City of London Corporation City Fund – Audit Findings

Year ended 31 March 2023

Contents

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This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Risk Management Committee.

Sophia Brown
For Grant Thornton UK LLP
February 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the City of London Corporation City Fund ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial position of the Authority and the Authority's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed in a hybrid manner during October 2023 to February 2024. Our findings are summarised in Section 2 of this report, as well as in Appendices B to D. We have identified several adjustments to the financial statements that have resulted in material adjustments to the Authority's Comprehensive Income and Expenditure Statement, detailed in Appendix D. We have also raised a number of recommendations for management as a result of our audit work, set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix G) or material changes to the financial statements, subject to the following outstanding matters:

- Resolution of queries raised regarding business rates income;
- Receipt of management representation letter;
- Review of the final set of financial statements; and
- Consideration of any post balance sheet events that arise prior to the sign off date.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

We continued to work closely with your finance team and key finance officers, in a joint endeavour to complete the 2022-23 audit in a significantly shorter timeframe than the prior year audit. Your senior officers have taken key steps to support this, through investment in interim staff members to work through the audit backlog, filling staff vacancies with experienced personnel and streamlining the process in which audit queries and evidence requests are responded to. We have also invested in our team, ensuring the audit has had sufficient, experienced resources throughout and resource continuity from the 2021-22 audit to create efficiencies. This investment and work on both sides resulted in the 2021-22 City Fund financial statements being signed in December 2023 following the signing of the 2020-21 financial statements in November 2023.

On completion of our audit work, we expect to issue an unmodified audit opinion on the 2022-23 financial statements in February 2024, meaning the Authority will have caught up on all outstanding years of audit. Given the challenges the finance team face, with servicing and supporting audits of other Corporation funds, this is a big step forwards from the situation six months ago.

Despite this progress, we have identified a greater volume of findings in this year's audit than in the prior year. We note that this may be, in part, due to the cumulative impact of preparing the 2022-23 financial statements with three open financial years in place, along with the impact of staff turnover. With additional findings to work through for both us and the finance team, additional resource and work was required in January and February to conclude the audit. This has resulted in fee overruns; however, due to the improved processes put in place by the finance team these overruns have been much lower than in the prior year. The updated fees can be found in Appendix E. The key issues that we faced were:

- A significant increase in the number of control findings identified in Appendix B;
- Working through a significant number of errors present in the fixed asset register and corresponding working papers;
- Detailed testing of the completeness of CIL income recognition; and
- Identification, assessment and reporting on a significant number of misstatements, particularly in disclosure notes such as Related Parties and the Remuneration Report.

Our work on the Authority's Value for Money (VFM) arrangements is complete. The outcome of our VFM work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report (AAR) and will be presented at the Audit and Risk Management Committee on 26 February 2024. We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance.	We will present our Auditor's Annual Report at the Audit and Risk Management Committee meeting on 26 February 2024. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness and are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code but cannot formally conclude the audit and issue the audit certificate for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to the Whole of Government Accounts (WGA) for the year ended 31 March 2023 – we await guidance from the National Audit Office on 2022-23 WGA procedures. Please also refer to page 21 of the report for further detail.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021-22 accounts by the extended deadline of 30 November 2022. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated – **About time? (grantthornton.co.uk)**.

We would like to thank everyone at the Authority for their support in working with us on the audit. Together we have made significant progress in the last 4 months to be able to sign off the financial statements of the last two financial years. This is a significant step in the right direction.

National context – level of borrowing

All councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on council budgets, there are concerns as councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

The City of London Corporation City Fund holds no borrowings, has a healthy general fund position and adopts prudent earmarking of reserves, enabling the Authority to utilise their investment property portfolio as a source of recurrent income.

2. Financial statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Risk Management Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based. This included:

An evaluation of the Authority's internal controls environment, including its IT systems and controls:

- Substantive testing of significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks; and
- We determined financial statement materiality based on a proportion of the City Fund's total annual expenditure, minus the loss on revaluation of investment properties and the business rates tariff and levy payments. This methodology, to determine materiality, represents a revision from the methodology communicated to you in the 2022-23 Audit Plan at the Audit and Risk Management Committee meeting in September 2023. We have detailed our rationale for this, and the revised materiality, performance materiality, and triviality figures, on the following page.

