

Informing the audit risk assessment for City of London Corporation – City Fund 2022/23



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between City of London Corporation City Fund's external auditors and City of London Corporation City Fund's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the City of London Corporation City Fund's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from City of London Corporation City Fund's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?</p>	<p>We are moving away from the impact of COVID-19 but there are still some residual issues affecting the 22/23 accounts including collection fund deficits and inflated reserve balance due to S31 offset funding, business support funding and COVID additional relief fund (CARF) impacting on creditor balances.</p> <p>Aside from those issues the accounts reflect previous areas which have an impact including IAS19 valuations, PPE valuations, investment property valuation and the assessment of business rate appeal provisions. The forecast Medium Term Financial Plan position show deficits occurring from 2025/26 which will require addressing as part of the budget setting process.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by City of London Corporation City Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>The City Fund accounts are prepared in accordance with proper accounting practices as required by the Accounts and Audit Regulations 2015. This comprises the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS).</p> <p>Accounting policies are reviewed as part of the preparation of the accounts. No changes have been made in 22/23.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>City Fund is invested in money market funds to the value of £350m</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>We have around £53.8m spent on Major Projects on City Fund in 22/23. This Primarily on two programmes, £29.5m on the Salisbury Square Development which will deliver a new, purpose-built 18-courtroom legal facility called the City of London Law Courts and a new City of London police headquarters and £24.3m on the Museum of London relocation and work on its current site.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	CoL has entered into a guarantee contract for the Police ICT Company – as a national body supporting all forces with ICT services. This guarantee is limited to £28k.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by City of London Corporation City Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Provided as a separate document.</p> <p>Note that the expenditure data relates to various legal matters not limited to litigation.</p> <p>Contingencies are not used by the Comptroller & City Solicitors Department though client departments may manage contingencies from their budgets for ongoing legal cases.</p>

General Enquiries of Management

Question	Management response
9. Have any of the City of London Corporation City Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	The Corporate fraud register will be provided. Confirmation of non-compliance with laws and regulations has been provided via the Comptrollers and City Solicitor. We are not aware of any uncorrected misstatements that would have a material impact on the financial statements.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The City commission several valuation experts to conduct the valuation of their operational and investment property. These are Gerald Eve, Cushman and Wakefield and Savills. The City Corporation commission Barnet Waddingham to conduct its actuarial valuations including IAS19. We use Analyse Local to support our appeal provision calculation.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Assessment of expected credit losses are made on all non-statutory account debtors as per the requirements. Provisions are made based on backward and forward looking factors. Bad debt provision calculations have been provided as part of the audit pack.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As City of London Corporation City Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from City of London Corporation City Fund's management.

Fraud risk assessment

Question	Management response
<p>1. Has City of London Corporation City Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the City of London Corporation City Fund's risk management processes link to financial reporting?</p>	<p>Reliance is placed on the controls in place to prevent fraud e.g. systems/processes/financial monitoring/procurement practice etc and any concerns would be flagged to the Chamberlain and Audit and Risk committee, which would be factored into the financial statements preparation.</p> <p>A fraud register is maintained of any actual or suspected fraud cases.</p> <p>Internal Audit has provided independent and objective assurance across a range of City Corporation activities and services through delivery of a continuous programme of Internal Audit reviews. The programme of Audit work has been managed proactively throughout the year in accordance with the Public Sector Internal Audit Standards and with the engagement and support of the Audit and Risk Management Committee considering the risk profile of the organisation and the resources (capacity and capability) available.</p> <p>The Head of Internal Audit has provided an annual opinion stating that the City has adequate and effective systems of internal control (which includes governance arrangements) in place to manage the achievement of its objectives. This is informed by completed Audit work, discussion with key officers and observation of the governance process in operation.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>See response to Q5 below</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within City of London Corporation City Fund as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>All frauds, whether actual or suspected are recorded on the corporate fraud register.</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Biannual counter fraud and investigation reports delivered to the Audit & Risk Management Committee.</p> <p>Corporate risk report as standard item at each meeting of the Audit & Risk Management Committee.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within City of London Corporation City Fund where fraud is more likely to occur?</p>	<p>Yes – those areas where there is an inherent risk of fraud, despite having a sound control framework, the risks of human fraud or error can still exist.</p> <p>Housing allocations and rents (HRA properties) AP (Mandate) Social care (Direct Payments)</p> <p>All frauds, whether actual or suspected are recorded on the corporate fraud.</p>
<p>6. What processes do City of London Corporation City Fund have in place to identify and respond to risks of fraud?</p>	<p>Fraud risks are considered as part of each internal audit assignment, with appropriate testing undertaken to assess the scale of the fraud risks in that service.</p> <p>IA's counter fraud team consider fraud risks as part of corporate fraud investigation activity and these are reported as appropriate to management, with recommendations made as appropriate to improve the control framework.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for City of London Corporation City Fund including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Delivery of a programme of Internal Audit work, this incorporates assurance work reviewing controls within key financial systems as well as a risk based programme of activity (the approach to the latter still focusses on the adequacy of the Internal Control environment). Segregation of duties is built into many of our existing processes, often driven/enforced by the design and implementation of our IT systems.</p> <p>The effectiveness of the system of internal control is based upon review and analysis of completed Internal Audit work and other relevant information that the Head of Internal Audit becomes aware of. This is a judgement/opinion based assessment so does not follow a specific process.</p> <p>Refer to the Head of Internal Audit Annual Opinion report to Audit and Risk Management Committee to identify risk areas from absent/weak internal controls. Mitigating actions are usually to implement /improve the controls identified as weak.</p> <p>There are also some effective 2nd line controls, for example in relation to procurement, we also make use of the NFI and more recently the London NFI fraud hub.</p> <p>There is always the potential for override or inappropriate influence, some of the City Corporation's financial arrangements are complicated, that said, Internal Audit work has not identified any specific instances.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Not to our knowledge.</p>

