



Report to the Audit and Risk Management Committee

CITY'S CASH

Audit Completion: year ended 31 March 2021

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WELCOME

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

It summarises the results of carrying out the planned audit approach for the year ended 31 March 2021, specific audit findings and areas requiring further discussion and/or the attention of the Committee. At the completion stage of the audit it is essential that we engage with the Committee on the results of audit work on key risk areas, including significant estimates and judgements made by Management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by the City of London Corporation. We expect that the Committee will refer such matters to the Members, together with any recommendations, as it considers appropriate.

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

You will be aware that I took on the audit partner responsibility as a result of Fiona Condrón's illness. This combined with other illness within our senior team has led to a delay in the completion of our work. We apologise for any inconvenience this may have caused.



Heather Wheelhouse

29 November 2021

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Audit 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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OVERVIEW

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This summary provides an overview of the audit matters that we believe are important to the Committee in reviewing the results of the audit of the financial statements for City’s Cash and the consolidated Open Spaces for the year ended 31 March 2021.

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



Overview

Our audit work is nearing completion in respect of City’s Cash and, subject to the successful resolution of outstanding matters (page 26), we anticipate issuing an unmodified audit opinion for the year ended 31 March 2021 in line with the revised timetable.

Our work on the Open Spaces, the Sir Thomas Gresham Charity and Keats House is currently on going. We have staff booked at the start of December to help finalise this audit work. There is a risk we will not be in a position to sign these accounts prior to the 31 December 2021. If this were to occur, it would not prevent us from approving the City Cash accounts in line with the revised timetable.

It should be noted that Barking Power Limited and Thames Power Services Limited are also audited by BDO. However, this work is carried out by a separate sector specialist team, who then report through to us as Group auditors.

There were no significant changes to the planned audit approach.

No restrictions were placed on our work.

THE NUMBERS

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Final Materiality

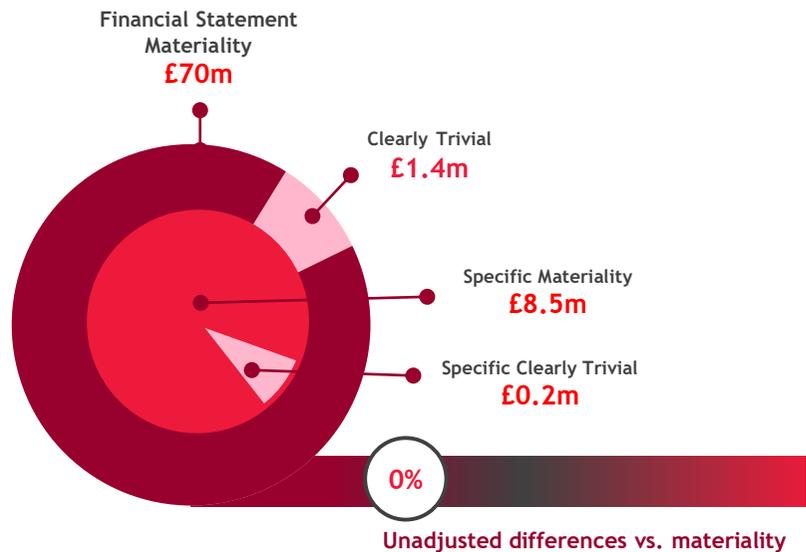
Financial Statement Materiality was determined based upon 2% of total assets and Specific Materiality was determined based upon 5% of total income.

As set out in our planning report, the specific materiality has been applied to non-investment related items in the consolidated statement of comprehensive income as we consider this to be an area of key focus for the users of the accounts

There were no changes to final materiality and triviality from that reported in our planning report other than being updated for the actual results for the year ended 31 March 2021.

Unadjusted audit differences

We have not yet identified any unadjusted audit differences for City's Cash.



OTHER MATTERS

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Financial reporting

- We have not identified any non-compliance with accounting policies or applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- The draft Annual Report for City's Cash has been reviewed and the resulting comments have been fed back to the management team. We are awaiting an updated set of accounts and feedback from management to see how our comments have been addressed.



Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation (see page 35).
- Completion of post balance sheet event review up to point of signing the financial statements.

Independence

- We confirm that the firm and its partners and staff involved in the audit remain independent of City's Cash in accordance with the FRC's Ethical Standard.

