic Crime (Commander ECD) to deliver. The Force has developed and published a comprehensive strategy to address the findings of this inspection. In addition to internal governance, progress against the strategy and supporting delivery plans will be reported to the Economic Crime Board.

City of London Police Efficiency, Effectiveness and Legitimacy (PEEL) 2018/2019 (May 2019)

- 21. In 2018/2019 HMICFRS adopted an integrated approach to their annual PEEL inspection, combining into a single inspection the effectiveness, efficiency and legitimacy areas of PEEL. Previously, these have been the subject of separate inspections.
- 22. HMICFRS list 10 areas against which forces are inspected. GOOD gradings from the previous inspection are carried forward by HMICFRS and not inspected in 2018/2019 except for 'protecting vulnerable people' which is a mandatory re-inspection for all forces. Results are summarised below:

	Grade	Last
		inspected
Effectiveness	GOOD	
Preventing crime and tackling anti-social behaviour	GOOD	2017/2018
Investigating Crime	GOOD	2017/2018
Protecting vulnerable people	GOOD	2018/2019
Tackling serious and organised crime	GOOD	2018/2019
Firearms capability	This is not graded by HMICFRS	
Efficiency	GOOD	
Meeting current demands and using resources	GOOD	2017/2018
Planning for the future	REQUIRES IMPROVEMENT	2018/2019
Legitimacy	REQUIRES IMPROVEMENT	
Fair treatment of the public	REQUIRES IMPROVEMENT	2018/2019
Ethical and lawful workforce behaviour	REQUIRES IMPROVEMENT	2018/2019
Fair treatment of the workforce	GOOD	2017/2018

23. HMICFRS stated they are satisfied with most aspects of the Force's performance. They did not make any formal recommendations but did identify 11 areas for further improvement, which have been drawn up into an action plan (submitted to the Police Authority Board in July 2019). Progress against the plan is reported bi-monthly to the Force's Performance Management Group and quarterly to the Police Performance and Resource Management Committee.

PEEL Spotlight report: A system under pressure (May 2019)

- 24. This was a national report that highlighted the emerging findings from the inspection from the first 14 forces inspected under the integrated PEEL Assessment, which included the City of London Police. The report did not make any recommendations or identify any areas for further improvement but rather concentrated on general themes
- 25. HMICFRS stated that these inspections found that a relatively positive picture of performance is being provided by a service that is straining under significant pressure. This is affecting different forces in different ways, across neighbourhood policing and investigations through to counter corruption and workforce health and wellbeing. They went on to note that given the current operational and financial context forces find themselves in, it is not clear for how long they will be able to maintain their current performance levels. For many of the forces inspected in this group, cracks in the system are widening.

26. HM Inspector of Constabulary Matt Parr said:

"The patterns we are beginning to see emerge paint a picture of a committed and capable police service that is starting to show signs of real strain in some areas. Many of the forces we inspected are in general providing a good service to the public, but all are faced with competing priorities that if not managed correctly could see this service deteriorate.

"Despite these worrying trends, there have been some areas of innovation and improvement. In particular, we are seeing forces getting better at identifying vulnerability, with officers now having a greater understanding of what to look for to provide the right service. We also found several forces developing innovative ways of using technology to better manage the demand on their resources. But the forces we inspected are trying to meet ever-more complex and high-risk demand with strained resources."

The poor relation - The police and CPS response to crimes against older people (July 2019)

27. As a result of the UK's ageing population, in 2017 the then Home Secretary commissioned an inspection to establish the nature and extent of problems affecting older people within the criminal justice system, and how well these are understood by the police and CPS. In 2018/19, HMICFRS and Her

- Majesty's Crown Prosecution Service Inspectorate (HMCPSI) conducted a joint inspection of how the police and the Crown Prosecution Service (CPS) respond to crimes against older people.
- 28. The report praised the work of police officers in their initial dealings with older victims of crime, including attending promptly to reports of crime from older victims, but found that afterwards officers struggled to deal with some of the complex needs of older people.
- 29. Whilst the report made 13 formal recommendations, none are for local forces to implement, instead they are for the National Police Chiefs' Council, the CPS and the College of Policing. 5 areas for further improvement are identified for forces to deliver. Progress against these AFIs is being reported to the Force's Performance Management Group and the Police Performance and Resource Management Committee.