Fraud risk assessment

Question	Management response
<p>9. How does City of London Corporation City Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Both the Corporate Anti-Fraud & Corruption Strategy and the Whistleblowing Policy provide confidential routes for staff to report any fraud concerns to the Internal Audit & Counter Fraud division for consideration of further investigation. A mandatory fraud awareness eLearning package is in place to raise staff awareness of fraud risks and acts as a reminder to staff about what risks they need to report. This eLearning is repeated periodically for staff employed in high fraud risk areas, such as housing, benefits, accounts payable etc. Staff are encouraged to report any concerns they may have, these are triaged by the Internal Audit & Counter Fraud division upon receipt with appropriate action taken.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Posts where there is an inherent risk of fraud through misappropriation of funds or the City's assets. These include, finance, cashiers, AP, payroll, benefits, revenues, social care (DP) and housing teams. Staff in high risk posts are required to submit a declaration of interest return on an annual basis to their Chief Officer, any third party interests are considered on the basis of the risks posed and appropriate safeguards put in place. The mandatory fraud awareness eLearning training is repeated periodically for staff employed in high fraud risk posts.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No Self declaration of conflicts of interests/ third party interests expected to be reported by Chief Officers and Members. The City utilises the NFI AppCheck as part of its recruitment checks to see if staff have a third party interest (recorded within NFI data) that may impact their duties at CoL. Scope exists to use AppCheck periodically for high risk posts, but not known if this is being done holistically at present. Testing through the NFI biennial exercise – employees to Companies House data matching, The CoL is signed up to the NFI fraud hub, meaning more regular data matching of staff data to Companies House data.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Audit & Risk Management Committee (ARMC) receive an annual counter fraud & investigation report to its May committee and a half yearly report to its November committee.</p> <p>The Committee also receives regular updates on follow up work and has the power to hold officers to account, through calling management to committee to explain why any recommendations have not been implemented</p> <p>Overall arrangement for reporting and responding to recommendations has been positive and not required further intervention by ARMC.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Not for pensions.</p> <p>Wider organisation wise - details of the disclosures raised under the whistleblowing procedure, along with the outcome of any investigation undertaken during 2022/23 can be found in the 2022/23 disclosure register.</p> <p>All disclosures raised under the whistleblowing channels are reported to the Audit & Risk Management Committee for oversight, along with a redacted summary of the outcome.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that City of London Corporation City Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does City of London Corporation City Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the City of London Corporation City Fund's regulatory environment that may have a significant impact on the City of London Corporation City Fund's financial statements?</p>	<p>Management and Committee reporting arrangements. See annual governance statement. Keep relevant laws and regulations under review – focus on changes in liaison with Comptroller and City Solicitor's department. The Comptroller and City Solicitor, is responsible for providing all legal services required by the City of London. This includes providing legal advice to Committees, Departments of the City, to the Commissioner of Police for the City, and to other organisations for whom the Comptroller & City Solicitor is required to act as legal adviser (e.g. the Museum of London).</p> <p>No</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The City Corporation has established formal Risk Management arrangements which include the development and maintenance of corporate, departmental, and service risks, their regular review by departmental senior management, through the Chief Officer Risk Management Group, and reported to the relevant Grand/Service Committee. These arrangements are subject to annual review by the Audit and Risk Management Committee and have continued to operate effectively. The Audit and Risk Management Committee continue to play an important and integral part in ensuring that our most important risks were reviewed through regular risk updates and deep dives of corporate risks on a rolling basis. The Committee also continued to operate the Informal Risk Challenge process, meeting with Chief Officers individually to evaluate their approach to managing risk within their operations. See Risk Management Policy and Strategy for further details.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>Not as far as we are aware.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>Not of a material nature.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does City of London Corporation City Fund have in place to identify, evaluate and account for litigation or claims?	See response to Q2 above. In addition, confirmation is required from each Chief Officer that events after the balance sheet date and contingent liabilities/outstanding claims have been considered, with details of any material items or a nil return being provided.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	Not as far as we are aware.