OVERVIEW - SIGNIFICANT RISKS

As identified in our audit planning report, we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the directing of the efforts of the engagement team.

Significant Audit Risk	Entities covered	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported in Completion report	Specific Letter of Representation Point	Discussion points for Audit Committee
1. Management Override of Controls	All	Yes	No	No	No	No	No
2. Fraud in Income Recognition	All	Yes	No	No	No	Yes	No
3. Investment Property Valuation	CC	Yes	Yes	No	No	Yes	No
4. Pension Liability Valuation	CC	Yes	Yes	No	No	Yes	No



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MANAGEMENT OVERRIDE OF CONTROLS

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

- Significant management judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Control Finding
- Letter of Representation point

Risk description

ISA (UK) 240 - The auditor’s responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Details

- We have worked closely with our IT team to gain an understanding of the financial systems in place and assess controls for potential scope for management override including the use of automated journals and administrator access accounts.
- We have used data analytics tools to inspect journals processed throughout the year and as part of the financial reporting closing process for any unusual transactions.
- We have also conducted a specific review of journals posted by admin users.
- We have assessed and corroborated significant management estimates and judgements in following key areas:
 - Allocation of costs
 - Estimation and allocation of the pension scheme liability
 - Valuation of investment properties and financial investments - see pages 11 and 16 for further detail

Details (continued)

- We have performed a detailed review of the cost allocation model including understanding the methods used to allocate costs between funds within the Corporation and testing of this allocation to ensure accuracy of the expenditure charged to City’s Cash.

Results and conclusion

- We have not identified any instances of inappropriate management override from our work on journals.
- We have not noted any management bias in accounting estimates. Our detailed conclusions on significant estimates are set out within this report.
- We have identified no significant or unusual transactions that may be indicative of fraud in relation to management override of controls.
- We note that benefits in kind associated with the Town Clerk and Chief Executive are now fully allocated to City Cash. This is a change compared to the prior year, and we understand this was authorised in advance by those charged with governance and reflects the new agreement put in place at the start of the year. We have not identified any other issues with the allocation of costs.

FRAUD IN INCOME RECOGNITION

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

Significant management judgement
 Use of experts
 Unadjusted error
 Adjusted error
 Additional disclosure required
 Control Finding
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Risk description

- Under auditing standards there is a presumption that there is a risk of fraud in income recognition.
- For City’s Cash, we consider there to be a significant risk in respect of the completeness of investment property income and education income (including tuition fees, grants, donations and charges for the use of facilities), due to the cut off risk around the year end. Together these account for approximately 87% of total income.
- For the Open Spaces, we consider there to be a significant risk in respect of the completeness of the contribution from City’s Cash, grants, fees and charges, rental income and investment income.

Details

We have carried out audit procedures to gain an understanding of the internal control environment for the significant income streams, including how this operates to prevent loss of income and have ensured that income is recognised in the correct accounting period.

Our audit procedures included substantive testing on the material income streams and cut off testing to ensure income is recognised in the correct period and appropriately classified as restricted (charity entities only) such as:

Details (continued)

- Tested a sample of fees and charges to ensure that income has been recorded in the correct period and that all income that should have been recorded has been;
- We have agreed a sample of rental income to invoice and lease agreements. Where rental periods cross year-end, we have checked the split between years is correct.
- Rental information from the property management system has been reconciled to total rental revenue recognised.
- We selected a sample of properties from the property management system and agreed these to the general ledger and supporting leases to ensure completeness.
- We have performed cut-off testing for all revenue streams by reviewing transactions around the year-end date.

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FRAUD IN INCOME RECOGNITION (CONTINUED)

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

Significant management judgement
 Use of experts
 Unadjusted error
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Details (continued)

Investment Property Income

- We traced a sample of rental income amounts through to lease agreements. We also obtained a report from the tenant system and developed an expectation of the rental income for the year and compared this to the general ledger.
- We are currently finalising our testing in this area.

Education income (including tuition fees, grants, donations and charges for the use of facilities)

- We obtained 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.
- We also traced a sample of individual pupil fees to supporting documentation.
- No issues noted from our work on education income.

Market income

- We traced a sample of market income through to supporting documentation.
- We also reviewed the application of cut off for income recognised either side of the year end.
- No issues were noted from our work on market income.

