



Report to the Audit and Risk Management Committee
CITY OF LONDON CORPORATION

Audit Planning: year ending 31 March 2019

IDEAS | PEOPLE | TRUST



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WELCOME

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We have pleasure in presenting our Audit Planning Report to the Audit and Risk Management Committee of the City of London Corporation (the 'Corporation'). This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance.

In communicating with the Corporation, we consider those charged with governance of the other entities within the scope of this report to be informed about matters relevant to their charity, company or fund. Please let us know if this is not appropriate.

It summarises the planned audit strategy for the year ending 31 March 2019 in respect of our audit of the financial statements of the City Fund, Pension Fund, Bridge House Estates, City's Cash, Guildhall School of Music and Drama, City's Cash Trusts, other Sundry Trusts and the Lord Mayor's Show; and our review of the arrangements in place for the use of resources of the City Fund. It comprising our proposed materiality levels, key audit risks and the planned approach to these, together with timetable and the BDO teams.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

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

We look forward to discussing this plan with you at the Audit and Risk Management Committee meeting on 12 March 2019 and to receiving your input on the scope and approach.

In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.

Leigh Lloyd-Thomas



28 February 2019

Fiona Condron



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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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This summary provides an overview of the significant audit matters that we believe are important to the Audit and Risk Management Committee in reviewing the planned audit strategy for the Corporation for the year ending 31 March 2019.

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

Audit scope

Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and other guidance issued by the NAO and Charity Commission.

City Fund

The scope of the City Fund audit, in exercising the Corporation's functions as a local authority, is determined by the NAO's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014.

This includes: auditing the financial statements included in the Statement of Accounts; reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties.

Pension Fund

The scope of the pension fund audit, as the administering authority providing the local government pension scheme for the Corporation and other scheduled and admitted bodies, is also determined by the NAO's Code of Audit Practice and the Local Audit and Accountability Act 2014.

This includes: auditing the financial statements included in the Statement of Accounts, and reviewing the pension fund annual report to check the consistency of the pension fund financial statements within the annual report with the pension fund financial statements in the Statement of Accounts.

Bridge House Estates

Bridge House Estates is an unincorporated charity registered with the Charity Commission. The principal objective of Bridge House Estates is to maintain Tower Bridge, London Bridge, Southwark Bridge, Blackfriars Bridge and the Millennium Bridge. It may also use surplus funds to support other charitable activities across London.

Bridge House Estates (continued)

The Corporation, as the Corporate Trustee, is responsible for preparing and filing an annual report and financial statements which show a true and fair view and are prepared in accordance with FRS 102 and the Charities SORP.

The Corporation has delegated responsibility in respect of management of this charity to various committees of the Common Council.

City's Cash and Sundry Trusts

City's Cash is a fund of the Corporation that can be traced back to the 15th Century and has built up from a combination of properties, land, bequests and transfers under statute since that time. Investments in properties, stocks and shares are managed to provide a total return that supports the provision of services that are of importance nationally and internationally as well as to the City and Greater London.

There is no legislation that governs the reporting requirements for City's Cash and the Corporation has elected to prepare the financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

The Sundry Trusts are unincorporated charities whose financial statements are prepared in accordance with FRS 102 and the Charities SORP.

Guildhall School of Music and Drama (GSM&D)

Guildhall School of Music & Drama is a designated Higher Education (HE) institution and as such is required to produce a set of financial accounts for the year ended 31 July. The School is part of the City of London Corporation (not a separate legal entity) and as such is not required to produce full statutory accounts. The Income and Expenditure Account is prepared following the general format of the Further and Higher Education SORP. An independent accountant's report is required to cover "regularity" (use of OfS funds) and compliance with the Terms and Conditions of Funding for HEIs.

Lord Mayor's Show Limited

The Lord Mayor's Show is a private company limited by guarantee with a 31 May year end whose financial statements are prepared in accordance with Company Law and FRS 102.

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Materiality

As the main funds of the Corporation have custody of significant public assets through the ownership of property assets and managed investments that are used to generate income to support each fund, overall financial statements planning materiality has been determined by reference to a benchmark using Statement of Financial Position / Net Assets Statement for relevant assets.

We also consider that a misstatement at a lower level through income and expenditure would be material where this may impact on available resources to support each fund, or where significant transactions or classes of transaction would be important in understanding the financial performance. Therefore, we will apply a lower level of specific materiality to income and expenditure transactions in the performance statement / statement of financial activity for each of the main funds. Planning materiality has been based on balances and transactions disclosed in the prior year financial statements. Materiality will be revisited when the draft financial statements are received for audit.

The basis for setting materiality for the sundry trusts, is expenditure for all Trusts whose deficits are funded by City of London Corporation and gross assets for all other Trusts / entities. A lower specific materiality has been set for those entities whose items of income and expenditure are significantly lower than the asset base. Specific materiality is applied to those areas of the financial statements where a misstatement would normally affect net income before investment gains and losses.

Although materiality is the judgement of the engagement lead, the Audit and Risk Management Committee is obliged to satisfy themselves that the materiality chosen is appropriate for the scope of the audit.

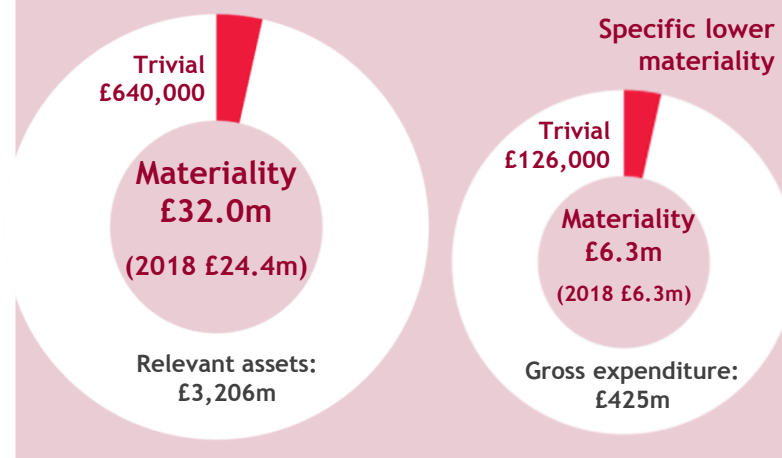
City Fund

We have applied a benchmark total comprising the combined value of long term assets, managed investments and cash resources as a suitable value for materiality. Materiality has been set at 1% of this Balance Sheet amount.

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. Revenue reserves and resources available to the City Fund at 31 March 2018 was £122m million, comprising the General Fund balance £66m, Housing Revenue Account balance £4m and earmarked reserves £52m. Therefore, we will apply a lower specific level of materiality at 1.5% of gross expenditure (cost of services) to income and expenditure transactions in the Comprehensive Income and Expenditure statement (CIES) and Movement in reserves statement (MiRS) that impact on revenue resources to reduce the risk of material misstatements.

The clearly trivial amount is based on 2% of the materiality level.

Financial statements materiality



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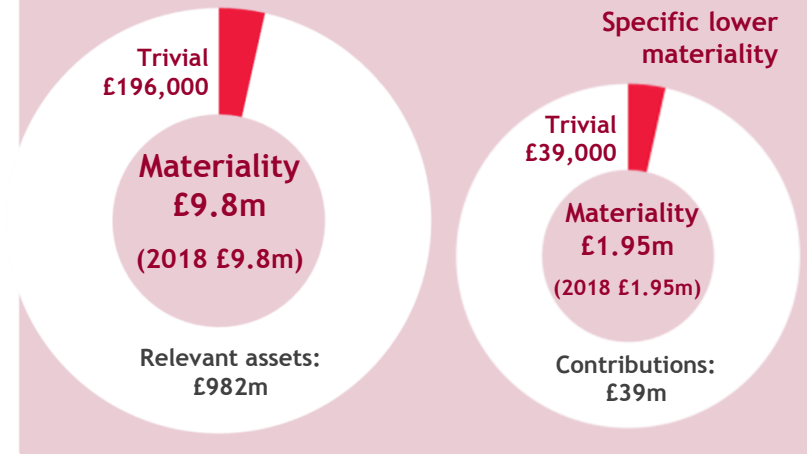
Pension Fund

We have applied a benchmark total comprising the gross value of investment assets as a suitable value for materiality. Materiality has been set at 1% of this Net Asset Statement amount.