Conclusion

We have substantially completed our audit of your financial statements and subject to resolution of final audit queries, we anticipate issuing an unqualified audit opinion, as detailed in Appendix G.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As noted previously, the Authority's finance team has faced unique challenges with three financial years being worked on simultaneously across two audit firms. We thank management for their continued support and patience in what we appreciate has been a challenging situation to work in. We have worked with management in a hybrid way, coming into offices when requested and also weekly as a full team to ensure good progress was made. We have also used remote arrangements for accessing financial systems, video calling for meetings and to verify the completeness and accuracy of information provided remotely produced by the Authority.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised our materiality, performance materiality and triviality figures, communicated in the Audit Plan at the Audit and Risk Management Committee in September 2023. This is due to a revision of our methodology employed to determine materiality. For the 2021-22 audit, we used the gross cost of services expenditure as our benchmark for materiality. Whereas, for the 2022-23 audit we have used the total expenditure, minus the loss on revaluation of investment properties and the business rates tariff and levy payments. The loss on revaluation has been excluded due to being volatile year-on-year, and the business rates tariffs and levies do not constitute actual spend for the Authority.

Driving factors to revise our methodology to calculate materiality included the City's unique activities and responsibilities compared with other local authorities, and the significance of their fixed asset base and strong reserves position.

We set out, in this table, our determination of materiality for the City of London Corporation City Fund.

	City Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	£12,031,500	We considered materiality from the perspective of the users of the financial statements. The Authority prepares an expenditure-based budget for the financial year with the primary objective to provide services for the community, visitors and businesses. We determined that the use of total expenses for the City Fund is the appropriate benchmark and applied a rate of 1.95% to calculate the materiality.
Performance materiality	£8,422,050	Performance materiality is based on a percentage (70%) of the overall materiality. We have set performance materiality at 5% higher than the percentage applied for the 2021-22 audit (65%). This is on the basis that there were both material and non-material adjustments in the prior year. However, we note that these were primarily confined to complex accounting issues regarding lease premiums and disclosure notes, such as the Expenditure and Funding Analysis and critical judgements.
Trivial matters	£601,600	This balance is set at 5% of the overall materiality.

2. Financial statements – significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
The revenue cycle includes fraudulent transactions (rebutted)	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. In the Audit Plan, we had determined that the risk of fraud arising from revenue recognition can be rebutted, because: • There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of Local Authority's, mean that all forms of fraud are seen as unacceptable. There have been no changes to our assessment as reported in the Audit Plan. To gain assurance over revenue, we: • Documented our understanding of the revenue business process. • Tested a sample of revenue to gain assurance over the accuracy and occurrence of revenue recorded during the financial year. • Performed testing over post year-end receipts to assess completeness of revenue and receivables recognition. Identified misstatements relating to revenue recognition have been detailed in Appendix D.
Management override of controls	Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The City Fund faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the City Fund, which was one of the most significant assessed risks of material misstatement. There have been no changes to our assessment as reported in the Audit Plan. We undertook the following procedures: • Evaluated the design effectiveness of management controls over journals • Analysed the journals listing and determined the criteria for selecting high risk unusual journals • Identified and tested journals we considered to have the greatest risk of material misstatement or from our data analytics Journals that were identified to be unusual. We then tested these Journals for appropriateness and corroboration to evidence. • Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness Our work on management override of controls is complete. We have nothing to bring to the attention of those charged with governance and management.