Related Parties

Matters in relation to Related Parties

City of London Corporation City Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by City of London Corporation City Fund;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (Fund) for the benefit of employees of the Fund, or of any body that is a related party of the Fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in City of London Corporation City Fund's 2020/21 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and City of London Corporation City Fund whether City of London Corporation City Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>Members have agreed to disclose all related party transactions of £10k to ensure transparency so our disclosures go above the strict accounting requirement. The disclosure in the accounts makes clear the movements from the previous year.</p>
<p>2. What controls does City of London Corporation City Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members are required to complete these disclosures as part of their role. Related parties linked to roles obtained through the Corporations are included by default.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Corporation does not operate single member decision making so all decisions are routed through the committee system. All procurement activity follows procurement rules which would usually result in a tender or approved framework being utilised with a transparent selection process.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Whilst delegation limits are in place for Officers to action transactions most if not all significant transactions would be routed through a committee process. An audit trail of approvals will be required in order for payments to be processed.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by City of London Corporation City Fund will no longer continue?	The organisation maintains regular in year monitoring, medium term forecasting, risk management processes and has a strong financial standing which would prevent such an occurrence from happening.
2. Are management aware of any factors which may mean for City of London Corporation City Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No
3. With regard to the statutory services currently provided by City of London Corporation City Fund, does City of London Corporation City Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for City of London Corporation City Fund to cease to exist?	The City of London expects continued delivery of these services.
4. Are management satisfied that the financial reporting framework permits City of London Corporation City Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>These are reviewed and disclosed in note 2 of the accounts. Potential areas include business rates, pension liability, PPE, asset valuations and arrears.</p>
<p>2. How does the City of London Corporation City Fund's risk management process identify and address risks relating to accounting estimates?</p>	<p>The City of London Corporation is committed to ensuring risk management is utilised in every aspect of the organisation to drive efficiency, innovation and effectiveness in its overall decision-making process.</p> <p>The Corporate Risk Register contains the City Corporation's most significant risks and is reviewed by the Performance and Strategy Summit Group (chaired by the Town Clerk) before being reported to the <u>Audit and Risk Management Committee</u> on a periodic basis.</p> <p>Each department has a nominated risk coordinator who can provide support and guidance to officers and managers on risk management.</p> <p>The Risk Management Forum, chaired by the Chief Strategy Officer's Corporate Risk Manager, enables risk coordinators and risk management leads discuss and understand strategic and operational elements of risk management, including the review, development and engagement of managing risks within the City Corporation.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>These are largely driven by technical reporting requirements as set out but professional bodies (RICS and IAS etc). CoL does maintain some level of internal expertise like property specialists, accountants, those operating within the pension field etc to support the process. In relation to NNDR appeals the use of external experts provides us with a wider view of the evolution within this area and our position as the second largest business rate authority means we have close contact with Govt and other large business rate areas (like Westminster) to understand potential changes. Judgements on the recoverability of arrears are reviewed each year to ensure they appropriately capture the risk around this.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>Many of these areas are constantly evolving and therefore these estimates only reflect a point in time. Previous years values form the starting point against current year estimates will be measured, and understanding key movements is critical to understanding how positions may have evolved.</p>
<p>5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?</p>	<p>In terms of overall approach, there were no changes in 22/23</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	These are largely focused on the key areas of estimation which are material to the accounts requiring specialist training in making assessment (e.g. property and actuarial valuations) or where access to specialist knowledge provides support and advice when linking into the estimations process (e.g. NNDR provisions). Where specialised skills or knowledge are not available internally, the Corporation utilises interim staff or consultants to ensure that the required skills are accessible.
7. How does the City of London Corporation City Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	<p>All external advice is subject to review processes where information provided is challenged to ensure it is robust and any movements are understood. For valuations, formal challenge sessions are held with our internal property experts and then further challenge is made by our capital accountants if there are any valuations that are flagged as outliers. The pension valuations are largely formulaic but we do ensure that significant movements between years are understood with additional disclosures included if necessary. NNDR appeals are subject to review by the Head of Revenues and the collection fund accountant. Bad debt provisions are viewed by the relevant head of finance and service leads to ensure a reasonable position is reached.</p> <p>Note in the case of external experts the base data used to produce these estimates is provided by CoL so we ensure these remain robust.</p>
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	See response to Q7 above
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	See response to Q7 above