Specific materiality for the Fund Account, for income and expenditure classes of transactions, has been set at 5% of contributions receivable.

The clearly trivial amount is based on 2% of the materiality level.

Financial statements materiality



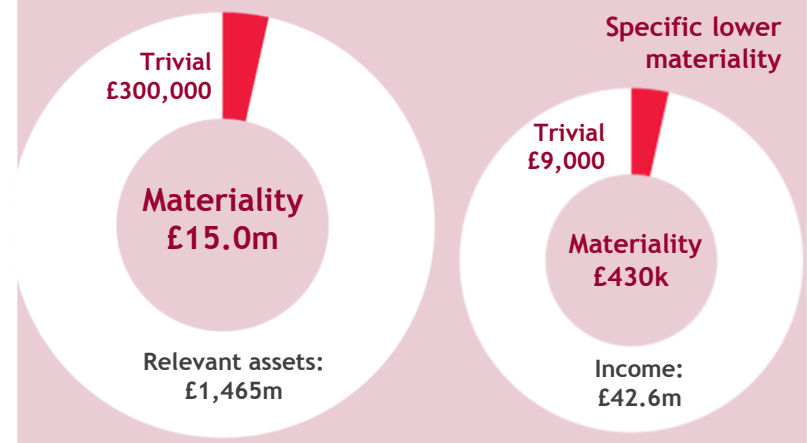
Bridge House Estates

We have applied a benchmark comprising the gross assets of the charity as a suitable basis for materiality. Given the relative significance of the assets held by Bridge House Estates, and in line with BDO methodology taking into account that this is the first audit, materiality has been set at 1% of gross assets.

Specific materiality for the Statement of Financial Activities has been set at 1% of total income. BDO methodology suggests a possible range of 1-2% of income for specific materiality. The selected percentage reflects our judgement of a variety of aspects including our assessment of the level of public interest and the first year of our audit.

The clearly trivial amount is based on 2% of the materiality level.

Financial statements materiality



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City's Cash (and Sundry Trusts)

With respect to City's Cash, we have applied a benchmark comprising the gross assets as a suitable basis for materiality. Given the relative significance of the assets held by City's Cash, and in line with BDO methodology taking into account that this is the first audit, materiality has been set at 1% of gross assets.

Specific materiality for the Statement of Comprehensive Income of City's Cash has been set at 1% of gross income and the clearly trivial amount is based on 2% of the materiality level.

The materiality levels for the Sundry Trusts are based on 1.5% of expenses, for those entities whose deficits are funded by City of London Corporation, and 1.5% of gross assets for all other Trusts. Specific materiality is applied where appropriate. Further details are included in the appendices.

Guildhall School of Music and Drama

We have applied a benchmark comprising the total income of the School as a suitable value for materiality. Materiality has been set at 1% of total income in line with BDO methodology taking into account that this is the first audit.

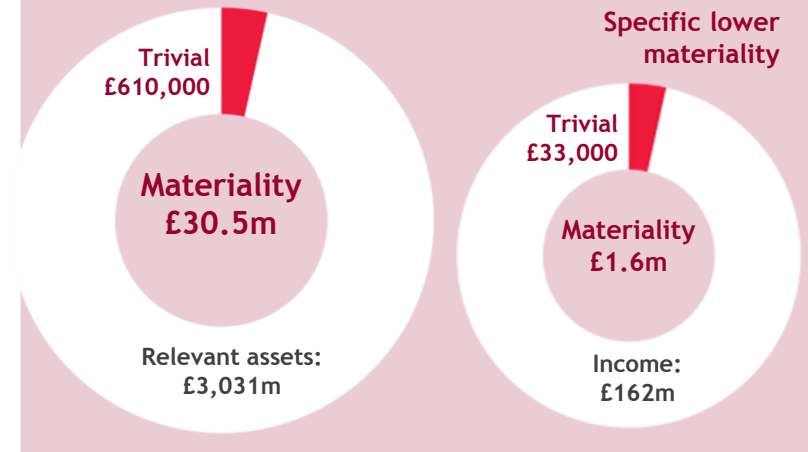
The clearly trivial amount is based on 2% of the materiality level.

Lord Mayor's Show

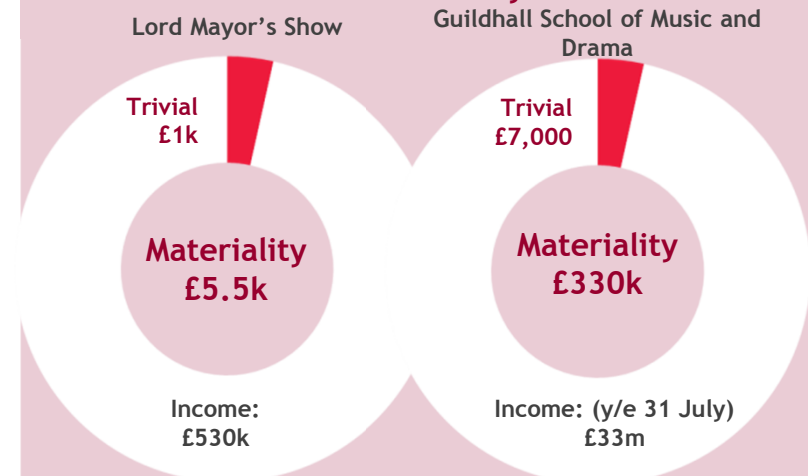
We have applied a benchmark comprising the total income of the company as a suitable value for materiality. Materiality has been set at 1.5% of total income.

The clearly trivial amount is based on 2% of the materiality level subject to a de-minimus limit of £1k which we seek the Committee's agreement to apply.

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Financial statements materiality



AUDIT STRATEGY

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Our Audit Strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher, and (for City Fund) where there is a risk that the organisation has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have discussed the changes to the business, systems and controls in the year with management and obtained their own view of potential audit risks in order to update our understanding of each entity's activities and to determine which risks impact on the numbers and disclosures in the financial statements, or (for City Fund) on its arrangements for securing economy, efficiency and effectiveness in its use of resources.

A lower level of materiality is applied to the areas of the financial statements that are considered to be sensitive, such as senior management remuneration disclosures, auditor's remuneration disclosures and related party disclosures.

We will continue to update this assessment throughout the audit.

The table on the next page summarises our planned approach to audit risks identified.

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Risk identified - Financial statements

■ Significant risk

■ Normal risk

	City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts	GSM&D	Lord Mayor's Show	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override of controls	■	■	■	■	■	■	■	Yes	Substantive	High
Revenue recognition	■	■	■	■	■	■	■	Yes	Substantive	High
Property, plant & equipment and investment property valuations	■	■	■	■	■	■	■	No	Substantive	High
Pension liability valuation	■	■	■	■	■	■	■	No	Substantive	High
Accounting for leases	■	■	■	■	■	■	■	No	Substantive	Medium
Acquisition of Barking Power Limited	■	■	■	■	■	■	■	No	Substantive	Medium
Fund accounting	■	■	■	■	■	■	■	No	Substantive	High
Investment valuations	■	■	■	■	■	■	■	No	Substantive	Medium
City's Cash basis of consolidation	■	■	■	■	■	■	■	No	Substantive	Medium
Classification and measurement of financial instruments (IFRS 9)	■	■	■	■	■	■	■	No	Substantive	Low
Revenue from contracts with customers (IFRS15)	■	■	■	■	■	■	■	No	Substantive	Medium
Non-collection allowances for receivables and arrears	■	■	■	■	■	■	■	No	Substantive	Medium
Related party transactions disclosure	■	■	■	■	■	■	■	No	Substantive	Low
Pension contributions	■	■	■	■	■	■	■	No	Substantive	Low
Pension benefits payable	■	■	■	■	■	■	■	No	Substantive	Low
NDR appeals provision	■	■	■	■	■	■	■	No	Substantive	Medium
NDR pooling arrangements	■	■	■	■	■	■	■	No	Substantive	Low

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Risk identified - Use of resources

- Significant risk
- Normal risk

	City Fund	Testing approach
Police financial management		Detailed review
Sustainable finances		Detailed review

INDEPENDENCE AND FEES

Executive summary

Independence

We confirm that the firm complies with the Financial Reporting Council's Ethical Standard for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.