City of London Crime Data Integrity (July 2019)

- 30. HMICFRS Crime Data Integrity inspection 2019 report found the Force had improved the crime-recording standards over the past five years. The inspection found for the City of London police:
 - •93.8% of reported crimes were recorded;
 - •91.8% of reported violent crimes were recorded;
 - •More than 91.2% of reported sex offences were recorded.
- 31. The Inspectorate praised the Force's commitment to crime recording, noting that there had been a "systemic cultural change" since 2014 throughout all levels of the organisation.
- 32. HM Inspector of Constabulary Matt Parr said:
 - "Proper crime recording is essential to effective and efficient investigations. Without it, investigators may not have enough information to properly examine a crime. Worse still, a reported crime may fall through the cracks completely, leaving the victim without any access to justice.
 - "So we are pleased that the City of London police has improved how it records crime over the past five years. It has shown improved recording rates for all types of crime, as well as refinements to its recording processes and training programmes."
- 33. The Force received an overall grading of GOOD. No recommendations were made by the report, however, 6 areas for further improvement were identified, which are now being implemented, overseen by the Force's Performance Management Group and Police Performance and Resource Management Committee.

Conclusion

34. HMICFRS continues to deliver a comprehensive and robust inspection regime to test delivery of policing services and ensure that high standards are maintained by forces. The Force continues to acquit itself well. Members of your Committee can be assured that together with the support and oversight of the Police Performance and Resource Management Committee, it will continue to do so.

Appendices

None

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Committee(s)	Dated:
Audit & Risk Management Committee Subject: Deep Dive: CR 16 Information Security Risk	24 September 2019 Public
Report of: The Chamberlain	For Information
Report author: Gary Brailsford-Hart, Director of Information & Chief Information Security Officer	

Summary

The generally accepted definition of a data breach is a security incident in which sensitive, protected or confidential data is copied, transmitted, viewed, stolen or used by an individual not authorized to do so.

CR16 was developed as means to capture and mitigate the risks a 'cyber breach' would present to the City Corporation. It is evident that dependent on the nature of the breach the impact can vary from very low to critical. Cyber threat is often viewed as a complex, dynamic and highly technical risk area. However, what is often at the root of a breach is a failure to get the basics right, systems not being patched, personnel not maintaining physical security, suppliers given too much information.

The National Cyber Security Centre (NCSC) 10 Steps to Cyber Security framework has been adopted to strengthen the controls in this risk area; this framework is now used by the majority of the FTSE350. The control scores are developing well and are reflective of the ongoing adoption across the City Corporation, all risk areas continue to be actively monitored and risk managed. Scores will continue to increase as improvements to people, process and technology are delivered.

The overall objective is to bring our security controls to an appropriate level of maturity. Currently, the organisation has a target maturity score of Level 4 (Managed and Measureable) across all areas, three controls are currently at this level, and seven control areas are currently at Level 3 (Defined Process). The mitigation controls are currently Amber (action required to maintain or reduce rating), with the ongoing improvements the CR16 risk is currently Amber.

Recommendation(s)

Members are asked to:

Note the report.

Main Report

Background

- 1. Cyberspace has revolutionised how many of us live and work. The internet, with its more than 3 billion users, is powering economic growth, increasing collaboration and innovation, and creating jobs.
- Protecting key information assets is of critical importance to the sustainability and competitiveness of businesses today. The City Corporation needs to be on the front foot in terms of our cyber preparedness. Cyber security is all too often thought of as an IT issue, rather than the strategic risk management issue it actually is.
- Corporate decision making is improved through the high visibility of risk exposure, both for individual activities and major projects, across the whole of the City Corporation.
- 4. Providing financial benefit to the organisation through the reduction of losses and improved "value for money" potential.
- 5. The City Corporation is prepared for most eventualities, being assured of adequate contingency plans. We have therefore adopted the NCSC Ten Steps to Cyber Security framework to assist and support our existing strategic-level risk discussions, specifically how to ensure we have the right safeguards and culture in place.
- 6. The creation of CR16 demonstrates the City Corporations commitment to the identification and management of this risk area.