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>No</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>These are established processes which are supported by external advice adhering to professional standards</p>
<p>12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>The audit committee are aware of any prior audit issues raised with accounting estimates and are informed of changes made to address these issues. Briefing sessions are held on the accounts prior to sign off which enables Members (within and outside of the committee) to challenge the approach to any aspect of the accounts. Members appoint senior staff within Chamberlain's with appropriate skills and qualifications to provide the relevant assurance around the statement of accounts. The audit committee also maintains 3 independent members with appropriate skills and experience to provide challenge to all elements of the audit committee remit including the approval of the statement of accounts.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	External RICS valuations	Passing over of data by CoL to base valuations on, review meetings to discuss valuations, further challenge by capital team on valuation report.	Yes, detail already provided	Valuations are inherently uncertain due to the nature of the valuation process as individual valuers make judgements in forming a valuation.	No
Council dwelling valuations	Internal valuer using beacon methodology	Qualification of valuers, training, peer review	Internal qualified valuers	Valuations are inherently uncertain due to the nature of the valuation process as individual valuers make judgements in forming a valuation.	No
Investment property valuations	External RICS valuations	Passing over of data by CoL to base valuations on, review meetings to discuss valuations, further challenge by capital team on valuation report	Yes, detail already provided	Valuations are inherently uncertain due to the nature of the valuation process as individual valuers make judgements in forming a valuation.	No
Depreciation	Methods used as accepted by CIPFA code of practice. Asset lives determined as part of capital scheme development and principle as identified in the accounts	Discussion with capital scheme managers and subsequent use of valuations process to determine changes in UEL. Control in place to ensure all capital spend is capture through project procedure.	Project manager identified when capital scheme undertaken to advise to UEL	UEL are an inherent estimate.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of pension liabilities	Actuarial valuations as set out by actuarial standards	Underlying data is provided by CoL, estimates are reviewed and challenged once provided by Actuary	Yes, Barnett Waddingham	There is a degree of uncertainty involved due to the long-term nature of pension liability.	No
Fair value estimates	Only applies to short dated bond fund investments whose value are deemed via market price.	N/A	None – albeit these fund are invested with an investment firm.	N/A	No
Provisions	Currents only applicable for NNDR appeals. In general confirmation of potential issues received via Chief Officer confirmations	Senior leaders, including the Town Clerk and City Solicitor determine if there is an issue.	No	Would be subject to the specific provision issue that was being dealt with.	No
Accruals	Based on financial commitments at the end of the financial year yet to be recorded. Limited use of models but judgement require on value of capital works completed at year end, which is determined by contractor	Review of financial position by budget holders and finance professionals.	No	Limited uncertainty as this is usually based on actual delivery of product or service.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowances	Generally review of historic trends, with account taken of future issues that may impact specific income streams	Review of historic trends, information for service managers	No	Locally determined depending on income stream.	No
Finance lease liabilities	Method as set out in CIPFA code of practice.	n/a	No	n/a	No
NNDR Appeals provision	Analysis provide by Analyse Local	VOA listing of CCA	Analyse Local	Uncertainty inherent but wider data set utilised by Analyse Local provide greater level of support for approach.	No



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