Fees	2018/19 £	2017/18 £
Corporation audit fees		
City Fund	80,000	⁽¹⁾ 106,275
Pension Fund	15,000	21,000
City's Cash and Sundry Trusts	100,000	⁽²⁾ 91,260
Bridge House Estates	40,000	⁽²⁾ 38,240
The Lord Mayor's Show	⁽⁶⁾ 6,500	⁽⁴⁾ 6,000
Heart of the City of London Ltd	⁽⁶⁾ 3,500	-
Subsidiaries audit fees		
Barking Power Limited and Thames Power Services Limited	⁽⁵⁾ 35,000	-
Total audit fees	280,000	262,775
Non audit fees		
- Grants and subsidy certification	16,000	⁽³⁾ 18,326
- Report on Guildhall School of Music and Drama financial statements	8,000	⁽¹⁾ 10,000
Non audit fees	24,000	28,326
Total fees	304,000	291,101

⁽¹⁾ Our planned fees for 2017/18 were £86,383 but additional costs were incurred on some areas of the audit.

⁽²⁾ Moore Stephens LLP were the appointed auditor for these audits in 2017/18 and we have reported their fees above.

⁽³⁾ The final fees for grants and subsidy certification is subject to final agreement as additional work was required this year for testing of errors in the housing benefit subsidy return and corrections required to other returns.

⁽⁴⁾ Prager Metis LLP were the appointed auditor for this audit in 2017/18 and we have reported their fees above.

⁽⁵⁾ This is the indicative fee based on the initial scoping meeting with directors of these subsidiary companies.

⁽⁶⁾ We have included additional fees for these entities not initially included in the tender specification.

Audit scope and objectives

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Key components of our audit objectives and strategy for the Corporation are highlighted and explained on the following pages.

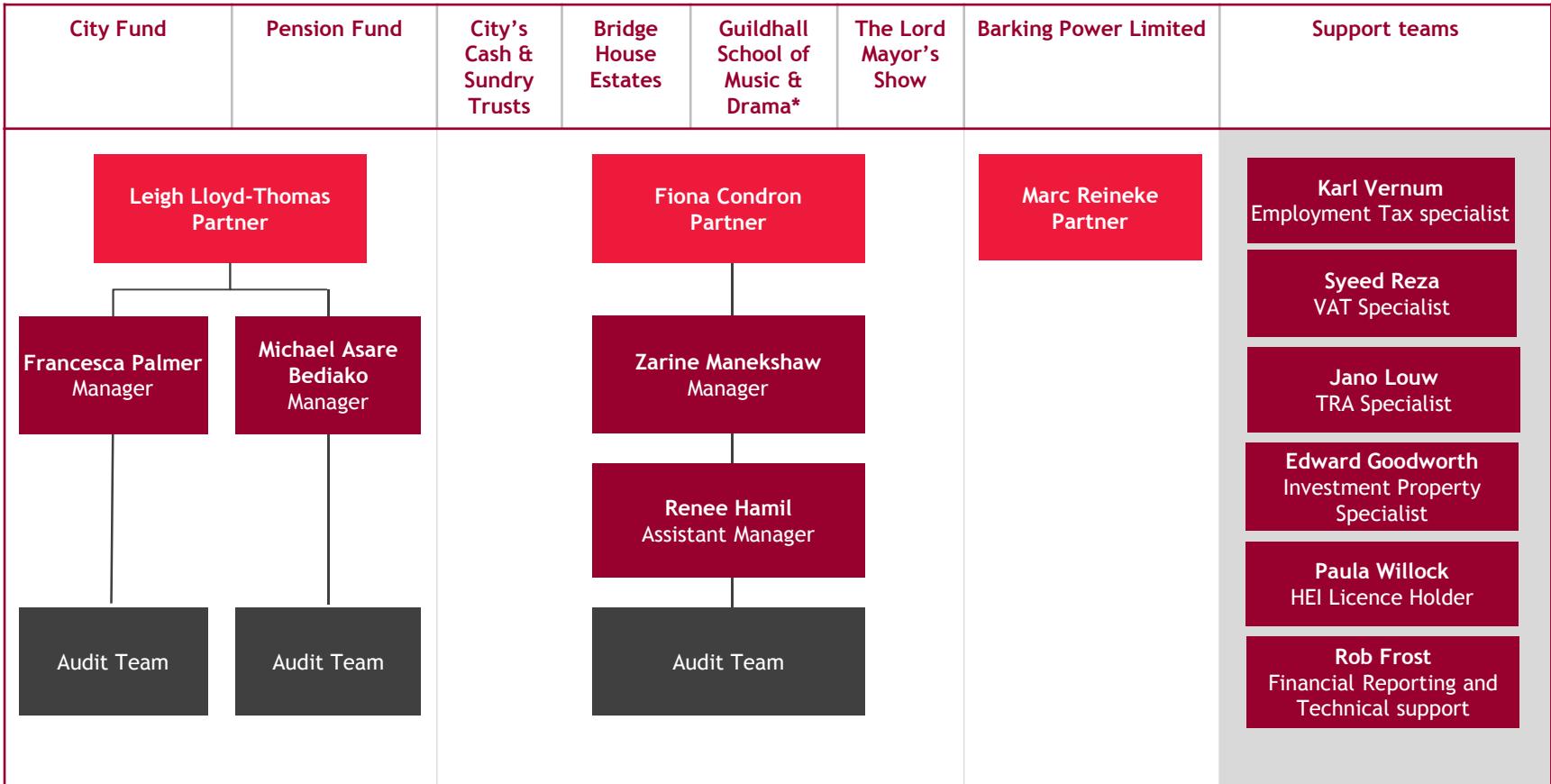
Audit planning is a collaborative and continuous process and our audit strategy, as reflected here, will be reviewed and updated as our audit progresses.

We will communicate any significant changes to our audit strategy, should the need for such change arise.

Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the NAO, Charity Commission and HEFCE.
Financial statements	We will express an opinion on the financial statements for each entity, prepared in accordance with the relevant financial reporting framework. For City Fund and the Pension Fund this is the CIPFA Code of Practice on Local Authority Accounting 2018/19. For City’s Cash this is UK GAAP. For Bridge House Estates and the Sundry Trusts this is UK GAAP, the Charities Act 2011 and the Charities SORP 2015. For Guildhall School of Music and Drama this is the Further and Higher Education SORP 2015 and for the Lord Mayor’s Show this is UK GAAP.
Statement of Accounts / Annual Reports	In addition to our objectives regarding the financial statements, we will also: <ul style="list-style-type: none"> Read and consider the ‘other information’ contained in the Statement of Accounts / Annual Reports such as the additional narrative reports. 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. For statutory other information (defined by the Charities SORP) for the charities we will form an opinion on whether the information given in the other information is consistent with the financial statements and our knowledge obtained in the audit and whether the reports have been prepared in accordance with applicable legal requirements.
Use of resources (City Fund)	We will report to the Corporation, in respect of the activities of the City Fund, whether it has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
WGA (City Fund)	We will review the Whole of Government Accounts (WGA) return and express an opinion on the return whether it is consistent with the audited financial statements.
Additional powers and duties (City Fund)	Where necessary we may be required to: issue of a report in the public interest; make a written recommendation to the Corporation; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
Report to the Audit and Risk Management Committee	Prior to the approval of the financial statements, we will discuss our significant findings of our audit for each fund, charity or entity with the Audit and Risk Management Committee. As noted in the introduction, in communicating with the Corporation, we consider those charged with governance of the other entities within the scope of this report to be informed about matters relevant to their charity, company or fund. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.