Details (continued)

Other Income

- We traced a sample of other income through to supporting documentation.
- We also reviewed the application of cut off for income recognised either side of the year end.
- No issues were noted from our work on other income.

Grants (including contributions from City's Cash)

- No issues noted from our sample testing performed

Fees and charges

- No issues noted from our sample testing performed

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INVESTMENT PROPERTY VALUATION

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

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

Risk description

- City's Cash holds an extensive portfolio of investment properties, which are reported at fair value at the balance sheet date.
- 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.

Details

As part of our audit work, we have performed procedures including the following:

- Assessed the qualifications and competence of the valuers used
- Reviewed the instructions provided to the valuers and reviewed the valuers; skills to determine whether we can rely on management's expert
- Verified a sample of data provided to the valuers (such as rental income) to use as inputs within the valuation process (this work is currently on going)

- Confirmed that the basis of valuation for each asset is appropriate based on their usage
- Reviewed assumptions used by the valuers and movements in values relative to market indices, and challenged valuations lying outside our expectations with the corresponding valuer.
- Consulted 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)
- Held meetings with the Surveyors Team and Valuers during the valuation process
- Compared movements in the valuation of assets year-on-year and investigated unusual movements.

Results and conclusion

- Our review of the instructions to the valuers and the valuers' skills and expertise did not identify any issues. We agreed that the basis of valuation for each property valued is appropriate.
- Our work is currently ongoing in respect of the accuracy and completeness of the data provided by the Corporation to the valuers.
- Investment properties are valued by reference to highest and best use market value using an income based approach. Investment properties decreased in value by £71.1m to £1,991.2m (3%) in 2020/21 driven primarily by the revaluation loss of £98.1m.

INVESTMENT PROPERTY VALUATION (CONTINUED)

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

Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
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Results and conclusion cont.

- We set yield expectations for the portfolio based on year-end market trends and property type (such as office, retail or industrial). These expectations also included consideration of a property’s location and security of future income. We then compared the yields to our expectations, discussing properties outside of these further with the valuers.
- We consulted extensively with our Real Estate and Valuation teams, who confirmed that our base expectations and methodology were suitable for the portfolio of City’s Cash.
- We note that due to the ongoing impact of covid-19 as at the 31 March 2021, the valuers have included within their valuation reports, a “Material Valuation Uncertainty” clause in line with the guidance set out in the RICS Red Book Global in respect of pubs held within the investment property portfolio.
- City Cash holds pubs within their investment property portfolio, with a valuation that is not material (£10.9m). Management has flagged this uncertainty in the notes to the financial statements. However, as the pubs held within the City Cash investment portfolio are less than 30% of materiality, management are not flagging this in the accounting policies as a matter of material valuation uncertainty. We concur with this view.

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PENSION LIABILITY VALUATION

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

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

Risk description

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

The Corporation's share of the net liability, including its share of the assets held in the pension fund, is allocated across the funds in proportion to the payroll cost for each fund.

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

The estimate will be based on the submission of membership data from the 2019 triennial valuation exercise for the LGPS and the 2017 triennial valuation for the police pension, updated at 31 March 2021 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'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. The risk is therefore also focussed on the accuracy of this calculation.

Details

Our audit procedures undertaken as part of the Pension Fund audit and reviewed for the purposes of the City's Cash audit included the following:

- Assessed the qualifications and competence of the actuary through the use of PwC consulting actuary (auditor's expert);
- Reviewed the reasonableness of the assumptions used by Barnett Waddingham (management's expert) for the calculation of the liability against other local government and police pension actuaries' assumptions and other observable data using the benchmark range of acceptable assumptions provided by PwC consulting actuary (auditor's expert);
- Reviewed the controls for providing accurate membership data to the actuary;
- Checked the accuracy and completeness of the data set submitted to the actuary for the 2019 triennial valuation of the LGPS;
- Checked whether any significant changes in membership data had been communicated to the actuary;
- Discussed with the actuary the continuing impact of GMP equalisation and the McCloud judgement regarding age discrimination on the pension fund liability and impact on employer fund;
- Checked the accuracy of the calculations relating to the allocation of the share of the net assets across the funds in proportion to the employer's contribution's paid to the scheme; and
- Reviewed the reasonableness of the relevant disclosures in City's Cash relating to the basis of apportioning the net pension liability of the Corporation.

