





CONTENTS

1	Introduction	3
	Welcome	3
2	Executive summary	4
	Scope and materiality	4
	Audit strategy	5
	Audit risk overview	6
	Independence and fees	7
3	Audit scope and objectives	8
	Overview	8
	Audit scope entities, components and audit risks	9
	Audit scope entities, components and audit risks 2	10
	Audit scope entities, components and audit risks 3	11
	Audit scope entities, components and audit risks 4	12
	Audit scope entities, components and audit risks 2	13
	Audit timeline	14
4	Audit risks	15
	Overview	15
	Management override of controls	16
	Fraud in income recognition	17
	Fraud in Income recognition (continued)	18
	Fraud in Income recognition (continued)	19
	Investment Property Valuations	20

	Pension Liability Valuation	21
	Investment Valuations	22
	Decommissioning Provision	23
	Going concern	24
	Accounting estimates	25
	Other matters requiring further discussion	26
	Other matters requiring further discussion 2	27
	Other matters requiring further discussion 3	28
	IT general controls	29
	Coronavirus and financial reporting impacts	30
5	Independence	31
	Independence	31
6	Appendices contents	32

WELCOME

CONTENTS

Introduction

Welcome

Executive summary

Audit scope and objectives

Audit risks

Independence

Appendices contents

We have pleasure in presenting our Draft Audit Planning Report to the Audit and Risk Management Committee. 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.

It summarises the planned audit strategy for the year ending 31 March 2021, comprising materiality; key audit risks and the planned approach to these; together with timetable and the BDO team.

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 Members as a whole. We expect that the Audit and Risk Management Committee will refer such matters to the Members, 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 23 March 2021 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.

Fiona Condron

12 March 2021



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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

SCOPE AND MATERIALITY

Executive summary

CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risk overview

Independence and fees

Audit scope and objectives

Audit risks

Independence

Appendices contents

This summary provides an overview of the key audit matters that we believe are important to the Audit and Risk Management Committee in reviewing the planned audit strategy for the Group for the year ending 31 March 2021.

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 and appropriate standards.

Materiality

In line with prior year the planning materiality threshold has been based on 2% of total assets ('Financial Statement Materiality'). Given the relative significance of the assets held by City's Cash, materiality has been set at 2% of gross assets.

We have also assigned a specific materiality of 5% of total income (£8.7m) to non-investment related items in the Consolidated Statement of Comprehensive Income ("SOCI") as we consider this to be an area of key focus for the users of the accounts.

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

Draft planning materiality has been calculated on prior year audited accounts and will be updated following the completion of our risk assessment and other planning procedures. We will communicate any changes to the committee. Final materiality will be updated upon receipt of the draft financial statements for 31 March 2021.



AUDIT STRATEGY

Executive summary

CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risk overview

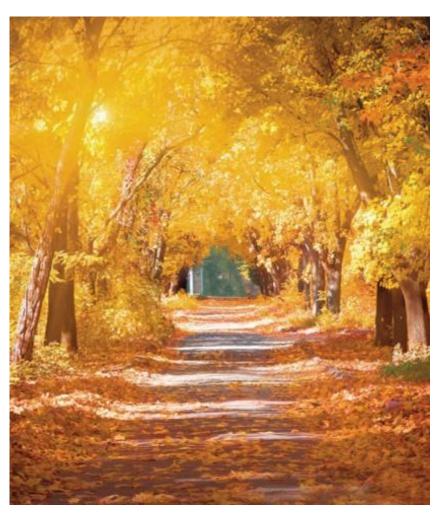
Independence and fees

Audit scope and objectives

Audit risks

Independence

Appendices contents



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.

We are in the process of discussing the changes to the business, systems and controls in the year with Management and obtaining their own view of potential audit risk in order to update our understanding of the Group's and Trusts activities and to determine which risks impact on the numbers and disclosures in the financial statements. We will continue to update this assessment throughout the audit.

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

There has been no significant change to audit risks identified, their classification or the planned approach as compared to the prior year.

AUDIT RISK OVERVIEW

Executive summary

CONTENTS
Introduction
Executive summary
Scope and materiality
Audit strategy
Audit risk overview
Independence and fees
Audit scope and objectives
Audit risks
Independence

Risk identified	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management Override of Controls	Significant	Yes	Substantive	High
Fraud in income recognition	Significant	Yes	Substantive	High
Investment Property Valuations	Significant	No	Substantive	High
Pension Liability Valuations	Significant	No	Substantive	High
Investment Valuations	Normal	No	Substantive	Medium
Decommissioning Provision	Normal	No	Substantive	High



INDEPENDENCE AND FEES

Executive summary

Introduction Executive summary Scope and materiality Audit strategy Audit risk overview Independence and fees Audit scope and objectives Audit risks Independence Appendices contents

CONTENTS

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

	2021	2020
	£'000	£'000
City Cash and Trusts ¹	160	146
Barking Power Limited and Thames Power Services Limited	ТВС	24
Additional audit fee: overruns ²	-	66
Additional audit fee: Covid related costs ³	16	-
Total audit fees	TBC	236
Teachers Pensions Schemes	20	21
Total non-audit services	20	21
Total fees	ТВС	233

Fee variances

¹ This reflects an inflationary increase in addition to the risk assessment and increased estimates work linked to the revised Auditing Standards.

²2019/20 overruns

These have been agreed with Management in conjunction with the overruns agreed on BHE although the allocation of costs between funds is yet to be finalised.