TEAM ORGANISATION

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BDO TEAM

Team responsibilities - engagement leads



Leigh Lloyd-Thomas
Engagement Lead

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I will have primary responsibility to ensure that the appropriate audit opinions are given for City Fund and the Pension Fund.

I will ensure that we have undertaken sufficient work to assess the Corporation's arrangements, in respect of the City Fund, for securing economy, efficiency and effectiveness in the use of its resources against the guidance published by the NAO.

I am also responsible for co-ordinating the audit work across the funds and on various grants and certification returns.



Fiona Condron
Engagement Lead

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I will have primary responsibility to ensure that the appropriate audit opinions are issued for Bridge House Estates, City's Cash and the Sundry Trusts and the Lord Mayor's Show.

Leigh and Fiona will work closely together to ensure that the audits across all the funds and trusts are properly coordinated.

In meeting this responsibility, we ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to report on the financial statements and communicate as required by the ISAs (UK), in accordance with our findings.

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Francesca Palmer
Audit Manager

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I will lead on the audit of the City Fund and on various grants and certification returns.



Michael Asare Bediako
Audit Manager

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I will lead on the audit of the Pension Fund.



Zarine Manekshaw
Audit Manager

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I will lead on the audit of City's Cash and the Sundry Trusts, Bridge House Estates, Guildhall School of Music and Drama and the Lord Mayor's Show.



Renee Hamil
Assistant Manager

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I will be assisting on the audit of City's Cash and the Sundry Trusts, Bridge House Estates, Guildhall School of Music and Drama and the Lord Mayor's Show.

The audit managers work closely with Leigh and Fiona to develop and execute the audit strategy for each fund and the trusts. Each manager has been assigned as a key point of contact on a day to day basis for these audits and will ensure that timelines are carefully managed to ensure that deadlines are met and matters to be communicated to management and the Audit and Risk Management Committee are highlighted on a timely basis.

BDO TEAM

Team responsibilities - other key team members



Syeed Reza
VAT Specialist

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I will provide VAT support to the engagement team and will liaise with management with regards to the VAT audit assist across all entities and funds.



Karl Venum
Employment Tax Specialist

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I will provide employment tax support to the engagement team and will liaise with management with regards to the employment taxes audit assist across all entities and funds.



Jano Louw
TRA Specialist

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I will provide IT and data analytics support to the engagement team across all entities and funds.



Edward Goodworth
Investment Property Specialist

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Edward is a partner in Real Estate assurance and his team will provide comparative benchmark data to the audit team to review the valuations and yields used by the valuers for investment property valuations.



Paula Willock
HEI Licence Holder

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I will provide support to the engagement team with respect to the Guildhall School of Drama and Music. I am an education licence holder and have experience of working with Higher Education Institutions.

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Audit risks

OVERVIEW

We have assessed the following as financial statements audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

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Description of risk	City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts	GSM&D	Lord Mayor's Show	Overview of risk
<p>■ Significant risk</p> <p>■ Normal risk</p>								
Management override of controls								ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
Revenue recognition								<p>Under ISA (UK) 240 there is a presumed, albeit rebuttable, significant risk of fraud in relation to revenue recognition</p> <p>For City Fund, there is 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).</p> <p>For City's Cash and the Sundry Trusts, Bridge House Estates, Guildhall School of Music and Drama and the Lord Mayor's Show, there are material revenue streams from a variety of sources: rental income, tourism fees and charges, tuition fees, investments, grants and donations. We consider the risk to be related to the completeness of the amounts recognised in the year and the appropriate identification of any relevant restrictions. For charities, the risks can be identified as affecting the completeness of income, although there are also risks regarding restrictions, accuracy and existence of income.</p>
PPE and Investment property valuation								The Corporation holds an extensive portfolio of land, buildings, dwellings and investment properties. There is a risk over their valuation where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at year-end.
Pension liability valuation								<p>The valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions. The accounting estimate for the defined benefit pension liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liabilities. The calculation is complex and inputs can be part of a range of appropriate percentages / ages. The inputs are usually highly sensitive to change and due to the amounts being highly material, a small change in input could result in an amount that is materially different to what was recorded.</p> <p>As noted in the prior year financial statements, the proportion of the Pension Fund that relates to City Fund, City's Cash and 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. For these entities, the risk is therefore also focussed on the accuracy of this calculation.</p>

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Description of risk	City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts	GSM&D	Lord Mayor's Show	Overview of risk
<p>■ Significant risk</p> <p>■ Normal risk</p> <p>Accounting for leases</p>								<p>City Fund, Bridge House Estates and City's Cash has 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.</p> <p>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 around the recognition of rental income, rent free calculations, lease extension/ lease premiums, dilapidations and the relevant disclosures.</p>
<p>Acquisition of Barking Power Ltd</p>								<p>During the year, City's Cash acquired Barking Power Limited and Thames Power Services Limited. The acquisition is a business combination and the results of the company will be consolidated in the Group results for City's Cash for the year ended 31 March 2019.</p> <p>The key assumptions relating to fair value measurement of the assets and liabilities at acquisition date will be an area of focus. Additionally, goodwill may not be correctly calculated.</p>
<p>Fund accounting</p>								<p>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 will review the opening balances and the detailed work performed to calculate the restatement. The allocation of income, expenditure and investment gains/ losses to restricted/endowment funds may continue to require some judgement. We therefore consider the risk of the accuracy and presentation of the closing funds position and the net assets by fund.</p>
<p>Investment valuations</p>								<p>There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements.</p>
<p>City's Cash basis of consolidation</p>								<p>City's Cash is a non statutory consolidation comprising the results of the services provided directly along with a number of entities and unincorporated charities. In addition there are a number of other unincorporated charities which are not consolidated within City's Cash. We understand that the rationale for including or excluding entities / charities within City's Cash was last formally considered in 2013. We therefore consider the risk of the completeness of the consolidated accounts of City's Cash given that circumstances may have changed over time.</p>
<p>Financial instruments</p>								<p>There is a risk that financial instruments are not classified and measured in accordance with the new financial reporting standard IFRS 9.</p>

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Financial statements audit risks

Description of risk	City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts	GSM&D	Lord Mayor ¹ Show	Overview of risk
<ul style="list-style-type: none"> ■ Significant risk ■ Normal risk 								
Revenue from contracts with customers								There is a risk that revenue from contracts with customers is not measured in accordance with the new financial reporting standard IFRS 15.
Non-collection allowances								There is a risk over the valuation of the allowance for non-collection of receivables and arrears if incorrect assumptions or source data are used, or an inappropriate methodology is applied.
Related party transactions								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. Historically members have provided declarations but the requirements to consider other connected parties (including family and business connections) may not have been explicitly considered.
Pension contributions								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.
Pension benefits payable								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.
NDR appeals provision								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.
NDR pooling arrangements								There is a risk that the arrangements put in place for the London-wide NDR Pooling and Strategic Investment Fund are not appropriately disclosed within the financial statements.

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

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			
Fraud risk				
Assess design & implementation of controls to mitigate				
Significant Management estimates & judgements				
Controls testing approach				
Substantive testing approach				
Risk highlighted by Corporation				

Risk detail

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.

- Planned audit approach**
- Our audit procedures will include 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 high value and unusual journal entries made in the year, agreeing the journals to supporting documentation. We will determine key risk characteristics to filter the population of journals. We will use our IT team to assist with the journal extraction; and
 - Consideration of unadjusted audit differences for indications of bias or deliberate misstatement.



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

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			
<p>Fraud risk</p> <p>Assess design & implementation of controls to mitigate</p> <p>Significant Management estimates & judgements</p> <p>Controls testing approach</p> <p>Substantive testing approach</p> <p>Risk highlighted by Corporation</p>				

Risk detail

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).

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.

For City's Cash, we consider there to be a significant risk in respect of the completeness of education income (including tuition fees, grants, donations and charges for the use of facilities) and investment income. Together these account for approximately 88% of total income.

The Sundry Trusts we consider there to be a significant risk in respect of the completeness of the contribution from City's Cash, grants, donations and legacies, fees and charges (including admissions), rental income and investment income. For grants, donations and legacies we also consider there to be a risk that any relevant restrictions are not correctly identified.