Current Position

- 7. The development and implementation of an Information Security Management System (ISMS) was seen as an essential requirement to permit the measurement and assurance of the CR16 risk (see appendix 1). A number of frameworks were considered, and the NCSC Ten Steps to Cyber Security framework, supported by the NCSC 20 Critical Security Controls, was chosen as the most appropriate for the City Corporation.
- 8. The first step of the ISMS is the "risk management regime", as the NCSC describe it, this is the strategy that glues different controls and processes together. This ensures we do not fragment the approach to cyber security and identify hidden vulnerabilities and potential for compromise, ensuring the ability to measure the risk profile. The remaining nine steps are broken down into four clear delivery areas: Establish, Manage, Enhance, and Deliver.

Information Risk Management	% Complete	Target Score	Actual Score	Trend
Information Risk Management	86%	4	4	-

Risk appetite statement is the next applicable piece of work in this area. Involves an overarching agreement with the SIRO and then a cascade framework for application in each of the business areas across the City. In addition, a code of connection has been developed to support institutional departments connecting to and consuming core IT services from City.



Establish	% Complete	Target Score	Actual Score	Trend
Monitoring	72%	4	3	-
Incident Management	93%	4	4	1
Secure Configuration	86%	4	3	-

The deployment, throughout October/November, of the Security Information and Event Management collector has taken place. However, connection work remains outstanding and once in place this will establish direct improvements to the monitoring and secure configuration across the City infrastructure.

Manage	% Complete	Target Score	Actual Score	Trend
Network Security	69%	4	3	-
Managing User Privileges	75%	4	3	-

Network security will directly improve following the implementation of the Security Information and Event Management collector was deployed throughout October/November. The issues of managing user privileges is currently being managed manually and a technical solution has been purchased and is awaiting implementation across the infrastructure – this is a complex piece of software and whilst installation is simple, the application and management will take time to develop and tune.

Enhance	% Complete	Target Score	Actual Score	Trend
Malware Prevention	68%	4	3	-
Removable Media Controls	89%	4	4	-

A project is underway to review the existing anti-malware solution and determine if enhancements are required, this has highlighted the need for anti-malware solutions for mobile devices. The removable media controls have recently been reviewed and the deployment of controls have been confirmed. To improve the removable media control score requires further work in respect of policies and user education, this is currently being included within the procedural refresh for removable media across IT, and this will include a sign-off process for receipt of device and responsibilities.

Deliver	% Complete	Target Score	Actual Score	Trend
Home and Mobile Working	71%	4	3	1
User Education and Awareness	75%	4	3	_

The next steps for the Home and Mobile Working control area are for a thorough review of user acceptance policies and guidance. In addition, the aging Citrix infrastructure is being replaced, once complete this will improve the scores in this area. A developed schedule of awareness and training is being rolled out across the organisation with a different theme each month.

9. To provide an overview of CR16 risk management the current compliance with the HMG Ten Steps assurance programme is detailed below (table 1) under each of the ten steps areas. The control scores continue to improve and are embedding across the City Corporation, the risk areas are actively monitored and risk managed (see appendix 2). Scores continue to increase as improvements to people, process and technology are delivered as part of the continuous improvement process. We have delivered and assessed the mitigation controls and believe that we have achieved an acceptable level of assurance. Furthermore, the risk management framework will reflect the controls as they mature within the organisation.

Table 1 - HMG Ten Steps assurance for the City Corporation as at September 2019 compared to March 2018.

Те	n Steps - Control Area	% 2018	% 2019	Target Score	Actual Score	Trend
1.	Information Risk Management	61%	86%	4	4	1
2.	Network Security	55%	69%	4	3	1
3.	Malware Prevention	57%	68%	4	3	1
4.	Monitoring	25%	72%	4	3	1
5.	Incident Management	75%	93%	4	4	1
6.	Managing User Privileges	54%	75%	4	3	1
7.	Removable Media Controls	46%	89%	4	4	1
8.	Secure Configuration	68%	86%	4	3	1
9.	Home and Mobile Working	36%	71%	4	3	1