³Covid related costs

2020

2021

This represents an estimate of the additional resource time and costs necessary when audits are undertaken remotely. The 15% is at the lowest end of the 15-20% range experienced by BDO and the other audit firms. If we are able to undertake some key work on site, the time reflected here should reduce and the fee level decrease accordingly. Management has agreed to ring fence this element of our proposal to review at an appropriate time taking into account our actual experience of working remotely and/or being able to access relevant staff if working on site at Guildhall.

Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our duties, we will first discuss this with Management and then discuss this with the Audit and Risk Management Committee.

Barking Power Limited and Thames Power Services Limited

Audit fees in respect of Barking and Thames Power for the March 2021 audit will be agreed separately with Management. We will communicate those as part of our Completion report.

AUDIT SCOPE AND OBJECTIVES

OVERVIEW

Audit scope and objectives

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Overview

Audit scope entities, components and audit risks

Audit scope entities, components and audit risks 2

Audit scope entities, components and audit risks 3

Audit scope entities, components and audit risks 4

Audit scope entities, components and audit risks 2

Audit timeline

Audit risks

Independence

Appendices contents

Key components of our audit objectives and strategy for the Group 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)).
Financial statements	We will express an opinion on the Group and Trust financial statements, prepared in accordance with UK GAAP and, with respect to the registered charities within, and separate to, the Group, applicable law including the Charities Act 2011.
Trustee's Annual	In addition to our objectives regarding the financial statements, we will also:
report	 Read and consider the 'other information' contained in the Annual Report 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 such as the Annual Report, 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.
Audit report - going concern	 We will report our conclusion on whether management's use of the going concern basis of accounting is appropriate and will either report our conclusion that there is no material uncertainty related to going concern or draw attention to any material uncertainty identified by the Trustee and disclosed in the financial statements.
Report to the Audit and Risk Management Committee	Prior to the approval of the financial statements, we will discuss our significant findings with the Audit and Risk Management Committee. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Overview

Audit scope entities, components and audit risks

Audit scope entities, components and audit risks 2

Audit scope entities, components and audit risks 3

Audit scope entities, components and audit risks 4

Audit scope entities, components and audit risks 2

Audit timeline

Audit risks

Independence

Appendices contents

As Group auditor we are required to design an audit strategy to ensure we have obtained the required audit assurance for each component for the purposes of our Group audit opinion ISA (UK) 600

A high-level overview of how we have designed the Group audit strategy is summarised here to ensure you have clear oversight of the scope of the work we intend to perform on each entity.

Audit Risks, covered later in this report, are cross referenced to each entity to provide clarity over how these arise within your business and where the focus of the audit work will be.

The clearly trivial threshold for all components has been set at the Group level, being £650k.

All of the UK subsidiaries are subject to audit by BDO ${\tt LLP}$

Consolidated Entities

Independence
Appendices contents

Entity	Nature of Operations	Audit classification	Reason for classification	Audit Risks	Component Materiality and basis of assessment	Component Specific Materiality and basis of assessment	
City's Cash	Parent Entity	Parent	N/A	Risk no. 1, 2, 3, 4, 5, 6,	£65,975,000 2% of Assets	8,750,000 5% of Revenue	Statutory audit performed by BDO UK
Ashtead Common	Preservation of the common at Ashtead	Non significant component	Size	Risk no. 1, 2	11,100 2% of Expenditure	N/A	Statutory audit performed by BDO UK
Burnham Beeches	Preservation of the open space known as Burnham Beeches	Non significant component	Size	Risk no. 1, 2	£21,800 2% of Expenditure	N/A	Statutory audit performed by BDO UK
Epping Forest	Preservation of Epping Forest in perpetuity	Non significant component	Size	Risk no. 1, 2	156,450 2% of Assets	N/A	Statutory audit performed by BDO UK
Hampstead Heath (consolidated)	Preservation of Hampstead Heath for the recreation and enjoyment of the public	Non significant component	Size	Risk no. 1, 2	1,071,500 2% of Assets	481,000 5% of Expenditure	Statutory audit performed by BDO UK
Hampstead Heath Trust	To meet a proportion of the maintenance cost of Hampstead Heath	Non significant component	Size	Risk no. 1, 2, 5	665,250 2% of Assets	67,750 5% of Expenditure	Statutory audit performed by BDO UK

Consolidated Entities

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Introduction

Executive summary

Audit scope and objectives

Overview

Audit scope entities, components and audit risks

Audit scope entities, components and audit risks 2

Audit scope entities, components and audit risks 3

Audit scope entities, components and audit risks 4

Audit scope entities, components and audit risks 2

Audit timeline

Audit risks

Independence

Entity	Nature of Operations	Audit classification	Reason for classification	Audit Risks	Component Materiality and basis of	Component Specific Materiality and basis of assessment	Audit strategy
Highgate Wood & Queens Park Kilburn	Preservation of Hampstead Heath for the recreation and enjoyment of the public	Non significant component	Size	Risk no. 1, 2	£28,350 2% of Expenditure	N/A	Statutory audit performed by BDO UK
West Ham Park	To maintain and preserve the Open Space known as West Ham Park	Non significant component	Size	Risk no. 1, 2	£30,100 2% of Expenditure	N/A	Statutory audit performed by BDO UK
West Wickham Common and Spring Park Coulsdon & Other Commons	Preservation of West Wickham Common and Spring Park Coulsdon & Other Commons	Non significant component	Size	Risk no. 1, 2	£28,800 2% of Expenditure	N/A	Statutory audit performed by BDO UK
Keats House	Maintenance of Keats House	Non significant component	Size	Risk no. 1, 2	£7,000 2% of Assets	N/A	Statutory audit performed by BDO UK
Sir Thomas Gresham Charity	To provide a programme of public lectures	Non significant component	Size	Risk no. 1, 2	£1,500 2% of Expenditure	N/A	Statutory audit performed by BDO UK
Barking Power Limited	The decommissioning of the power station and preparation of the site for re-use	Significant component	Risk	Risk no. 1, 2, 6	BPL Audit team to con separately	nmunicate	Statutory audit performed by BDO UK
Thames Power Services Limited	To provide management services to Barking Power Limited in connection with the operation and decommissioning of Barking Power Station	Non significant component	Size	Risk 1,2	TPSL audit team to co separately	mmunicate	Statutory audit performed by BDO UK