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PENSION LIABILITY VALUATION (CONTINUED)

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.

Results and conclusion

- We have agreed the disclosures to the information provided by the actuary
- We have taken assurance from the work undertaken on the Pension Fund audit regarding the review of the controls to ensure data provided to the actuary is complete and accurate.
- The allocation of the Corporation's share of LGPS assets and liabilities as 46% in City's Cash is reasonable based on the proportion of payroll costs for each Fund (2020: 46%).
- A full assessment of the pension scheme assumptions is set out in the BDO report to the Committee on the City Fund. These are also set out in the representation letter.

Significant management judgement	■
Use of experts	■
Unadjusted error	■
Adjusted error	■
Additional disclosure required	■
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OVERVIEW - OTHER RISKS

Other audit risks

As identified in our audit planning report, we assessed the following matters as being normal risks of material misstatement in the financial statements but areas of audit focus.

Audit Risk	Entities covered	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported in Completion report	Specific Letter of Representation Point	Discussion points for Audit Committee
4. Investment Valuations	CC	No	Yes	No	No	Yes	No
5. Decommissioning Provision	CC	Yes	Yes	No	No	No	No

 Areas requiring your attention

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INVESTMENT VALUATIONS

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

Significant management judgement

Use of experts

Unadjusted error

Adjusted error

Additional disclosure required

Control Finding

Letter of Representation point

Risk description

- The investment portfolio within City’s Cash includes unquoted infrastructure, private equity holdings and pooled investment vehicles (held through unit trusts). 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.
- There is a risk that investments may not be appropriately valued and correctly recorded in the financial statements

Details

Our audit procedures included the following:

- For unquoted infrastructure and private equity investments, we obtained direct confirmation of investment valuations from the General Partner or fund manager and obtained copies, where applicable, of the audited report on internal controls / audited financial statements of the underlying partnerships (and member allocations);
- For pooled investments, we obtained direct confirmation of investment valuations from the fund managers and agreed independent valuations, where available, provided by the custodian;
- Obtained independent assurance reports over the controls operated by both the fund managers and custodian for valuations and existence of underlying investments in the funds; and
- Agreed the allocation of amounts for each fund where there is pooling of investments across the funds.

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INVESTMENT VALUATIONS (CONTINUED)

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

Results and conclusion

We have agreed investments within the financial statements to confirmations received from investment managers.

We have confirmed a sample of listed investment valuations to external published sources. We have also performed testing over purchases and sales of Investments.

Our testing of the private equity and other non listed elements of the portfolio identified that all but one of the investments was correctly valued based on the 31 March 2021 valuations.

The one outlier was based on a 31 December 2020 valuation. However, the 31 March 2021 valuation for this fund showed the movement in the last 3 months of the financial year was clearly trivial, and so no proposed adjustment has been raised.

Our review of the control environment of the investment managers we sampled noted that all firms received clean audit reports on internal controls. Furthermore, the specific controls related to the valuation and existence of investments did not highlight any anomalies with the testing performed by the associated auditors.

Results and conclusion

We are satisfied that the overall valuation of financial investments is materially correct.

Significant management judgement

Use of experts

Unadjusted error

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DECOMMISSIONING PROVISION

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

Risk description

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. There is a risk that the costs of restructuring will not be calculated on a reasonable basis or disclosed correctly.

The provision has increased by £4.6m in the current year to £39.7m. There are significant estimates and assumptions which are incorporated into the assessment of the quantum of total site remediation costs including contingency costs and contractor risks. The judgmental nature of these estimates is considered to be the main contributor to the risk in relation to these balances.

Management engage third party experts to assist with the assessment of the costs to restore the site however additional top-side adjustments are recorded by management to increase the provision in excess of the figure provided by experts.

Details

We are liaising with the audit team responsible for the audit of Barking Power. We note that their work in this area is not yet complete, and they are currently waiting on local management to provide additional information in respect of the year end provision.

As Group auditors, we are conscious that the provision in the accounts is not material to the City Cash consolidated financial statements, and so our work is focussed on considering if this provision is materially understated.

Significant management judgement

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Defined Benefit Pension Scheme

See Page 13

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.

As at 31 March 2021 the allocation of the total Corporation's defined benefit pension for City's Cash remained unchanged at 46%.