For Guildhall School of Music and Drama, we consider there to be a significant risk in respect of the completeness of academic fees and contracts, funding council grants, research grants and contracts and other operating income (including support from City of London Corporation and residencies, catering and conference income).

For the Lord Mayor's Show, we consider there to be a significant risk in respect of the completeness of participation fees, grandstand ticket sales and other sundry income.

We have rebutted revenue recognition as a risk for the Pension Fund as revenue is principally monthly payroll contributions from a small number of employers.

Planned audit approach

- Our audit procedures will include the following:
- Test a sample of grants included in income to documentation from grant paying bodies and check whether recognition criteria have been met;
 - Carry out audit procedures to gain an understanding of the group's 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. This will include 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 (charity entities only);
 - Test 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 will select a sample of grants and donations to ensure completeness, accuracy, existence and classification (as restricted or unrestricted) in the financial statements;
 - We will select a sample of investment income and confirm to third party investment manager reports;
 - A sample of property rental income will be agreed to lease agreements and recalculations performed to determine whether the amounts are accurate and recorded in the correct period. Please also refer to the risk on 'accounting for leases'.

PPE AND INVESTMENT PROPERTY VALUATION

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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.

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

Risk detail

Land, buildings and dwellings are reported at fair value / carrying value. For City Fund, operational assets are valued at current value and surplus assets / assets held for sale at fair value at the balance sheet date. For Bridge House Estates and City's Cash, operational assets are carried at cost.

For all entities, investment properties are reported 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 5 years. The Corporation has appointed four different valuers for investment property and other operational land and buildings. Internal valuers also carry out some valuations at year end.

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.

The Pension Fund does not carry any Property, plant & equipment or Investment property.

Planned audit approach

Our audit procedures will include the following:

- Assess the qualifications and competence of the valuers used;
- Review 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;
- Confirm that the basis of valuation for assets valued in year is appropriate based on their usage;
- Review accuracy and completeness of asset information provided to the valuer such as rental agreements and land plot / building sizes;
- Review assumptions used by the valuers and movements against relevant indices for similar classes of assets and follow up valuation movements that appear unusual;
- Discuss with our Real Estate Team the reasonableness of assumptions on benchmark and yields range for investment properties;
- We will compare movements in the valuation of assets year-on-year and investigate unusual movements; and
- Complete disclosure checklist.

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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.

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	
Risk highlighted by Corporation	

Risk detail

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 51% City Fund, 47% City's Cash and 2% Bridge House Estates.

The City Fund also reports the pension liability for the City Police pension scheme. This is an unfunded scheme.

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 City Fund, City's Cash and 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. For these entities, the risk is therefore also focussed on the accuracy of this calculation.

Planned audit approach

Our audit procedures will include the following:

- Assess the qualifications and competence of the actuary through the use of PwC consulting actuary (auditor's expert);
- Review 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);
- Review the controls for providing accurate membership data to the actuary;
- Check whether any significant changes in membership data have been communicated to the actuary;
- Check 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; and
- Review the reasonableness of the relevant disclosures in City Fund, Bridge House Estates and City's Cash relating to the basis of apportioning the net pension liability of the Corporation.

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There is a risk leases may not be correctly accounted.

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

Risk detail

City Fund, Bridge House Estates and City's cash 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.

Planned audit approach

- Lease income will be 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 will check the disclosures to ensure that these are in line with the relevant accounting standard.

ACQUISITION OF BARKING POWER LTD

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There is a risk the assets and liabilities acquired may not be identified and recorded as well as assets and liabilities may not be correctly valued.

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

Risk detail

During the year, City's Cash acquired Barking Power Limited and Thames Power Services Limited. The acquisition is a business combination and the results of the company will be consolidated in the Group results for City's Cash for the year ended 31 March 2019.

The key assumptions relating to fair value measurement of the assets and liabilities at acquisition date will be an area of focus. Additionally, goodwill may not be correctly calculated.

Planned audit approach

- We will obtain and review board minutes relating to the purchase and well as due diligence reports prepared prior to acquisition;
- A copy of the sales agreement and other supporting documents relating to the sale will be obtained and reviewed to determine information such as details of purchase consideration and assets acquired;
- We will review the financial statements of the companies acquired;
- We will review management's assessment of the fair value of assets and liabilities recognised at acquisition date as required by the financial reporting standards;
- We will perform a recalculation of the amounts recorded such as goodwill; and
- We will review the consolidation results for City's Cash to ensure that the acquisition has been consolidated appropriately.

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There is a risk that fund accounting is not being correctly applied.

Risk detail

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.

Planned audit approach

We will review:

- Review in detail the papers documenting the issue as prepared by management and the previous auditor;
- The opening balances;
- The allocation of income, expenditure and investment gains / losses to restricted / endowment funds as this may require some judgement; and
- The disclosure of the net assets by fund for each entity as this will need consideration of the evidence available to support the disclosure.

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

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There is a risk that investment valuations may not be corrected reported at year end.

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

Fraud risk
 Assess design & implementation of controls to mitigate
 Significant Management estimates & judgements
 Controls testing approach
 Substantive testing approach
 Risk highlighted by Corporation

Risk detail

The managed investment portfolio across the funds (including pension fund assets) comprises 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 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.

Planned audit approach

Our audit procedures will include the following:

- For unquoted infrastructure and private equity investments, obtain 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 will confirm that appropriate adjustments have been made to the valuations in respect of additional contributions and distributions with the funds;
- For pooled investments, obtain direct confirmation of investment valuations from the fund managers and agree independent valuations, where available, provided by the custodian;
- Obtain independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds; and
- Agree the allocation of amounts for each fund where there is pooling of investments across the funds.

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There is a risk over the completeness of the consolidation of entities within City's Cash.

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	
Risk highlighted by Corporation	

Risk detail

City's Cash is a non statutory consolidation comprising the results of the services provided directly along with a number of entities and unincorporated charities. In addition there are a number of other unincorporated charities which are not consolidated within City's Cash.

We understand that the rationale for including or excluding entities/charities within City's Cash was last formally considered in 2013. We note that Keat's House was consolidated for the first time in 2017/18.

We therefore consider the risk of the completeness of the consolidated accounts of City's Cash given that circumstances may have changed over time.

Planned audit approach

Our audit procedures will include the following:

- Reviewing the evidence provided by management setting out the current rationale (rolled forward as at 31 March 2019) to support including or excluding entities within the scope of the consolidation of City's Cash;
- Reviewing the attributes which could indicate that City's Cash does or does not have the ability to control the operations, activities and management of each of the sundry trusts or entities; and
- Consider whether the disclosures in both the non statutory financial statements of City's Cash and in each of the sundry Trusts provides adequate and appropriate explanation to support the accounting treatment adopted.

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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.

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	
Risk highlighted by Corporation	

Risk detail

For City Fund, 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.

Initial review suggests that IFRS 9 will have limited impact on the Pension Fund as investment assets fair value movements are already reported through the Fund Account.

The requirements of IFRS 9 has not yet been adopted into UK GAAP and might very well take a few years to catch up. As such, the new requirements currently has no impact on the financial statements of City's Cash and Bridge House Estates.

Planned audit approach

Our audit procedures will include the following:

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

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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.

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

Fraud risk
 Assess design & implementation of controls to mitigate
 Significant Management estimates & judgements
 Controls testing approach
 Substantive testing approach
 Risk highlighted by Corporation

Risk detail

For City Fund, 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.

Initial review suggests that IFRS 15 will have limited impact on the Pension Fund as income primarily represents contributions from employers and investment income.

The requirements of IFRS 15 has not yet been adopted into UK GAAP and might very well take a few years to catch up. As such, the new requirements currently has no impact on the financial statements of City's Cash and Bridge House Estates.

Planned audit approach

Our audit procedures will include the following:

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

NON-COLLECTION ALLOWANCES

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

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Corporation

Risk detail

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 (City Fund only) 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.