2. Financial statements – significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Council Dwellings	Council Dwellings (£249.1m): City Fund measures its dwellings at fair value, determined using the basis of existing use value for social housing, and is revalued on a cyclical approach using the Beacon methodology. City Fund has appointed an external valuer to carry out this work. We undertook the following procedures: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Discussed with, and wrote to, the valuer to confirm the basis on which the valuation was carried out. • Engaged our own valuer expert to provide commentary on: the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and the guidance regarding the valuation of council dwellings and social housing. • Reviewed and tested a number of assets back to market data for properties in that area. • Reviewed a sample of assets to test the appropriateness of the Beacon applied as well as undertaking existence testing of a sample of assets. • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding. No issues were identified from our testing procedures.
Valuation of Investment Properties	Investment Properties (£1,560.3m): City Fund measures its investment properties at fair value, revalued on an annual basis. City Fund has appointed four external valuers to carry out this work. We undertook the following procedures: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Discussed with and wrote to the relevant valuer to confirm the basis on which the valuation was carried out. • Engaged our own valuer expert to provide commentary on: the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and the valuation methodology and approach, resulting assumptions adopted and any other relevant points. • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding. • Recalculated the valuations, testing key inputs including yields applied, rental information used, and all other key assumptions applied in the valuers' calculations behind the asset's valuation. • Tested revaluations made during the year to see if they have been input correctly to the City Fund's asset register. • Assessed the value of a sample of assets in relation to market rates for comparable properties. **There was one adjusted misstatement identified in relation to an investment property where the valuation had not been appropriately recorded in the fixed asset register. We also identified one immaterial unadjusted misclassification between investment properties and long-term debtors. Refer to Appendix D.**

2. Financial statements – significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings	Other Land and Buildings (£630.5m): City Fund revalues its land and buildings on a rolling five-year basis. City Fund has appointed an external valuer to carry out this work. We identified the valuation of land and buildings, council dwellings and investment properties, particularly revaluations and impairments, as a significant risk, one of the most significant assessed risks of material misstatement, and a key audit matter. We undertook the following procedures: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Discussed with, and wrote to, the valuer to confirm the basis on which the valuation was carried out. • Engaged our own valuer expert to provide commentary on: the instruction process in comparison to requirements from CIPFA/IFRS/RICS (Royal Institute of Chartered Surveyors); and the valuation methodology and approach, resulting assumptions adopted and any other relevant points. • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding. • Recalculated the valuations, testing key inputs including BCIS rates, floor areas, obsolescence and other assumptions used in both Depreciated Replacement Cost and Existing Use Valuations. We also considered the appropriateness of each method to determine the assets valuation. • Tested revaluations made during the year to see if they have been input correctly to the City Fund's asset register. • Confirmed via site inspections the asset details corroborated with those in the valuation report. • Confirmed the material accuracy of the carrying value, from the current value, of assets not revalued at 31 March 2023 through an indexation exercise using market data. **We found several errors in the fixed asset register which translated into material misstatements in the Property, Plant and Equipment balance on the Balance Sheet. Identified misstatements, both adjusted and unadjusted, relating to other land and buildings have been detailed in Appendix D. We have also raised a control deficiency in relation to this matter, detailed in Appendix B.**

2. Financial statements – significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability	The pension fund net liability, as reflected in the City Fund's balance sheet as pensions liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£913.2m) and the sensitivity of the estimate to changes in key assumptions. The City Fund's pension liability consists of the City Fund's share of the City of London Corporation's net pension liability, the unfunded City Police pension scheme and the Judge's Pension Scheme. We therefore identified valuation of the City Fund's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter. We undertook the following procedures: • Gained an understanding of the processes and controls put in place by management to ensure that the City Fund's pension fund net liability is not materially misstated and evaluate the design of the associated controls. • Evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work. • Assessed the competence, capabilities and objectivity of the actuary who carried out the City Fund's pension fund valuation and the actuary who undertook the valuation of the unfunded Police Pension Liability. • Assessed the accuracy and completeness of the information provided by the City Fund to the actuary to estimate the liability. • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • Documented the scope of the actuary's work for the triennial valuation • Identified, documented and evaluated the procedures and controls used by the City of London Pension Fund to establish the accuracy and completeness of the source data, and over the provision of this source data, to the actuary for the purposes of preparing the triennial valuation. • Performed audit procedures in respect of the triennial valuation data submitted by the actuary. • Tested individual member data used by the actuary in their triennial valuation calculations against independent records. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). The source data used by the actuaries to produce the IAS 19 estimates is provided by administering Authority's and employers. We verified that this source data was accurate. Our work on the valuation of the pension fund liability is complete. We have nothing to bring to the attention of those charged with governance and management.