The fund position at the year end is based on a complex calculation with the assumptions having a significant impact on the value of the reported surplus/deficit.

Fair Value of investment properties

See page 11

The fair value of investment property is determined by the valuers to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction.

Going concern

We have considered the projections produced by management for the 2 years ending 31 March 2023. We concur with management's view that the City Cash financial statements should be produced on a going concern basis.

Management and the Trustee are required to consider at least the 12 month period from date of sign off in assessing the going concern assumption

Investment Valuations

See page 16

Inappropriate assumptions may be used to value investments

Amortisation of Goodwill

Management have currently been unable to confirm the eventual use of the Barking site due to ongoing planning and other considerations. We noted during review of the Policy and Resources Committee minutes Members demonstrate continued support for consolidating the markets on this site.

Goodwill of £39.3m was generated as part of the purchase of Barking Power Limited and Thames Power Service Limited in FY 2018/2019. Goodwill is required to be amortised over its useful life. Goodwill is amortised over the maximum allowable period under FRS102, 10 years.

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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 procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the audit plan on 23 March 2021.

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 or fraud.

We did not identify any significant matters in connection with related parties.

Laws and regulations

The most significant general legislation for your entities are Charities Acts, VAT legislation, Employment Taxes, Health and Safety and the Bribery Act 2010. We made enquiries of management and reviewed correspondence with the relevant authorities.

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

OVERVIEW: AUDIT DIFFERENCES AND DISCLOSURES

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Unadjusted audit differences:

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

No unadjusted audit differences have been identified by our audit work.

Unadjusted financial reporting matters

We are required to bring to your attention financial reporting disclosure omissions and improvements that the Audit Committee is required to consider.

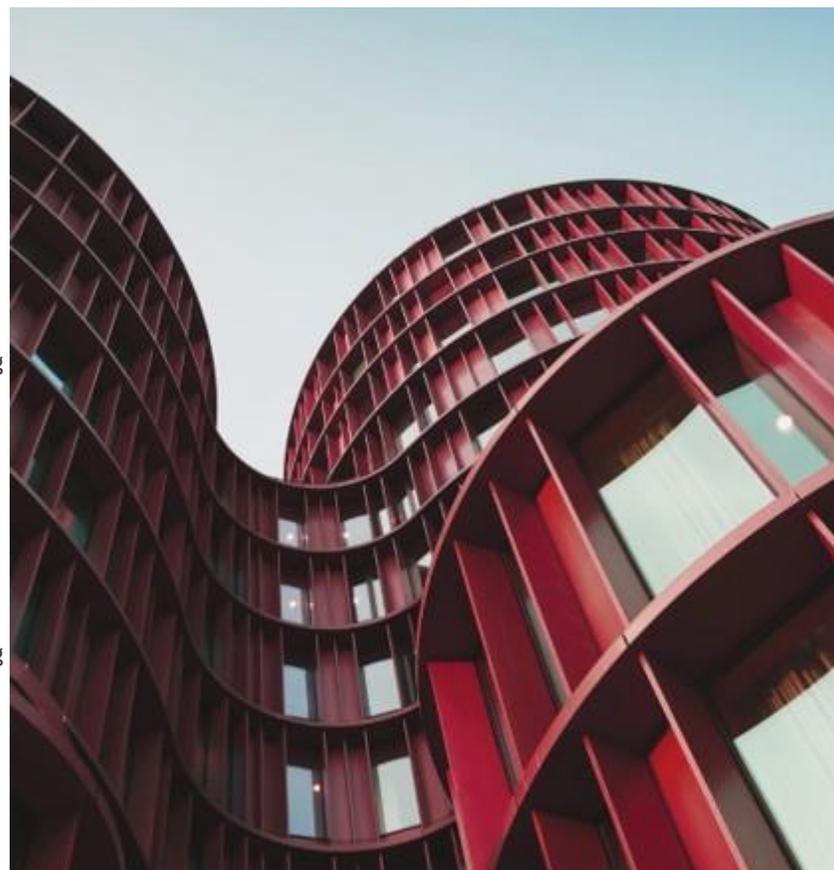
At this stage we are working with management to finalise financial reporting matters. We will provide a verbal update at the meeting.

Adjusted audit differences

No unadjusted audit differences have been identified by our audit work

Adjusted financial reporting matters

At this stage we are working with management to finalise financial reporting matters. We will provide a verbal update at the meeting.