Other Entities

CO	NT	EN	TS

Introduction

Executive summary

Audit scope and objectives

Overview

Audit scope entities, components and audit risks

Audit scope entities, components and audit risks 2

Audit scope entities, components and audit risks 3

Audit scope entities, components and audit risks 4

Audit scope entities, components and audit risks 2

Audit timeline

Audit risks

Independence

Entity	Nature of Operations	Audit classification	Reason for classification	Audit Risks	Component Materiality and basis of assessment	Component Specific Materiality and basis of assessment	Audit strategy
Charities	Promotion of	Non significant	Size	Risk no. 1, 2	£3,450	N/A	Statutory
Administered ICW the City of London Freemen's School	education through prizes	component			2% of Assets		audit performed by BDO UK
City Educational Trust Fund	Advancement of	Non significant	Size	Risk no. 1, 2	£62,750	4,350	Statutory
Trust Fulld	education through grants	component			2% of Assets	5% of Expenditure	performed by BDO UK
City of London	Almshouses for poor or	Non significant	Size	Risk no. 1, 2	£62,250	£13,000	Statutory
Almshouses	aged people	component			2% of Assets	Assets 5% of Expenditure	audit performed by BDO UK
City of London	Advancing education	Non significant component	Size	Risk no. 1, 2	£18,000	N/A	Statutory audit
Corporation Combined Education Charity	by the provision of grants and financial assistance				2% of Assets		performed by BDO UK
City of London	Relief of poverty for	Non significant	Size	Risk no. 1, 2	£9,500	N/A	Statutory
Corporation Relief of Poverty Charity	widows, widowers or children of a Freemen of the City of London	component			2% of Assets		audit performed by BDO UK
City of London	Promotion of	Non significant	Size	Risk no. 1, 2	£17,000	N/A	Statutory
Freemen's School Bursary Fund	education through bursaries	component			2% of Assets		audit performed by BDO UK
City of London	Promotion of	Non significant	Size	Risk no. 1, 2	£64,000	N/A	Statutory
School Bursary Fund	education through bursaries, scholarships and prizes	component			2% of Assets		audit performed by BDO UK

Other Entities

CO	NT	ΈN	TS
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Introduction

Executive summary

Audit scope and objectives

Overview

Audit scope entities, components and audit risks

Audit scope entities, components and audit risks 2

Audit scope entities, components and audit risks 3

Audit scope entities, components and audit risks 4

Audit scope entities, components and audit risks 2

Audit timeline

Audit risks

Independence

Entity	Nature of Operations	Audit classification	Reason for classification	Audit Risks	Component Materiality and basis of assessment	Component Specific Materiality and basis of assessment	Audit strategy
City of London School for Girls Bursary Fund	Promotion of education through bursaries, scholarships and prizes	Non significant component	Size	Risk no. 1, 2	£77,500 2% of Assets	•	Statutory audit performed by BDO UK
Corporation of London Charities Pool	Investments pool for Sundry Trusts	Non significant component	Size	Risk no. 1, 2, 5	£350,000 2% of Assets	£69,650 5% of Expenditure	Statutory audit performed by BDO UK
Emmanuel Hospital	Payment of pensions and financial assistance to poor persons	Non significant component	Size	Risk no. 1, 2	£53,350 2% of Assets	N/A	Statutory audit performed by BDO UK
Guildhall Library Centenary Fund	Provision of education and training in library, archives, museum, and gallery services	Non significant component	Size	Risk no. 1, 2	£350 2% of Assets	N/A	Statutory audit performed by BDO UK
King George's Field	Open space for sports, games and recreation	Non significant component	Size	Risk no. 1, 2	£375 2% of Assets	N/A	Statutory audit performed by BDO UK
Samuel Wilson's Loan Trust	Granting of low interest loans to young people who have or are about to set up in business	Non significant component	Size	Risk no. 1, 2	£44,650 2% of Assets	£4,250 5% of income	Statutory audit performed by BDO UK
Sir William Coxen Trust Fund	Granting of assistance to eligible charitable trusts in the form of donations	Non significant component	Size	Risk no. 1, 2	£43,650 2% of Assets	N/A	Statutory audit performed by BDO UK
Vickers Dunfee Memorial Benevolent Fund	Financial assistance to distressed past and present members of the City of London Special Constabulary and their dependents	Non significant component	Size	Risk no. 1, 2	£4,250 2% of Assets	N/A	Statutory audit performed by BDO UK

AUDIT TIMELINE

An overview of the key dates

The timetable below includes dates which have been proposed by management. We are currently unable to confirm our commitment to this timetable as we require visibility of the overall timetable for each individual Fund and how these interact with each other. Since our ability to complete the audit of any individual Fund is subject to the satisfactory completion of a number of areas of cross working (including, but not limited to, IT audit, payroll, financial investments, cross charges and pensions), our ability to meet this timetable can only be agreed in conjunction with the timetables for all other Funds.