2. Financial statements – other risks

This section provides commentary on the other audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Fraud in expenditure recognition (rebutted)	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). Having considered the risk factors relevant to the City Fund and the relevant expenditure streams, we determined that no separate risks relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 8 relating to revenue recognition apply. We considered that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which have been considered as part of the standard audit tests and our testing in relation to the significant risk of management override of controls set out on page 8. There have been no changes to our assessment as reported in the Audit Plan. To gain assurance over expenditure, we: • Tested a sample of operating expenses to gain assurance over the accuracy and occurrence of expenditure recorded during the financial year. • Performed testing over post year-end transactions to assess completeness of expenditure recognition. Identified misstatements relating to expenditure recognition have been detailed in Appendix D.

2. Financial statements – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Judgement or estimate	Summary of management's approach	Audit comments	Assessment
Business Rates Appeal Provision - £21.4m	The City of London Corporation City Fund is responsible for repaying a proportion of successful rateable value appeals. Management uses an external organisation, Analyse Local, to obtain information on the level of challenges, checks and threats to rateable values, as well as information on the outcomes of appeal. This is based upon the latest information which Analyse Local obtain from the Valuation Office Agency (VOA). Analyse Local also carry out sensitivity analysis work and provide advice to management. Management then use this information to determine the provision required. Due to the closure of the 2017 appeals list on 31 March 2023, and correspondingly the now lack of threats to the 2017 rateable values, the provision has decreased by £18.8m in 2022-23 (from £40.2m in 2021-22). The methodology adopted in previous years has always been to provide for the full amount for challenges and threats, but to provide nothing for Checks. These are cases raised by ratepayers to confirm property details and report any changes to the VOA. Management's judgement was that there was limited information available to accurately determine a rate to apply against the check cases, on the basis that each of them is highly unique. Through management's experience of the provision over a number years, they are of the view that the total amount of challenges and threats materially equated to the amount successfully appealed for and that the checks were not necessary to consider. However, due to the year-end deadline for submitting appeal cases, the VOA has seen significant spikes of check cases in the months leading up to the year-end, as there is no negative impact to businesses in raising an application. The total value of the rateable values disputed through check cases has increased by nearly eight times, year-on-year.	We carried out the following procedures on the business rates appeal provision: • Gained an understanding of the provision, including the relevant source data and assumptions which drive the calculation, as well as Analyse Local's role in the provision, their competency, capability and objectivity. • Detailed testing of the source data and assumptions. • Benchmarking the provision against other local authorities, operating in a similar area and space. • An assessment as to whether the provision meets IAS 37 recognition criteria. • Detailed testing of appeals settled in-year. Through our work we identified that in some assumptions management had been prudent and other areas there were indications of optimism. The areas we identified potential optimism assumptions in the provision were: • Check data was not considered in the estimate. • Our benchmarking data identified the Authority's provision was low compared to other authorities in the area. Management identified this was due to having a higher portfolio of office vs retail businesses in the area. We also identified that management had not utilised success rates provided by Analyse Local to the reports which indicated the likelihood of success on appeal cases, which provides a more prudent assumption. Through our own work we identified these two matters largely net off and we are therefore satisfied the provision is fairly stated. We have, however, raised a control recommendation regarding management's methodology to not account for checks or success rates, refer to Appendix B for further detail. Our own benchmark exercise identifies the Authority's provision to be lower than other similar authorities. We have rated the Authority's estimate as potentially optimistic.	**Light purple**

Assessment

- **Dark purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – key judgements and estimates