ADDITIONAL MATTERS

Details for the current year

We have comments on the following additional matters:

	Significant matter	Comment
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Significant matters that arose during the audit that were discussed or were subject to correspondence with management	No exceptions to note in relation to audit work, though we note the change of Audit Partner due to illness as a significant event during the course of the audit.
3	Serious incident reporting	No serious incidents were reported in the year, and we have not identified any matters requiring reporting to the Charity Commission.
4	Written representations which we seek.	We enclose a copy of our draft representation letter
5	Any fraud or suspected fraud issues.	No exceptions to note.
6	Any suspected non-compliance with laws or regulations	No exceptions to note.
7	Any misstatements in opening balances that exist in the current period financial statements	No exceptions to note.
8	Significant matters in connection with related parties.	No exceptions to note.
9	Any other significant matters arising relevant to the oversight of the financial reporting process	No matters noted.

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CONTROL ENVIRONMENT: OBSERVATIONS NOTED

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

The table below sets out the deficiencies noted in the course of this year’s audit. A number of IT control environment observations have also been separately fed back to central management in detail for their consideration; these apply to all entities across the City of London using these systems.

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

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

Area	Observation and implication	Recommendation	Management response
Payroll Contract	During our sample testing of the City of London payroll, we have noted 6 out of 40 contracts have not been signed by the employees.	Signed contract ensures both parties (employer and employee) are in agreement to the terms and conditions of the employment and will serve to reduce the chance that one party will have grounds for legal action in future.	The recommendation is accepted. The Corporation are currently reviewing processes within HR and will seek to address this as part of that review.

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Opinion on financial statements

We anticipate issuing an unmodified opinion on all financial statements.

Comments on the Annual Report and statutory other information

We have identified no material misstatements in the statutory other information accompanying the financial statements.

Other information

We have reviewed the other information accompanying the financial statements in the annual report. We have not identified any material misstatements that would need to be referred to in our report.

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

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

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2021.

Details of services, other than audit, provided by us to City’s Cash during the period and up to the date of this report were provided in our planning report. We understand that the provision of these services was approved by the Audit Committee in advance in accordance with the Charity’s policy on this matter.

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

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

We 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 City’s Cash.

We also confirm that external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of City’s Cash and the Open Spaces.

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

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We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2021.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Committee meeting at which this report is considered:

City's Cash

- Review of amended financial statements
- A number of related party declarations are currently outstanding from members
- Finalisation of our work on investment properties (predominantly testing the inputs into the valuation models)
- Finalisation of audit work on investment property income
- Finalisation of audit work on the decommissioning provision, and associated deferred tax
- Subsequent events review to date of signing the financial statements
- Receipt of signed letters of representation for all entities

Open Spaces

- Finalisation of audit work on all entities
- Subsequent events review to date of signing the financial statements
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TRUSTEE'S RESPONSIBILITIES EXPLAINED

The Trustee's Responsibilities and Reporting

The Members are responsible for preparing and filing an Annual Report and financial statements which show a true and fair view, comply with the Charities SORP, prepared in accordance with UK GAAP.

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

Further information regarding these responsibilities is provided in the engagement letter.

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Trustee responsibilities	What this means
<ul style="list-style-type: none"> • Maintain adequate accounting records and maintain an appropriate system of internal control. • Prepare the annual report and the financial statements which give a true and fair view and which are prepared in accordance with UK Generally Accepted Accounting Practice • Safeguard the assets of the 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. We are happy to explain these in more detail to you.</p>
<p>To make available to us, as and when required, all accounting records and related financial information.</p> <p>To provide us with 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 entities incorporated in the UK and officers, employees or auditors of those subsidiary entities.</p>
<p>Having made enquiries state in the Trustee's report that:</p> <ul style="list-style-type: none"> • So far as Members (on behalf of the Trustee) are aware, there is no relevant audit information of which the auditors are unaware • Members have taken all reasonable steps they ought to have taken on behalf of the Trustee in order to make themselves aware of any relevant audit information and to establish that the 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>

OUR RESPONSIBILITIES

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Our responsibilities and reporting

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

We report only those matters which come to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements.

We are also required to report on the consistency of the Annual report with the Financial Statements and our knowledge of the organisation and their environment obtained in the course of the audit and whether they have been prepared in accordance with the requirements of FRS102 and the Charities SORP.