10. User Education and Awareness 46	75%	4	3	↑
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Conclusion

- 10. There is an extensive programme of work underway to mitigate the risks identified within CR16. This report articulates the work in progress and clearly identifies where we will be directing continuing effort to manage this risk to an initial acceptable level and then monitoring as the controls mature across the organisation.
- 11. The breadth and scope of the necessary controls are cross-organisational and should not be entirely seen as a technical issue to be solved by the IT department. For example if users leave the door open and their computers logged on then technical controls cannot in themselves defend the organisation.
- 12. The realisation of this risk would certainly have a severe impact on technical systems and directly impact the operational effectiveness of potentially the entire City Corporation. It is therefore imperative that the underlying issue of developing a security culture is supported through the delivery of risk controls for CR16. There is positive support for this work across the organisation and senior management understand and are supportive of the necessary changes to ensure the City Corporation's security.
- 13. It is important to note that whilst we are improving the CR16 risk position, it will only remain so with the continued operation and maintenance of the controls being put in place to manage it and should not therefore be considered a one-off exercise. There is a desire to move this corporate risk to a departmental level. However, this is subject to the views of the Members of the Digital Services Sub Committee.

Appendices

Detailed Appendices available on request:

- Appendix 1 CR16 Information Security
- Appendix 2 Deep Dive Dashboard & Breakdown (NON-PUBLIC REPORT)

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Appendix 1

CR16 Information Security

Report Author: Paul Dudley

Generated on: 05 September 2019



Rows are sorted by Risk Score

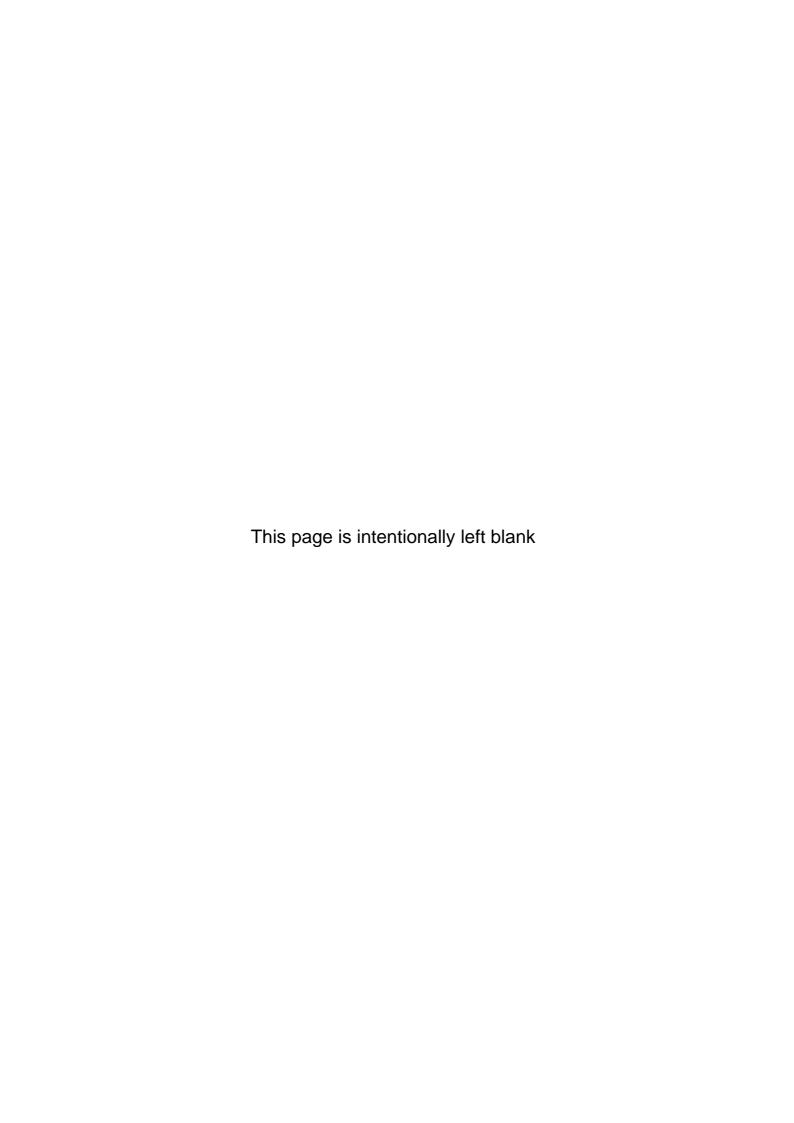
Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score	Risk Update and date of update	Target Risk Rating & Score	Target Date	Current Risk score change indicator
R16 Formation Security Ormerly CHB (030) 10-May-2019 Peter Kane	Cause: Breach of IT Systems resulting in unauthorised access to data by internal or external sources. Officer/ Member mishandling of information. Event: Cybersecurity attack - unauthorised access to COL IT systems. Loss or mishandling of personal or commercial information. Effect: Failure of all or part of the IT Infrastructure, with associated business systems failures. Harm to individuals, a breach of legislation such as the Data Protection Act 2018. Incur a monetary penalty of up to €20M. Compliance enforcement action. Corruption of data. Reputational damage to Corporation as effective body.	Impact 12	Following review with A&R committee and DSSC it was agreed that further steps were required to achieve maturity level that could bring the score to its target 29 Aug 2019	Tike hood	31-Oct- 2019	Constant