Judgement or estimate	Summary of management's approach	Audit comments	Assessment
Minimum Revenue Provision - £1.4m	The City of London Corporation City Fund is responsible, on an annual basis, for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. We have assessed the Authority's approach in line with Statutory Guidance on MRP. The Authority has opted for option 3 under the statutory guidance. Option 3 is the asset life method, with MRP based on the estimated life of the assets. The policy has not changed from the prior year and is appropriate for the Authority as there are no external borrowings, which is required for Option 1 and Option 2. The year end MRP charge was £1.4m, a net increase of £0.3m from 2021-22.	We carried out the following procedures on the minimum revenue provision: • We confirmed that the MRP was been calculated in line with statutory guidance. • We assessed whether any changes to the Authority's policy on MRP were discussed and agreed with those charged with governance and approved by Full Council. • Analysed the Authority's MRP as a percentage of Capital Financing Requirement (1.6%). We are satisfied that this is a reasonable rate for the City Fund. Our work on MRP is complete. Through the Balance Sheet check, we identified that the CFR was understated by £3.7m, see Appendix D.	**Light purple**
Impairment allowances for expected credit losses and doubtful debts: **Non-Collection Fund - £10.3m** **Collection Fund - £11.7m**	The City of London Corporation City Fund has recognised a £22.0m impairment allowance for expected credit losses and doubtful debts for 2022-23 against a total debtor balance of £159.3m (representing approximately 14% of outstanding debts). This is made up of £10.3m for non-Collection Fund related debtors and £11.7m for Collection Fund related debtors. Bad debt provisions are determined on a service-line basis. Management for the relevant service line are provided with a standardised bad debt provision template which has been used for a number of years at City Fund. This is the same format for each of the service lines, allowing for there to be consistency in the approach applied across the Fund whilst also putting the administrative and estimation process in the hands of the people who understand the outstanding debts best. Guidance on the relevant accounting standards e.g., IFRS 9/CIPFA is provided in the template. There are then instructions detailing that explanations are required from the relevant service line manager for significant fluctuations in income, debt levels and provision balances compared with the prior-year. An assessment of expected credit loss is also required for the debtors under each service line. Explanations are provided by management for any difference between the bad debt provision and the expected credit loss. These returns are then compiled together to determine the City Fund's total provision.	We have carried out the following procedures on the impairment allowances for expected credit losses and doubtful debts: • Obtained a breakdown of the Authority's bad debt provision and allowance for doubtful debts. • Tested the appropriateness of the accounting estimate by reperforming calculations, gaining an understanding of, and assessing the reasonableness of, the underlying assumptions, and corroborating any changes in policy from the prior year to relevant supporting evidence. • Tested the adequacy of expected credit losses provision for consistency with IFRS 9, as interpreted by the Cipfa Code. Our work on the expected credit loss provision is complete. We have raised only one disclosure misstatement in Appendix D, in which we noted that the Collection Fund provision was reported net of the associated debtors and not disclosed separately. Management has agreed to amend this.	**Light purple**

2. Financial statements – information technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**	**Audit comments**
Oracle E-Business Suite	Detailed ITGC assessment (design and implementation effectiveness)	Orange	Orange	Green	Green	Our IT Audit team carried out a review of the design and implementation of the City of London Corporation's financial reporting system (the main ERP system hosted by City of London). The work was carried out in December 2022 and identified two deficiencies. The first in relation to the timeliness of revocation of user access in Oracle EBS, and the second relates to the management of generic database administrator accounts. Recommendations for these two deficiencies have been detailed in Appendix C. These were also detailed in our 2021-22 Audit Findings Report which was reported after the 2022-23 period-end. As such, we did not expect management to have implemented measures to reduce the risk posed by these control deficiencies for the 2022-23 financial year.

In our audit plan, we stated that we would be carrying out a design implementation assessment for iTrent (Payroll), Capita (Collection Fund) and Orchard/Civica (Benefits). On obtaining a more detailed understanding of the systems, we scoped-out our assessment of Orchard/Civica based on the systems having an immaterial impact on the financial statements. We also scoped-out our assessment of Capita based on the system not driving any of the significant risk/estimates outlined in the previous slides. Our assessment of iTrent identified no risks to the financial statements.