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Timing	Event	Key objective and outcome
12 March 2021	Audit Planning meeting with Financial Management	To discuss developments during the year and our audit approach.
TBC*	Audit planning and interim work	Documentation of systems and assess the design and implementation of controls. Carry out preliminary analytical review using the latest management accounts. Carry out any interim testing as agreed with management
23 March 2021	Audit and Risk Management Committee meeting	Presentation and discussion of our proposed audit plan.
March 2021	Meetings with CoL Surveyors and External Valuers	Attendance at meetings with the internal CoL Surveyors team and external valuers to discuss investment property valuations for 31 March 2021
16 August 2021	Receipt of draft financial statements, Trustee's Annual Report and audit deliverables.	Carry out preliminary analytical review, off-site testing and final planning.
[23 August 2021]	Final audit fieldwork	Testing of year-end balances and transactions. This will include the clearance of routine accounting and audit points and preparation of a draft management letter.
[24 September 2021]	Audit Clearance meeting with management	Review draft financial statements for all entities. Discuss and agree any adjustments. Review draft management letter.
[30 September 2021]	Audit Completion report date	Finalise and approve auditors' report.
[1 October 2021]	Audit Panel review	Audit Panel to review audit files and report back to BDO and CoL.
[5 October 2021]	Audit and Risk Management Committee meeting	Presentation of our management letter. This will address key issues arising from the audit and include qualitative matters as well as the appropriateness of significant accounting policies and estimates, noting any changes therein.
[12 October 2021]	Members Meeting	Formal approval of the financial statements and the letter of representation.

*Please note we are awaiting management at CoL to provide proposed dates for the planning and interim visit, the A&RMC and Members Meeting

Executive summary

Audit scope and objectives

Overview

Audit scope entities, components and audit risks

Audit scope entities, components and audit risks 2

Audit scope entities, components and audit risks 3

Audit scope entities, components and audit risks 4

Audit scope entities, components and audit risks 2

Audit timeline

Audit risks

Independence

AUDIT RISKS

OVERVIEW

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

We have assessed the following as 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.

Description of risk	Significant risk	Normal risk	Overview of risk
1. Management override of controls			ISA (UK) 240 notes 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.
2. Fraud in income recognition			ISA (UK) 240 presumes that income recognition presents a fraud risk.
3. Investment Property Valuations			There is a risk over the valuation of investment properties where valuations are based on significant assumptions.
4. Pension Liability Valuation			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 present value of the liabilities.
5. Investment Valuations			There is a risk that investment valuations may not be correctly reported at year end.
6. Decommissioning Provision			There is a risk that the site remediation costs will not be calculated on a reasonable basis and not disclosed correctly.

MANAGEMENT OVERRIDE OF CONTROLS

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

ISA (UK) 240 notes that Management is in a unique position to perpetrate fraud.

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk detail

International Standards on Auditing (UK) 240 sets out the auditor's responsibilities relating to fraud in an audit of financial statements and requires us to presume that the risk of management override of controls is present and significant in all entities.

Our understanding is that the most susceptible areas of the accounting records, where management override could take place, are the posting of journals and the judgements involved in accounting estimates within the financial statements.

Our testing during our planning visit confirmed that the control of reviewing all journals before posting remains in place.

Accounting estimates reviewed in previous years have been appropriate in terms of their thought process and calculation, however we will review accounting estimates and judgement to ensure they remain appropriate.

The key areas of estimate and judgement identified by management are:

- The assumptions used in the calculation of, and the disclosures in relation to the pension scheme
- The assumptions used in the valuation of investments
- The allocation of costs between Funds/entities
- The assumptions used in the valuation of investment properties
- The useful life of assets
- Management's assessment of impairments

Planned audit approach

Our audit procedures will include the following:

- A review and verification of large 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;
- A critical review of the consolidation and, in particular, manual or late journals posted at consolidated level:
- A review of estimates and judgements applied by Management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- A review of unadjusted audit differences for indications of bias or deliberate misstatement.

FRAUD IN INCOME RECOGNITION

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

ISA (UK) 240 presumes that income recognition presents a fraud risk

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk detail

Under International Standard on Auditing 240 "The Auditor's responsibility to consider fraud in an audit of financial statements" there is a presumption that income recognition presents a fraud risk.

For City's Cash, we consider there to be a significant risk in respect of the completeness of Education income and investment property income, which accounts for approximately 87% of total income, due to the cut-off risk around the year end.

The income streams of the City's Cash and their percentage of total income are as follows:

- Education - 46%

- Investment Property - 44%

- Markets - 7%

Financial Investments - 2%

- Other - 2%

Source: 2020 audited financial statements

Planned audit approach

Our audit procedures will include the following:

- We carry out audit procedures to gain an understanding of the entity'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.
- We evaluate the accounting policies for income recognition to ensure current practice is in accordance with the stated policy and, if applicable, is line with the current accounting standards (FRS 102) or detailed guidance in the Charities SORP (where relevant);
- We perform cut-off testing (including a review of amounts being deferred to future years) to ensure that a sample of income recognised either side of year-end has been correctly treated.
- See the pages that follow for more detail on the identified risks and audit testing response for each income stream.
- All other material income streams, such as, education income, investment property income and markets income will be audited substantively. We will perform cut-off testing, completeness and valuation testing to ensure that income has been recorded in the correct period and accurately valued. We will also review material receipts to the date of sign off to ensure income is correctly recorded in the correct period.