The Pension Fund does not carry significant amounts for receivables.

City's Cash and Bridge House Estates do not carry any significant provisions for receivables.

Planned audit approach

Our audit procedures will include the following:

- Review 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;
- Check that information has been accurately extracted from systems to support the modelling of collection rates by age; and
- Confirm that City Fund has applied an expected credit loss model for receivables classified as financial instruments, and that all other receivables across the funds continue to apply an incurred credit loss model.

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

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GSM&D	Lord Mayor's Show			

Fraud risk	
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Risk detail

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 (inc. family and business connections) may not have been explicitly considered.

Planned audit approach

Our audit procedures will include the following:

- Review management processes and controls to identify and disclose related party transactions;
- Review relevant information concerning any such identified transactions;
- Discuss 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.

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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.

Risk detail

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.

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
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Planned audit approach

Our audit procedures will include the following:

- Test amount payable by employers / receivable by the pension fund for normal contributions including checking to employer payroll records;
- Ensure that income is recognised in the correct accounting period where the employer is making payments in the following month;
- We will perform tests over pension strain contributions due from employers;
- Agree total contributions payable by the Corporation (as employer) to the amounts received in the pension fund;
- Review 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
- Discuss with the actuary the potential impact of GMP equalisation and the McCloud / Sargeant judgement regarding age discrimination on the pension fund liability and impact on employer fund.

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

Risk detail

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.

Planned audit approach

Our audit procedures will include the following:

- For members leaving the scheme and deferring their pension and members becoming entitled to receive pension during the year, we will check a sample of calculations of pension entitlement;
- Check the correct application of annual pension uplift for members in receipt of benefits;
- Test 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;
- Review 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 check payments to movements in the membership statistics.

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

Fraud risk	
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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.

Risk detail

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.

City Fund	Pension Fund	City's Cash	Bridge House Estates	Sundry Trusts
GSM&D	Lord Mayor's Show			

Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	
Risk highlighted by Corporation	

Planned audit approach

Our audit procedures will include the following:

- Review 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
- Review of the assumptions used in the preparation of the estimate including the historic success rates to confirm if the rates applied are appropriate.

NDR POOLING ARRANGEMENTS

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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.

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GSM&D	Lord Mayor's Show			
Fraud risk				
Assess design & implementation of controls to mitigate				
Significant Management estimates & judgements				
Controls testing approach				
Substantive testing approach				
Risk highlighted by Corporation				

Risk detail

City Fund are acting as host for the London-wide NDR Pool. As part of this it is responsible for calculating how much of the total NDR raised in across London should be retained by each authority and how much is due to the GLA and Central Government.

In addition 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, where it acts as host, may not appropriately reflect the arrangement as a principal or agent for these amounts.

Planned audit approach

Our audit procedures will include the following:

- Review 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
- Review 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.

OVERVIEW

Use of resources audit risks

We have assessed the following as use of resources audit risks. These are matters assessed as most likely to impact on our use of resources conclusion and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

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Description of risk	Significant risk	Normal risk	Overview of risk
Police financial management			City of London Police has been under increased financial pressure for a number of years and a recurrent underlying budget deficit has been identified in the region of £4m to £5m annually. Therefore there is a need to develop an MTFS with significant savings to ensure that it can continue to deliver the level of policing required in the City.
Sustainable finances			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.

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.

City Fund	
Assess design & implementation of controls to mitigate	
Review work of other inspectorates	
Review work undertaken by internal audit	
Detailed review	
Risk highlighted by Corporation	

Risk detail

City of London Police has been under financial pressure for a number of years with a recurrent underlying budget deficit between £4m to £5m a year.

In 2017/18 it initially reported a surplus of £3.5m that was later found to be cost slippage and not a surplus.

Issues with budget monitoring have been identified in 2018/19. At Month 9 there is a forecast overspend of £2.3m. This included £5.8m 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 £4.5m National & International City Grant in income as well as funding when loading the 2018/19 budget onto the system. We note that £2.8m of forecast in-year mitigations have been incorporated to reduce the overspend to £2.3m.

Planned audit approach

Our audit procedures will include the following:

- Review 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;
- Monitor the delivery of the budgeted savings in 2018/19 and the plans to reduce costs from 2019/20;
- Review the strategies and any transformation programmes to close the budget gap after 2019/20;
- Review work undertaken by the Her Majesty’s Inspectorate of Constabulary where this relating to use of resources and finances; and
- Review work undertaken by internal audit relating to the financial management.

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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.

City Fund
Assess design & implementation of controls to mitigate
Review work of other inspectorates
Review work undertaken by internal audit
Detailed review
Risk highlighted by Corporation

Risk detail

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 £2.5m mainly relating to the deficit on the Police budget.

For 2019/20 City Fund is budgeting a £20m 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 their future planning.

Planned audit approach

Our audit procedures will include the following:

- Review 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;
- Monitor the delivery of the budgeted savings in 2018/19 and the plans to reduce costs from 2019/20; and
- Review the strategies and any transformation programmes to close any budget gap after 2020/21.

OTHER MATTERS REQUIRING FURTHER DISCUSSION

Fraud

Whilst the Chamberlain and the Court of Common Council have ultimate responsibility for the prevention and detection of fraud, and the Audit and Risk Management Committee has oversight of the Anti-Fraud and Corruption strategy as those charged with governance, 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 approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance.

For City Fund, we have been made aware of a number of low value actual, alleged or suspected incidences of fraud committed by users of the Corporation's services (misuse of blue badges, benefits fraud, RTB discounts, sublet of housing, claiming of council tax or NDR reliefs etc.). We request confirmation from the Audit and Risk Management Committee on fraud and a discussion on the controls and processes in place to ensure timely identification and action.

We have not been made aware of any instances of actual/ suspected fraud at the other entities.

We will review the fraud register and liaise with internal audit 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. In particular, we will make enquiries of management outside of the finance function where the risk of fraud could originate.

Significant estimates

We will report to you on significant estimates. We will seek to understand and perform audit testing procedures on accounting estimates and judgements including consideration of the outcome of historic judgements and estimates. We will report to you our consideration of whether management estimates and judgements are within an acceptable range.

Predecessor auditors (City's Cash and the Sundry Trusts, Bridge House Estates, Guildhall School of Music and Drama and the Lord Mayor's Show)

We will review the work performed by the predecessor auditor, Moore Stephens LLP. We will perform additional audit procedures on the comparatives if we conclude that sufficient reliance can not be placed on the predecessor auditors work.

Laws and regulations

We will consider compliance with laws and regulations. The most significant of these for your business includes VAT legislation and Employment Taxes. We will make enquiries of management and review correspondence with the relevant authorities.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We understand that internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will review relevant reports as part of our audit and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with the applicable financial reporting framework for each fund, relevant accounting standards or other direction under the circumstances.

Financial statement disclosures

We will report to you on the sufficiency and content of your financial statement disclosures.

Any other matters

We will report to you on any other matters relevant to the overseeing of the financial reporting process. Where applicable this includes why we consider a significant accounting practice that is acceptable under the financial reporting framework not to be the most appropriate.

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IT GENERAL CONTROLS

IT General Controls (ITGCs) are the policies and procedures that relate to many IT applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. They commonly include controls over data centre and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

ITGCs are an important component in systems of internal control, and sometimes have a direct impact on the reliability of other controls.

IT assurance is embedded in our audit strategy to ensure the IT systems provide a suitable platform for the control environment and is undertaken in conjunction with our IT Assurance team. Our testing strategy, supported by our Technology Risk Assurance specialists, includes a tailored range of data analytics, system configuration and IT environment testing.



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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 ending 31 March 2019.

Non-audit services

Details of services and fees 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.

Details of rotation arrangements for key members of the audit team and others involved in the engagement are set out in the appendices.

Details of other threats and safeguards applied are given in the appendices.

We have not identified any other 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 and are independent of the Corporation.

We also confirm that we have obtained confirmation of independence external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard 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.