Action no	Action description	Latest Note	Action	Latest Note	Due Date
			owner	Date	

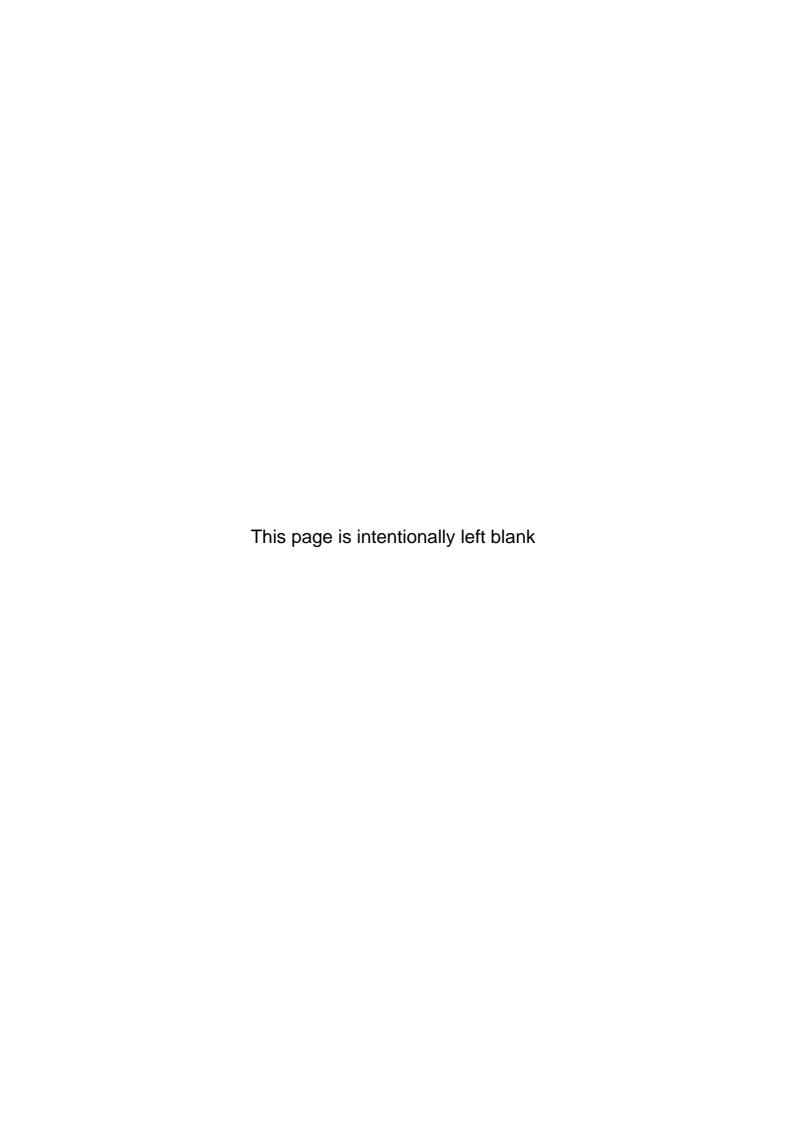
Appendix 1

CR16k	Final stages of completing information security projects which will mean that we can assure Members that the City of London Corporation has implemented all the national government recommended security practices and technology achieving a maturity level of 4.	Information Security projects are being delivered as planned. The Information Security team recommended to the Audit and Risk Committee that this risk is reduced to Amber. Move towards a continuous improvement model is being adopted to ensure the controls in	Gary Brailsford- Hart	23-May- 2019	30-Sep- 2019
		place are embedded, mature and reflective of emergent threats and risks.			
CR161		Recommending that the Digital Services Sub Committee adopts an additional tracking tool called the Cyber Security Board Toolkit This was accounted that DSSC and a member's workshop is being arranged.		29-Aug- 2019	31-Oct- 2019
		This was agreed at last DSSC and a member's workshop is being arranged.			
CR16m	Review of how Cyber risk is identified, analysed and monitored – the expectation is we should be moving beyond compliance measuring (Ten Steps) and seeking to integrate cyber security into organisational risk management processes.	