FRAUD IN INCOME RECOGNITION (CONTINUED)

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

ISA (UK) 240 presumes that income recognition presents a fraud risk

Significant risk

Assess design &

Controls testing

implementation of controls to

Substantive testing approach

Significant Management

estimates & judgements

Normal risk

Fraud risk

mitigate

approach

a

Risk detail

Education income

Education income relates to tuition fees generated by the schools, the City of London Boys School, the City of London Girls School and the City of London Freemans School, and the Guildhall School of Music and Drama.

Investment Property Income

Investment property income is a primary revenue stream for City's Cash, comprising primarily of rental, service charge and insurance income generated from the extensive investment property portfolio.

A significant risk is deemed to lie over the completeness of this revenue stream, primarily over cut-off at year-end as income is usually invoiced quarterly and therefore requiring a partial deferral.

Planned audit approach

Education income

We will:

- Obtain details of student fees and pupil numbers and performed substantive analytical procedures to develop an expectation of education income which was then compared to actual results.
- Trace a sample of individual pupil fees to supporting documentation.
- Review income posted either side of year-end to ensure it is recognised in the correct period.

Investment Property Income

We will:

- Agree a sample of investment property income to invoice, supporting documentation (such as tenancy agreement) and receipt to bank.
- Reconcile the total income expected per the tenancy schedule to the income posted in the nominal ledger, agreeing reconciling items as appropriate.
- Review rent concessions granted during the Covid-19 pandemic and consider the impact of this in relation to amendments to FRS102 in October 2020 -Covid-19 related rent concessions
- Review income posted either side of year-end to ensure it is recognised in the correct period.

FRAUD IN INCOME RECOGNITION (CONTINUED)

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

ISA (UK) 240 presumes that income recognition presents a fraud risk

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk detail

Markets income

City's Cash owns Billingsgate and Smithfield Markets, which it leases space in to various tenants. This income stream is formed mostly of rental and service charge income, with various miscellaneous sources noted from other services provided at these sites.

A normal risk is deemed to lie over the completeness of this revenue stream - primarily over cut-off at year-end - as it is noted that the majority of market income is recognized when received or invoiced in line with the financial year, with only minor adjustments required at year-end to accrue or defer items.

Planned audit approach

Market Income

We will:

- Agree a sample of market income to invoice, supporting documentation (such as tenancy agreement) and receipt to bank
- Review income posted either side of year-end to ensure it is recognised in the correct period.

INVESTMENT PROPERTY VALUATIONS

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

There is a risk over the valuation of investment properties where valuations are based on significant assumptions.

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk detail

City's Cash holds an extensive portfolio of 160 investment properties, which are reported at fair value at the balance sheet date. As at 31 March 2020 the value of investment properties was £2,062.3m.

The Corporation has appointed two valuers relevant to City's Cash, who perform a year-end valuation based on data provided by the Surveyors Team at the Corporation.

Due to the significant value of the 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 at the year-end.

Planned audit approach

As part of our audit work, we will perform procedures including the following:

- Assess the qualifications and competence of the valuers used
- Review the instructions provided to the valuers and reviewed the valuers; skills to determine whether we can rely on management's expert
- Verify a sample of data provided to the valuers (such as rental income) to use as inputs within the valuation process
- Confirm that the basis of valuation for each asset is appropriate based on their usage
- Review assumptions used by the valuers and movements in values relative to market indices, and challenged valuations lying outside our expectations with the corresponding valuer.
- Consult extensively with both our Real Estate and BDO Valuation teams regarding the reasonableness of the assumptions and benchmarks used for specific properties where a higher degree of judgement has been applied (for example more unique properties or developments
- Be involved in meetings with the Surveyors Team and Valuers during the valuation process
- Compare movements in the valuation of assets yearon-year and investigated unusual movements.

PENSION LIABILITY VALUATION

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

The valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions.

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

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.

An actuarial estimate of the liability is calculated by an independent firm of actuaries.

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's Cash 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 City's Cash this percentage was 46% in 2020. The risk is therefore also focussed on the accuracy of this calculation.

Planned audit approach

Our audit procedures, listed below, will primarily be undertaken as part of the Pension Fund audit and reviewed for the purposes of the City's Cash audit

 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 had been communicated to the actuary;
- Discuss with the actuary the continuing impact of GMP equalisation, the McCloud judgement regarding age discrimination on the pension fund liability and impact on employer fund and the Goodwin case relating to differences in survivor benefits payable to same sex or opposite sex survivors;
- 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's Cash relating to the basis of apportioning the net pension liability of the Corporation.

INVESTMENT VALUATIONS

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

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

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk detail

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

Valuations for private equity are provided at dates that are not coterminous with the year end for City's Cash 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 or movements in market value.

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 a sample of unquoted infrastructure and private equity investments, we obtain direct confirmation of investment valuations from the General Partner or fund manager and obtain copies, where applicable, of the audited report on internal controls / audited financial statements of the underlying partnerships (and member allocations). We also consider if appropriate adjustments are made to the valuations in respect of additional contributions to, and distributions from, the funds. We will also consider if the valuations used by management take account of the March 2021 quarterly valuation statements;
- For a sample of pooled investments, we obtain direct confirmation of investment valuations from the fund managers and agreed independent valuations, where available, provided by the global custodian;
- For the investments sampled, we obtain independent assurance reports over the controls operated by both the fund managers and custodian. This review will not only consider the overall audit opinion given on the control environment, but also the specific tests carried out which provide assurance over the valuations and existence of the investments; and
- We agree the allocation of amounts for each fund where there is pooling of investments across the funds.