SUMMARY

Fees summary for year ending 31 March 2019	2018/19 £	2017/18 £
Corporation audit fees		
City Fund	80,000	⁽¹⁾ 106,275
Pension Fund	15,000	21,000
Bridge House Estates	40,000	⁽²⁾ 38,240
City's Cash	100,000	⁽²⁾ 91,260
The Lord Mayor's Show	⁽⁶⁾ 6,500	⁽⁴⁾ 6,000
Heart of the City of London Ltd	⁽⁶⁾ 3,500	
Subsidiaries audit fees		
Barking Power Ltd and Thames Power Services Ltd	⁽⁴⁾ 35,000	-
Total audit fees	280,000	262,775
Non audit fees		
Grants and subsidy certification	16,000	⁽³⁾ 18,326
Assurance report on Guildhall School of Music and Drama financial statements	8,000	⁽²⁾ 10,000
Non audit fees	24,000	28,326
Total fees	304,000	291,101

	2018/19 £	2017/18 £
Grants and subsidy certification		
Housing benefit subsidy (AuP)	10,000	11,396
Teachers Pensions Return - Sir John Cass Primary School (AuP)	3,000	4,500
Teachers Pensions Returns (others)	TBC	TBC
Pooled housing capital receipts (AuP)	3,000	2,340
Total	16,000	18,236

Agreed upon Procedures (AuP) - Scope of testing mandated by the sponsoring Government department.

⁽¹⁾ Our planned fees for 2017/18 were £86,383 but additional costs were incurred on some areas of the audit.

⁽²⁾ Moore Stephens LLP were the appointed auditor for these audits in 2017/18 and we have reported their fees above.

⁽³⁾ The final fees for grants and subsidy certification is subject to final agreement as additional work was required this year for testing of errors in the housing benefit subsidy return and corrections required to other returns.

⁽⁴⁾ Prager Metis LLP were the appointed auditor for this audit in 2017/18 and we have reported their fees above.

⁽⁵⁾ This is the indicative fee based on the initial scoping meeting with directors of these subsidiary companies.

⁽⁶⁾ We have included additional fees for these entities not initially included in the tender specification.



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Financial reporting

The Corporation is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which the Corporation accounts for its stewardship and use of the public and charitable money at its disposal.

The form and content of the Corporation’s financial statements for each fund/entity should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

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.

City Fund and Pension Fund

The Chamberlain (as Section 151 Officer) is responsible for preparing and publishing a Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2018/19, applicable accounting standards or other direction under the circumstances.

The Corporation is also required to prepare schedules or returns to facilitate the preparation of consolidated accounts such as HM Treasury’s Whole of Government Accounts for the City Fund.

City’s Cash

The Corporation is responsible for preparing the annual report and financial statements for City’s Cash. The Corporation has elected to prepare the financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

Bridge House Estates and the Sundry Trusts

The Trustee is responsible for preparing and filing an annual report and financial statements which show a true and fair view and are prepared in accordance with the Charities Act 2011, FRS 102, the Charities SORP and the provisions of the charities’ governing documents.

Guildhall School of Music and Drama

The Trustee is responsible for preparing an Income and Expenditure report in accordance with the Further and Higher Education SORP 2015.

The Lord Mayor’s Show

The Trustee is responsible for preparing and filing an annual report and financial statements which show a true and fair view and are prepared in accordance with FRS 102 and the Companies Act.

Use of resources - City Fund

Local authorities are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

As part of the material published with its financial statements, the City Fund is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement.

In preparing its governance statement, the Corporation will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on their arrangements for securing value for money from their use of resources.

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Corporation's responsibilities	What this means
<ul style="list-style-type: none"> Maintain adequate accounting records and maintain an appropriate system of internal control for the organisation Prepare the annual report and the financial statements which give a true and fair view Safeguard the assets of the organisation and take reasonable steps for the prevention and detection of fraud and other irregularities. 	<p>Further information regarding these responsibilities is provided in the engagement letters.</p> <p>We are happy to explain these in more detail to you.</p>
<p>To make available to us, as and when required, all the organisation's accounting records and related financial information.</p> <p>To provide us with relevant committee papers on key issues including but not limited to:</p> <ul style="list-style-type: none"> Review of business risks Going concern assessments Impairment reviews Any key judgments and estimates. 	<p>This includes information required from subsidiary companies incorporated in the UK and officers, employees or auditors of those subsidiary companies.</p>
<p>Having made enquiries of fellow members of the Corporation and the organisation's auditors, state that:</p> <ul style="list-style-type: none"> So far as they are aware, there is no relevant audit information of which the organisation's auditors are unaware They have taken all reasonable steps they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the organisation's auditors are aware of that information. 	<p>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.</p> <p>It would, for example, include (but clearly not be limited to) the details of any contracts and agreements (including side contracts and agreements), or any matters that could affect our assessment of your going concern review such as any matters that you are aware of that might affect future trading or any special arrangements with HRMC or your inclusion in a Banks 'special lending division' or equivalent.</p>

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Our responsibilities and reporting - financial statements

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

We read and consider the 'other information' contained in the annual report for each fund such as the additional narrative reports. 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.

For statutory other information (defined by the Charities SORP) for the charities we will form an opinion on whether the information given in the other information is consistent with the financial statements and our knowledge obtained in the audit and whether the reports have been prepared in accordance with applicable legal requirements.

Our responsibilities and reporting - use of resources

We are required to satisfy ourselves that the Corporation, in respect of the activities of the City Fund, has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

This means that we have regard to relevant guidance issued by the NAO and undertake sufficient work to be able to satisfy ourselves as to whether the Council has put arrangements in place that support the achievement of value for money.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Corporation and 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.



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Those charged with governance

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.

In communicating with the Corporation, we consider those charged with governance of the other entities within the scope of this report to be informed about matters relevant to their charity, company or fund. Please let us know if this is not appropriate.

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 will meet with management throughout the audit process. We will issue regular updates and drive the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Planning Report

The Planning Report sets out all planning matters which we want to draw to your attention including audit scope, our assessment of audit risks and materiality.

Internal Controls

We will consider internal controls relevant to the preparation of financial statements in order to design our audit procedures and complete our work. This is not for the purpose of expressing an opinion on the effectiveness of internal control.

Audit Completion Report

At the conclusion of the audit, we will issue an Audit Completion Report for each fund to communicate to you key audit findings before concluding our audit opinion. We will include any significant deficiencies in internal controls which we identify as a result of performing audit procedures. We will meet with you to discuss the findings and in particular to receive your input on areas of the financial statements involving significant estimates and judgements and critical accounting policies.

Once we have discussed the contents of the Audit Completion Report with you and having resolved all outstanding matters we will issue a final version of the Report.

TEAM MEMBER ROTATION

These tables indicate the latest rotation periods normally permitted under the FRC’s Ethical Standards for independence.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members below as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

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Senior team members	City Fund	Pension Fund	City’s Cash	Bridge House Estates	Sundry Trusts	GSM&D	Lord Mayor’s Show	Rotation to take place before
Leigh Lloyd-Thomas - Engagement Lead	4	4						10 years
Fiona Condron - Engagement Lead			1	1	1	1	1	10 years
Francesca Palmer - Audit Manager	2							10 years
Michael Asare Bediako - Audit Manager		3						10 years
Zarine Manekshaw - Audit Manager			1	1	1	1	1	10 years
Renee Hamil - Audit Assistant Manager			1	1	1	1	1	10 years
Independence - audit quality control								
Engagement Quality Control Reviewer (EQCR)	TBC	TBC						

City Fund and Pension Fund

Regulations prescribe that any local public body with gross income or expenditure greater than £500 million, or maintains a pension fund with assets greater than £1 billion or more than 20,000 members, is classified as a ‘major local audit’. A major local audit is subject to enhanced independent quality control review. It also falls within the scope of the Financial Reporting Council’s Audit Quality Review Team.

The City Fund reported gross income of £498m (including valuation gains on investment properties reported in the CIES) and gross expenditure of £425m in 2017/18. The Pension Fund reported gross investment assets of £982m and had 13,332 members in the scheme at 31 March 2018. In the event that the City Fund or Pension Fund exceeds the thresholds above and becomes a ‘major local audit’, this will require the appointment of an Engagement Quality Control Review to provide an additional independent review of the audit.