Compliance and security are not the same thing. They may overlap, but compliance with common security standards can coexist with, and mask, very weak security practices. Good risk management should go beyond just compliance. Good risk management should give insight into the health of the City of London and identify opportunities and potential issues.	Gary Brailsford- Hart	29-Aug- 2019	31-Oct- 2019
Pag		Many of our organisational risks will have a cyber component to them. Cyber security risk should therefore be integrated with our organisational approach to risk management. Dealing with cyber security risk as a standalone topic (or considering it simply in terms of 'IT risk') will make it hard for us to recognise the wider implications of those cyber security risks, or to consider all the other organisational risks that will have an impact on cyber security			
age:256	Now in continuous improvement with monitoring and review at the DSSC	Updates to be provided to DSSC committee every two months with a deep dive at the next A&R Committee. Report provided to A&R, monitoring agreed to continue at DSSC.		29-Aug- 2019	28-Sep- 2019

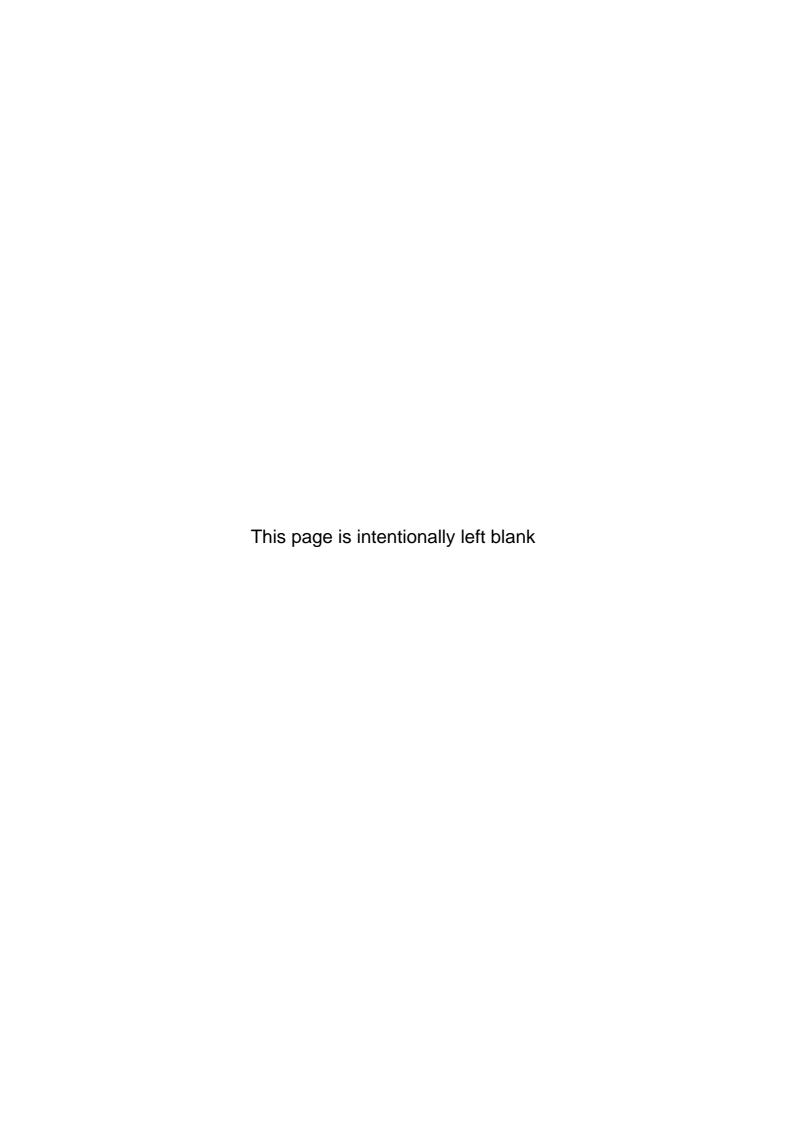
By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.



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