DECOMMISSIONING PROVISION

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

There is a risk that the site remediation costs will not be calculated on a reasonable basis and not disclosed correctly.

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk detail

Barking Power, a subsidiary of City's Cash, is responsible for the rehabilitation of the current site. The decommissioning provision is in place to capture the costs associated with this rehabilitation. Estimating the provision required to complete the rehabilitation requires significant estimation and is judgemental. For this reason there is a risk that the costs of restructuring will not be calculated on a reasonable basis.

In FY20 the provision has increased by £2.9m from £18m to £20.9m (representing an increase in the provision estimate of £5.3m offset by amounts utilised of £2.4m). Due to the significant estimates and assumptions that are built into the calculation of the provision, management engage third party experts to assist with their assessment of the restoration costs and make adjustments to factor in contingency costs and contractor risk.

Planned audit approach

We will undertake the following audit procedures in this area:

- Evaluate whether management experts have the necessary competence, capabilities, and objectivity to assist management accurately calculate the costs associated with decommissioning the site.
- Test managements calculation of the rehabilitation provision through assessing the integrity of their model and challenging the assumptions used in calculating managements estimate.

GOING CONCERN

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

The Members are required to make an assessment of the Group's ability to continue as a going

concern.

Members responsibilities with respect to Going Concern

It is the Members responsibility to make an assessment of the Group's ability to continue as a Going Concern to support the basis of preparation for the financial statements. This is a requirement of both Companies Act 2006 and accounting standards.

This assessment should be supported by detailed cash flow forecasts with clear details of the key underlying assumptions and the basis for those assumptions, consideration of available finance and covenant compliance throughout the forecast period, and a consideration of the forecast's sensitivity to reasonably possible variations in those assumptions along with any other relevant factors.

The going concern assessment should cover a minimum of 12 months from the date of the trustee's approval of the financial statements. However, consideration should also be given to any major events or circumstances that may fall outside this period.

The assessment should also identify any material uncertainties relating to the group's ability to continue as a going concern.

Audit responsibilities

Our responsibilities in respect of going concern are:

- a. To obtain sufficient appropriate audit evidence regarding, and conclude on, i) whether a material uncertainty related to going concern exists; and ii) the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements; and
- b. To report in accordance with ISA (UK) 570

We will obtain an understanding of the business model, objectives, strategies and related business risk, the measurement and review of the entity's financial performance including forecasting and budgeting processes and the entity's risk assessment process. We will evaluate:

- a. The Members method including the relevance and reliability of underlying data used to make the assessment, whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other.
- The Members plans for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances.
- c. The adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment and any material uncertainties that may exist.

ACCOUNTING ESTIMATES

our understanding of

process.

the Group's estimation

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

Revision to ISA (UK)
540 means that we
need to update our
approach the audit of
accounting estimates including confirmation
and documentation of

We will need to obtain an understanding of how you control your estimation process including not only the design and implementation of the process, but also the policies and procedures you put in place to satisfy yourself that each step in the process is properly applied, and that the resulting accounting estimates are reasonable.

For significant accounting estimates, particularly those that are complex or where there is a high degree of estimation uncertainty we will also make enquiries about how you:

- make those responsible for deriving or changing your accounting estimates aware of relevant significant transactions, conditions or events
- review the outcome(s) of previous accounting estimates and respond to the results of that review
- identify and comply with the relevant requirements in the applicable financial reporting framework regarding your accounting estimates and related disclosures including how they are affected by complexity and your judgment
- account for regulatory factors relevant to the entity's accounting estimates, including, when applicable, regulatory frameworks related to prudential supervision
- identify the need for, and apply, specialized skills or knowledge related to accounting estimates, including with respect to the use of a management's expert
- identify and address risks related to accounting estimates through your risk assessment process

- identify relevant methods (including models).
 Assumptions and data and the need for changes in them and from those identified, select those to apply
- address the degree of estimation uncertainty in selecting your final point estimates
- describe in your financial statements matters related to your process for deriving your accounting estimates, and matters related to the degrees of estimation uncertainty underlying your accounting estimates
- ensure there is oversight and governance in place over management's financial reporting process relevant to accounting estimates.

Under ISA (UK) 540 (revised) our audit approach will involve a more granular risk assessment relating to each significant estimate and separate consideration of the methods (or models) applied in calculating the estimate, the nature, source and reliability of data used and the significance, consistency and appropriateness of assumptions made.

We will also request written representations from you regarding the reasonableness of the methods, significant assumptions and the data used in determining the monetary amounts of accounting estimates, including the related disclosures, in accordance with the applicable financial reporting framework.

OTHER MATTERS REQUIRING FURTHER DISCUSSION

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

Fraud

Whilst the Trustee has ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of Management and those charged with governance.

We have not been made aware of any actual alleged or suspected incidences of fraud. We request confirmation from the Committee on fraud and a discussion on the controls and processes in place to ensure timely identification and action.

Internal audit

We plan to review the audit work of the Corporation internal audit function but we do not anticipate placing reliance on their work.

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 UK GAAP under the circumstances.

Significant accounting estimates and judgements

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

Laws and regulations

We will consider compliance with laws and regulations. The most significant of these for your business includes Charities Act, Charities SORP (FRS 102) Corporate and VAT legislation, Employment Taxes, Health Safety and the Bribery Act 2010. We will make enquiries of Management and review correspondence with the relevant authorities.

OTHER MATTERS REQUIRING FURTHER DISCUSSION 2

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

Related parties

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 of fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of Management and the Board. We will also consider the adequacy of the procedures you have in place to identify such transactions and assess completeness and accuracy inline with the requirements.