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.

FRAUD RISK

Respective responsibilities

In accordance with the International Standards on Auditing (UK) we are required to discuss with you the possibility of material misstatement, due to fraud or error. Below is a summary of the respective responsibilities of the Members, management, and the Auditor with regards to fraud:

Trustees' Responsibility

- To evaluate management’s identification of fraud risk, and implementation of anti-fraud measures; and
- To investigate any alleged or suspected instances of fraud brought to their attention.

Management's Responsibility

- To design and implement systems and controls that enables the organisation to prevent and detect fraud;
- To ensure that the organisation's culture promotes ethical behaviour; and
- To perform a risk assessment that specifically includes the risk of fraud, and consideration of whether having a whistleblowing policy in place.

Auditor's Responsibility

- To evaluate and obtain sufficient appropriate audit evidence regarding the assessed risk of material misstatement due to fraud;
- To identify and assess the risks of material misstatement of the financial statements due to fraud; and
- To report fraud to an appropriate authority outside the entity where there is a suspected or actual instance suggesting dishonesty or fraud.

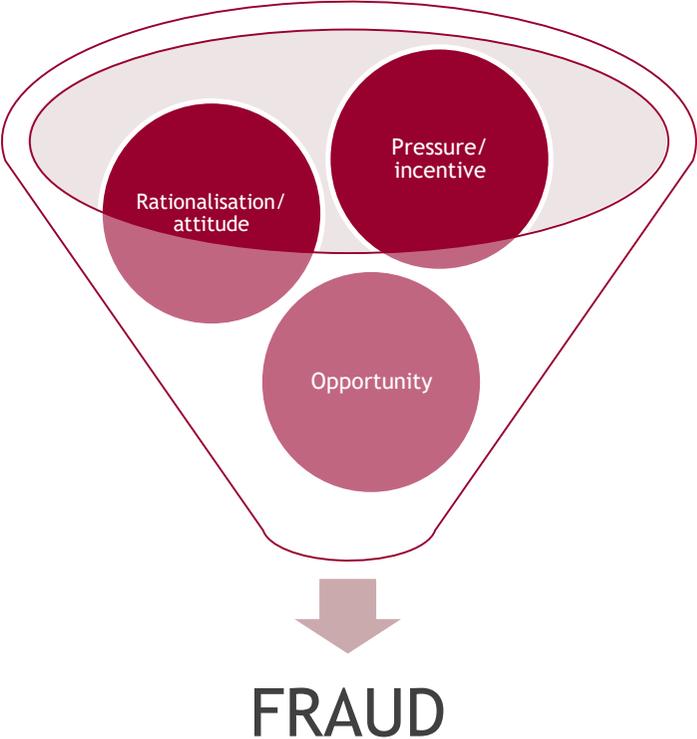
The auditor would also report to those charged with governance subject to “tipping-off” provisions under anti-money laundering legislation.

We will continue to consider fraud throughout the audit process and will discuss with the Audit & Risk Management Committee. We will liaise with management to determine any actual, suspected or alleged fraud known to them. We will discuss with management any knowledge they have of suspected or alleged fraud.

We will consider management’s process for identifying and responding to the risks of fraud, including the nature, extent and frequency of such assessments. We ask that Members advise us if they do not concur with the assessment made by management in your management representation letter to us.

The key questions we are required to ask the Members are as follows:

- Are you aware of any instances of actual, suspected or alleged fraud?;
- What are your processes for identifying and responding to the risk of fraud?; and
- What communication is made with the Audit & Risk Management Committee with regards to processes for identifying and responding to the risk of fraud?



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Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Audit and Risk Management Committee acting on behalf of the Trustee. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Risk Management Committee.

Communication, meetings and feedback

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

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

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.

	2020/21			
	Materiality	CT	Specific materiality	Specific CT
City's Cash	£70m	£1.4m	£8.5m	£0.2m

The basis for setting materiality for the subsidiary 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.

The Audit and Risk Committee approved a de-minimis reporting level of £1,000 at the planning stage however our audit procedures have considered any items at the lower levels of clearly trivial (as set out below) both individually and in aggregate.