Assessment

- Red — Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Orange — Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- Green — IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Grey — Not in scope for testing

2. Financial statements – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Conclusion
During the audit there were national issues raised in relation to Reinforced Autoclaved Aerated Concrete (RAAC) and its use in the public sector setting. We have been required to consider the impact that this could have on the Authority's accounts.	We are satisfied that the Authority has followed government advice in checking properties for the presence of RAAC. In doing so, the following has taken place: • With there being over 2,200 properties over the whole City of London Corporation, the Authority created a RAAC tracker to log issues. Where the RAAC material is identified, a risk assessment is undertaken. • As of January 2024, the inspections have revealed no immediate concerns around Authority assets, with no suspension of asset use. • There have been no associated liabilities or asset impairments identified in association with this matter, that would require provision.	From this assessment, we note the following: • There has been no closure of Authority assets as a result of the RAAC issue. • No significant issues have been identified that would require amendment of the useful lives of assets. • There has been no identified remedial action or potential legal provisions identified as a result of the RAAC issue. Therefore, at the current date, we are satisfied that no adjustments are required to the Authority's asset valuations or provisions in the financial statements. We have agreed with management that updates on this issue should be made in the narrative report and in the financial statements, within the post balance sheet events disclosure.
Following recent issues at other local authorities, in relation to significant liabilities associated with equal pay disputes arising from recent court cases, we considered the potential impact of this to the City of London Corporation's City Fund accounts.	From our discussions with management, no liabilities in relation to this matter have been identified. From our review of legal expenditure and inquiries with the legal services team, we are satisfied that this issue does not impact the Authority.	No significant issues identified in relation to equal pay liabilities.

2. Financial statements – other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Risk Management Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority, including specific representations in respect of the Authority's assessment of whether the national concerns around RAAC are material to the Local Authority and that there is no impact regarding potential liabilities associated with the equal pay tribunal that would impact the Authority which is included in the Audit and Risk Management Committee papers.
Confirmation requests from third parties	We requested from management permission to send a confirmation requests to relevant Investments held with third parties. This permission was granted, and the requests were sent out with all requests having been received.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided. Management has made a notable improvement since the 2021-22 audit, where we faced difficulties in obtaining supporting evidence that met our quality requirements on a timely basis. We note that management have settled into their new posts and have dealt with audit queries in a detailed and prompt manner for the 2022-23 audit. Our budgets and expectation is that for a Unitary Authority of your size, the audit should typically take 10-12 weeks. Due to additional findings and some pressure on the finance team of having other Funds being audited, we required additional time in January and February to complete the audit. However, we note the pace this was completed in was a marked improvement to the 2021-22 audit. We also would like to thank the finance team for putting additional resources in place during the first two months of the 2022-23 audit period. This alleviated pressures on the other team members and allowed for us to progress with our fieldwork testing at a good pace.

2. Financial statements – other communication requirements

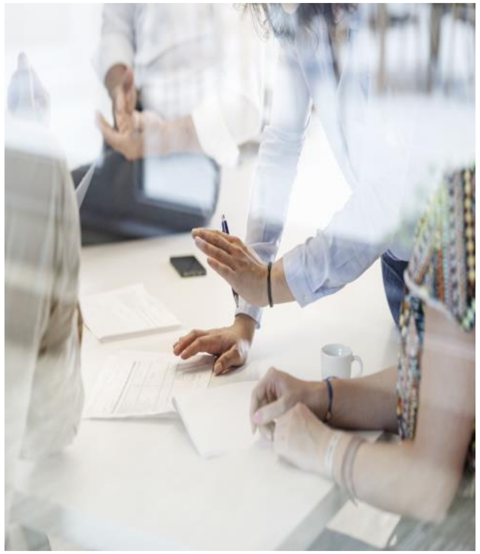
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Authority recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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 entity'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, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates; • the Authority's financial reporting framework; • the Authority's system of internal control for identifying events or conditions relevant to going concern; and • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial statements – other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund financial statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; or • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. We will complete WGA work after we sign the financial statements. The Authority exceeds the HMT Treasury threshold of having assets in excess of £2 billion (excluding Property Plant and Equipment), sitting at £2.735 billion. Therefore, we are required to undertake more comprehensive procedures around the WGA process as set out by the NAO, following the completion of our audit work.
Certification of the closure of the audit	In addition to the 2022-23 WGA procedures, we also are required to conclude on the 2021-22 WGA procedures prior to certifying the 2022-23 audit. The City Fund did not meet the submission deadline for the 2021-22 WGA and the system is now closed. We were therefore unable to complete the required review procedures on the 2021-22 WGA submission. We have communicated with the NAO on this matter and cannot certify the 2021-22 WGA audit until we obtain final confirmation that no further work is required for 2021-22. Once we have resolved/completed the 2021-22 and 2022-23 WGA procedures we will complete our certification of the 2022-23 audit.