Under Charities SORP (FRS 102), the following information must be provided for each individual trustee who received remuneration or other benefits in the reporting period:

- the legal authority under which the payment was made (for example a provision in the governing document of the charity, an Order of the Court, or the charity regulator for the jurisdiction(s) of registration);
- the name of the remunerated trustee:
- details of why the remuneration or other employment benefits were paid;
- the amount of remuneration paid;
- the amount of any pension contributions paid by the charity for the reporting period; and
- the amount of any other benefit, for example any termination benefits, private health cover or the provision of a vehicle.

The definition of related party also includes 'an officer, agent or member of key management personnel of the charity' and 'de facto' trustees.

All charities must report the total amount of employee benefits received by trustees and its key management personnel for their services to the charity.

The charity is also required to maintain a register of interests and hospitality for the Members of the City of London Corporation and Senior Management Team.

Related parties (cont)

We note from the prior year audit that historically City Cash has opted to disclose relationships which, technically, do not constitute related party relationships under FRS 102. To simplify the disclosures and to allow more focus on any transactions which <u>are</u> actual related party transactions we would encourage Management of City Cash to relook at this area again for the March 2021 audit.

Serious incident reports

We have requested copies of any serious incident reports filed during the year to be available for review during our interim audit. We will discuss with management any material impact (such as provisions) on the financial statements.

We will obtain an update on any further reports made during our final audit.

Financial statement disclosures

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

Contingencies

We request input from the Audit and Risk Management Committee on recent claims.

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.

OTHER MATTERS REQUIRING FURTHER DISCUSSION 3

Irregularities including fraud

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

We are required to include in our auditor's report an explanation of the extent to which the audit is considered capable of detecting irregularities (non compliance with laws and regulations), including fraud.

Our audit is designed to provide reasonable assurance about whether the financial statements as whole a free from material misstatement whether due to fraud or error. We design audit procedures to respond to the risk of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and that irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error.

Our audit work will focus on laws and regulations that could give rise to a material misstatement in the charity financial statements and may include, where appropriate:

- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- enquiries of management, those charged with governance and the entity's legal advisers;
- agreement of the financial statement disclosures to underlying supporting documentation;
- review of minutes of board meetings throughout the year and of correspondence with the regulators; and
- · written representations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.



IT GENERAL CONTROLS

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

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 center 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 includes a tailored range of data analytics, system configuration and IT environment testing.

We have engaged IT audit specialists with BDO who commenced work to update our knowledge of the IT systems and controls that related to audit areas through discussions with key team members. At this time, no audit risks arising from the IT environment have been identified from our work to date.

Performance of data analytics

We are required to perform specific audit procedures that are a response to the risks of fraud and management override of controls including the testing of journal entries throughout the year. Our audit strategy is to obtain a full extract of all nominal ledger activity, reconcile to the trial balance movements and then to perform computer assisted auditing procedures using our BDO Advantage Analytics suite to analyse and assess journal activity.

In addition to testing of manual adjustments, we will also use this download to conduct a review of all transactions posted to the general ledger relating to other cycles. We will establish posting patterns, duplicates, occurrence of key words, in-depth analysis of manual entries, unusual accounting combinations contained within transactions and notable items detected by our artificial intelligence routines. We will also review users active within the general ledger, and their posting trends, to evaluate whether they are only posting to areas relevant to their roles.

CORONAVIRUS AND FINANCIAL REPORTING IMPACTS

The effects on year-end corporate reporting and auditing

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Overview

Management override of controls

Fraud in income recognition

Fraud in Income recognition (continued)

Fraud in Income recognition (continued)

Investment Property Valuations

Pension Liability Valuation

Investment Valuations

Decommissioning Provision

Going concern

Accounting estimates

Other matters requiring further discussion

Other matters requiring further discussion 2

Other matters requiring further discussion 3

IT general controls

Coronavirus and financial reporting impacts

Independence

Appendices contents

Financial Reporting Implications

Impairment testing

Models used in impairment testing should be based on forecasts, projections and assumptions that were reasonable and supportable at the balance sheet date. For 31 March 2021 year ends any impairment calculations will need to consider both the disruption that the coronavirus pandemic has caused to operations in the current and short term as well as any longer term changes to business plans caused by adopting any of the learnings from working in the "new normal" during the pandemic. In the context of the City's Cash we are aware that some tenants were granted rental deferrals during the pandemic.

Narrative reporting implications

Principal risks and uncertainties:

In February 2020, the Financial Reporting Council wrote to large corporate Audit Committee chairs to remind them that entities should consider whether to refer to the possible effects of Coronavirus on their businesses, for example in their reporting of principal risks and uncertainties. The FRC highlighted that, where mitigating actions can be taken, these should also be reported alongside the description of the risk itself. The FRC also note that, given the potential for rapid spread of the virus, required disclosures will likely change over time as more information about the epidemic arises. As a result, entities will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosures when preparing their annual reports.

Sufficient and appropriate audit evidence:

Personnel may be unable to carry out their roles on site and/or be available to meet physically with our audit teams. We note that this may be a particular issue around areas relying on paper documentation.

INDEPENDENCE

INDEPENDENCE

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks

Independence

Independence

Appendices contents

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 2021.

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 or the IESBA Code of Ethics as appropriate and are independent of the Group.