	2020/21			
	Materiality £	CT £	Specific materiality £	Specific CT £
Consolidated Entities				
Ashtead Common Preservation of the common at Ashtead	11,000	1,000	-	-
Burnham Beeches Preservation of the open space known as Burnham Beeches	23,000	1,000	-	-
Epping Forest Preservation of Epping Forest in perpetuity	333,000	7,000	137,000	3,000
Hampstead Heath (consolidated) Preservation of Hampstead Heath for the recreation and enjoyment of the public	750,000	21,000	473,000	9,000
Hampstead Heath Trust To meet a proportion of the maintenance cost of Hampstead Heath	663,000	13,000	76,000	2,000
Highgate Wood & Queens Park Kilburn Preservation of Hampstead Heath for the recreation and enjoyment of the public	31,000	1,000	-	-

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MATERIALITY: ALL ENTITIES

	2019/20			
	Materiality	CT	Specific materiality	Specific CT
	£	£	£	£
West Ham Park To maintain and preserve the Open Space known as West Ham Park	32,000	1,000	-	-
West Wickham Common and Spring Park Coulsdon & Other Commons Preservation of West Wickham Common and Spring Park Coulsdon & Other Commons	29,000	1,000	-	-
Keats House Maintenance of Keats House	7,000	140	-	-
Sir Thomas Gresham Charity To provide a programme of public lectures	1,000	20	-	-

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LETTER OF REPRESENTATION

The letter concerning City's Cash is included below - note that the letters of representation for the Trusts will be provided separately from this report.

TO BE TYPED ON YOUR HEADED NOTEPAPER

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex, RH6 0PA

Dear Sirs

Financial Statements of City's Cash for the year ended 31 March 2021

We confirm that the following representations given to you in connection with your audit of City's Cash and its subsidiaries (together "the financial statements") for the year ended 31 March 2021 are made to the best of our knowledge and belief, and after having made appropriate enquiries of the City of London Corporation and officials of City's Cash and other group entities as appropriate.

We have fulfilled our responsibilities as the City of London Corporation for the preparation and presentation of the group and City's Cash financial statements as set out in the terms of the audit engagement letter, and in particular that the financial statements give a true and fair view of the financial position of the group and City's Cash as at 31 March 2021 and of the results of the group's and City's Cash operations and cash flows for the year then ended in accordance with the applicable financial reporting framework and for making accurate representations to you.

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

Going concern

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

Having performed our assessment we were able to conclude that the charity is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

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

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LETTER OF REPRESENTATION

Laws and regulation

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

Post balance sheet events

Other than those disclosed in note 23, there have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Fraud and error

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

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

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

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

Misstatements

We attach a schedule showing uncorrected misstatements that you identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below.

In our opinion, the effects of not correcting such identified misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

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

Other than as disclosed in note 22 to the financial statements, there were no loans, transactions or arrangements between the group and the members of the corporation or their connected persons at any time in the year which were required to be disclosed.

In the opinion of the City of London Corporation City's Cash has no controlling party.

Carrying value and classification of assets and liabilities

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

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LETTER OF REPRESENTATION

Accounting estimates

1. Pension fund assumptions

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

- Rate of inflation (CPI): 2.9%
- Rate of inflation (RPI): 3.2%
- Rate of increase in salaries: 3.9%
- Rate of increase in pensions: 2.9%
- Rate of discounting scheme liabilities: 2.0%

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

2. Valuation of investment properties

The property investment portfolio has been valued by Cushman and Wakefield and Savills in accordance with the RICS Global Standards 2020 as at 31 March 2021, based on tenancy and rental information that was correct at that date.

3. Valuation of private equity investments

We confirm that private equity investments are valued based on the latest available information from the individual private investment fund managers as at 31 March 2021 and therefore represent fair value of the funds as at the balance sheet date.

4. Amortisation of Goodwill

We confirm that goodwill arising from the acquisition of Barking Power Limited and Thames Power Service Limited which is being written off over 10 years, currently represents our best estimate of its useful life, taking into account the ongoing discussions regarding the future of the site.

We confirm that no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

Litigation and claims

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

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LETTER OF REPRESENTATION

Confirmation

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

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

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

Yours faithfully

Caroline Al-Beyerty

(Signed on behalf of the Trustee)

Date:

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FOR MORE INFORMATION:

Heather Wheelhouse

m: +44(0)7798 653 994

e: heather.wheelhouse@bdo.co.uk

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

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