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Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):

- Narrative disclosure e.g. accounting policies, going concern
- Instances when greater precision is required (e.g. senior managers remuneration and related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of the Corporation, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests
- Calculate sample sizes
- Assist in evaluating the effect of known and likely misstatements on the financial statements.

Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope.

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If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

Unadjusted errors

We will communicate to you all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

We will obtain written representations from the Audit and Risk Management Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.

We will request that you correct all uncorrected misstatements. In particular we would strongly recommend correction of errors whose correction would affect compliance contractual obligations or governmental regulations. Where you choose not to correct all identified misstatements we will request a written representation from you setting out your reasons for not doing so and confirming that in your view the effects of any uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as whole.

MATERIALITY: ALL ENTITIES

The basis for setting materiality for the funds is set out in the Executive Summary. Overall financial statement materiality has been assessed against a benchmark of assets held by each entity. A lower, specific materiality, has been set with reference to income and expenditure in the performance statement.

	2018/19				2017/18		
	Materiality	Trivial	Specific materiality	Specific triviality	Materiality	Specific materiality	Trivial
City Fund	£32.0m	£640,000	£6.3m	£126,000	£24.4m	£6.3m	£488,000
Pension Fund	£9.8m	£196,000	£1.95m	£39,000	£9.8m	£1.95m	£196,000
Bridge House Estates	£15.0m	£300,000	£430,000	£9,000	(audited by Moore Stephens LLP)		
City's Cash	£30.5m	£610,000	£1.6m	£33,000	(audited by Moore Stephens LLP)		

The basis for setting materiality for the sundry trusts, is expenditure for all Trusts whose deficits are funded by City of London Corporation and gross assets for all other Trusts/entities. A lower specific materiality has been set for those entities whose items of income and expenditure are significantly lower than the asset base. Specific materiality is applied to those areas of the financial statements where a misstatement would normally affect net income before investment gains and losses.

	2018/19			
	Materiality	CT	Specific materiality	Specific CT
	£	£	£	£
Ashtead Common Preservation of the common at Ashtead	5,000	1,000	-	-
Burnham Beeches Preservation of the open space known as Burnham Beeches	10,000	1,000	-	-
Epping Forest Preservation of Epping Forest in perpetuity	79,000	2,000	67,000	1,500
Hampstead Heath (consolidated) Preservation of Hampstead Heath for the recreation and enjoyment of the public	540,000	10,000	91,000	2,000

In accordance with BDO audit methodology, clearly trivial should be set at 2% of materiality for both financial statement and specific materiality. For many of the smaller charities, this results in a very small value in absolute terms.

We therefore **seek the Committee's approval** to report to you individual clearly trivial items of a value greater than £1,000. Our audit procedures will however consider any items at the lower levels of clearly trivial both individually and in aggregate.

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		2018/19			
	Materiality	CT	Specific materiality	Specific CT	
	£	£	£	£	
Highgate Wood & Queens Park Kilburn Preservation of Hampstead Heath for the recreation and enjoyment of the public	15,000	1,000	-	-	
West Ham Park To maintain and preserve the Open Space known as West Ham Park	15,000	1,000	-	-	
West Wickham Common and Spring Park Coulsdon & Other Commons Preservation of West Wickham Common and Spring Park Coulsdon & Other Commons	15,000	1,000	-	-	
Hampstead Heath Trust To meet a proportion of the maintenance cost of Hampstead Heath	333,000	7,000	12,000	1,000	
Keats House Maintenance of Keats House	4,000	1,000	-	-	
Sir Thomas Gresham Charity * To provide a programme of public lectures	1,000	-	-	-	
Ada Lewis Winter Distress Fund Assistance and relief for the poor and distressed during winter months	3,000	1,000	-	-	
Charities Administered ICW the City of London Freeman's School Promotion of education through prizes	2,000	1,000	-	-	
City Educational Trust Fund Advancement of education through grants	40,000	1,000	1,000	-	
City of London Almshouses Almshouses for poor or aged people	32,500	1,000	3,500	1,000	

In accordance with BDO audit methodology, clearly trivial should be set at 2% of materiality for both financial statement and specific materiality. For many of the smaller charities, this results in a very small value in absolute terms.

We therefore **seek the Committee's approval** to report to you individual clearly trivial items of a value greater than £1,000. Our audit procedures will however consider any items at the lower levels of clearly trivial both individually and in aggregate.

* Given the low volume and value of transactions a de-minimus level of £1,000 is proposed for materiality.

MATERIALITY: ALL ENTITIES

	Materiality	2018/19		
		CT	Specific materiality	Specific CT
City of London Corporation Combined Education Charity Advancing education by the provision of grants and financial assistance	12,000	1,000	-	-
City of London Corporation Relief of Poverty Charity ** Relief of poverty for widows, widowers or children of a Freeman of the City of London	4,000	1,000	-	-
City of London Freeman's School Bursary Fund Promotion of education through bursaries	9,500	1,000	-	-
City of London School Bursary Fund Promotion of education through bursaries, scholarships and prizes	40,500	1,000	-	-
City of London School Education Trust * Advancing education	1,000	-	-	-
City of London School for Girls Bursary Fund Promotion of education through bursaries, scholarships and prizes	45,000	1,000	6,000	1,000
Corporation of London Charities Pool Investments pool for Sundry Trusts	196,000	4,000	51,500	1,000
Emmanuel Hospital Payment of pensions and financial assistance to poor persons	27,000	1,000	-	-
Guildhall Library Centenary Fund * Provision of education and training in library, archives, museum, and gallery services	1,000	-	-	-

In accordance with BDO audit methodology, clearly trivial should be set at 2% of materiality for both financial statement and specific materiality. For many of the smaller charities, this results in a very small value in absolute terms.

We therefore **seek the Committee's approval** to report to you individual clearly trivial items of a value greater than £1,000. Our audit procedures will however consider any items at the lower levels of clearly trivial both individually and in aggregate.

- Given the low volume and value of transactions a de-minimus level of £1,000 is proposed for materiality.
- ** We understand that during the year this charity has received a gift of assets amounting to £365,000 from another charity. Materiality is therefore based on 1% of the income anticipated for the year to 31 March 2019

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		2018/19		
	Materiality	CT	Specific materiality	Specific CT
King George's Field Open space for sports, games and recreation	1,000	-	-	-
Samuel Wilson's Loan Trust Granting of low interest loans to young people who have or are about to set up in business	25,000	1,000	1,100	-
Signore Pasquale Favale Bequest * Granting of assistance to eligible persons in the form of marriage portions	1,000	-	-	-
Sir William Coxen Trust Fund Granting of assistance to eligible charitable trusts in the form of donations	29,000	1,000	-	-
Vickers Dunfee Memorial Benevolent Fund Financial assistance to distressed past and present members of the City of London Special Constabulary and their dependents	2,300	1,000	-	-
Guildhall School of Music and Drama ** A Higher Education Institution offering professional training in music, acting and technical theatre arts	330,000	7,000	-	-
The Lord Mayor's Show Organisation of The Lord Mayor's of the City of London's annual show	5,500	1,000	-	-
Heart of the City Mission to inspire business leaders to build successful companies.	7,000	1,000	-	-

In accordance with BDO audit methodology, clearly trivial should be set at 2% of materiality for both financial statement and specific materiality. For many of the smaller charities, this results in a very small value in absolute terms.

We therefore **seek the Committee's approval** to report to you individual clearly trivial items of a value greater than £1,000. Our audit procedures will however consider any items at the lower levels of clearly trivial both individually and in aggregate.

- Given the low volume and value of transactions a de-minimus level of £1,000 is proposed for materiality.
- ** Materiality based on 1% of income

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BDO's audit quality cornerstones underpin the firm's definition of audit quality.

BDO is committed to audit quality. It is a standing item on the agenda of the Leadership Team, who in conjunction with the Audit Stream Executive, monitors the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. We welcome feedback from external bodies and are committed to implementing 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 regulators, the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of 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 entities.

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



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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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