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

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



APPENDICES CONTENTS

Α	Corporation's responsibilities	33
	Corporation's responsibilities	33
	Corporation's responsibilities explained	34
	Our responsibilities	35
	Communication with you	36
В	Independence	37
	Partner rotation	37
С	Materiality	38
	Materiality: Definition and application	38
D	Materiality	39

Materiality: Definition and application 2

39

CORPORATION'S RESPONSIBILITIES

CORPORATION'S RESPONSIBILITIES

The Corporation's Responsibilities and Reporting

CONTENTS

Appendices contents

Corporation's responsibilities

Corporation's responsibilities explained

Our responsibilities

Communication with you

Independence

Materiality

Materiality

The City of London Corporation's Responsibilities and Reporting

The City of London Corporation, in its role as Trustee of the Group, is responsible for preparing and filing an Annual Report and financial statements which show a true and fair view, comply with the Companies Act 2006, prepared in accordance with UK GAAP and the Charities SORP.

Our audit of the financial statements does not relieve Management nor those charged with governance of their responsibilities for the preparation of the financial statements.

Further information regarding these responsibilities will be provided in our engagement letters. Our engagement letters are being updated for the year ending 31 March 2021 and will be issued in due course.



CORPORATION'S RESPONSIBILITIES EXPLAINED

The Corporation's Responsibilities and Reporting

CONTENTS

Appendices contents

Corporation's responsibilities

Corporation's responsibilities explained

Our responsibilities

Communication with you

Independence

Materiality

Materiality

Trustee responsibilities	What this means	
 Maintain adequate accounting records and maintain an appropriate system of internal control for the entity 	Further information regarding these responsibilities will be provided in our engagement letters. Our engagement letters are being updated for the year	
 Prepare the annual report and the financial statements which give a true and fair view and which are prepared in accordance with the Companies Act 	ending 31 March 2021 and will be issued in due course.	
 Safeguard the assets of the Group and take reasonable steps for the prevention and detection of fraud and other irregularities. 		
Having made enquiries of fellow Members of the City of London Corporation and the Group's auditors, state in the Trustee's report that:	In addition to answering our queries, this requires proactive behaviour in order to make us aware of any relevant information. Relevant information is	
• So far as they are aware, there is no relevant audit information of which the Group's auditors are unaware	very broad and includes any information needed in connection with our report.	
 They have taken all reasonable steps they ought to have taken as Members of the City of London Corporation in order to make themselves aware of any relevant audit information and to establish that the Charity's auditors are aware of that information. 		

OUR RESPONSIBILITIES

Responsibilities and reporting

CONTENTS

Appendices contents

Corporation's responsibilities

Corporation's responsibilities explained

Our responsibilities

Communication with you

Independence

Materiality

Materiality

Our responsibilities and reporting

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

We read and consider the 'other information' contained in the Annual Report 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 such as the Trustee's report, 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.

We are additionally required to include in our report:

- Where we conclude there is no material uncertainty in relation to going concern, a statement to that effect
- A conclusion that management's use of the going concern basis of account is appropriate.
- An explanation of the extent to which the audit was capable of detecting irregularities, including fraud

What we don't report

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



COMMUNICATION WITH YOU

CONTENTS

Appendices contents

Corporation's responsibilities

Corporation's responsibilities explained

Our responsibilities

Communication with you

Independence

Materiality

Materiality

Those Charged with Governance

References in this report to Those Charged With Governance are to the Members of the Common Council of the City of London Corporation as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Risk Management Committee.

Communication, Meetings and Feedback

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

INDEPENDENCE

PARTNER ROTATION

CONTENTS

Appendices contents

Corporation's responsibilities

Corporation's responsibilities explained

Our responsibilities

Communication with you

Independence

Materiality

Materiality

These tables indicate the latest rotation periods normally permitted under the independence rules of the FRC's Ethical Standard.

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.

Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place before
Fiona Condron Partner	3	2029
Peter Lewis Senior Manager	2	N/A
James Hay Manager	3	N/A

Independence - audit quality control

Role	Number of years involved	Rotation to take place before
Engagement Quality Control Reviewer	1	2031

MATERIALITY

MATERIALITY: DEFINITION AND APPLICATION

CONTENTS

Appendices contents

Corporation's responsibilities

Corporation's responsibilities explained

Our responsibilities

Communication with you

Independence

Materiality

Materiality

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
- · Compliance with loan covenants
- Instances when greater precision is required (e.g. Trustee/Members emoluments 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 Group, 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.

Definition of materiality under FRS 102

Information is material - and therefore has relevance - if its omission or misstatement, individually or collectively, could influence the economic decisions of users taken on the basis of the financial statements.

MATERIALITY

MATERIALITY: DEFINITION AND APPLICATION 2

CONTENTS

Appendices contents

Corporation's responsibilities

Corporation's responsibilities explained

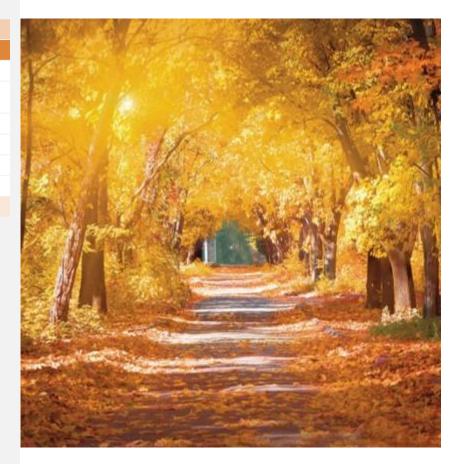
Our responsibilities

Communication with you

Independence

Materiality

Materiality



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 with loan covenants, management compensation agreements, other 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.

FOR MORE INFORMATION:

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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 company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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