3. Value for Money (VFM) arrangements

Approach to Value for Money work for 2022-23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years).

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

3. VFM – our procedures and conclusions

Our work on the Authority's VFM arrangements is complete and the outcome of our VFM work will be reported in our commentary on the Authority's arrangements in our 2022-23 Auditor's Annual Report (AAR). The AAR will be presented to the Audit and Risk Management Committee meeting on 26 February 2024. As part of our work, we have considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In our 2022-23 VFM work we did not identify any risks of significant weakness, but we identified additional areas of focus in relation to:

- Sustainability of the Housing Revenue Account.
- Review of the Authority's capital projects.

These additional areas of focus led to additional procedures and our findings are included in the 2022-23 AAR.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. We are required to make you aware of all non-audit work undertaken by the firm that has taken place during the course of the audit. This therefore does not just relate to work that took place during the 2022-23 audit but from the date we were appointed to the date the audit is complete.

Service	Fees £	Threats identified	Safeguards
Audit related			
Housing Benefit Assurance Process	Work has not started or taken place in-year	Self-interest	This work has not started but we have been appointed to the Authority's HBAP for the 2020-21 and 2021-22 financial years. We have not been able to start this work as the previous year's certifications remain outstanding. To date we have not undertaken or charged any fees for this work and do not expect to before we complete our audit work on the 2022-23 financial statements.
Non-audit related			
Research services analysing US financial sector	10,000	Self-interest	The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £357,500 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the City of London Corporation that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the City of London Corporation or investments in the City of London Corporation held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the City of London Corporation as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the City of London Corporation.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the City of London Corporation's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The Firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action plan – audit of financial statements

We identified 9 recommendations for the Authority as a result of issues identified during the course of our audit. This is in addition to six recommendations raised in the 2021-22 Audit Findings Report which management has not acted on – see Appendix C. We have agreed our recommendations with management and will report on progress on these recommendations during the course of the 2023-24 audit. The matters reported here are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you, in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● High	**Management of the fixed asset register** The audit team noted several misstatements whilst carrying out detailed testing of PPE and investment property revaluations. ISA 265 requires that we identify and communicate deficiencies in internal control, noting that these may be identified through misstatements that were not prevented, or detected and corrected, by the Authority's internal controls. The primary cause of the misstatements identified in our revaluations work, arose due to clerical errors made by the capital accountants when recording the revaluations into the fixed asset register (FAR). There were several assets for which their respective revaluations were not recorded in the FAR, and subsequently the ledger, or where the asset value was not appropriately apportioned between the City Fund and City Cash accounts. In many cases, assets were held at their prior-year value, adjusted for relevant movements such as depreciation, additions and disposals. This was despite the fact there had been an in-year revaluation on the assets carried out by external valuers, in line with the City Fund's revaluation programme. In aggregate, these misstatements were material and have management have agreed amend the financial statements for them. Refer to Appendix D for detail.	The prevalence of the issues in the FAR drives our recommendation for management to implement more robust controls through a formalised process of reconciling the FAR and the valuation reports. Management should prepare a reconciliation between the valuation reports and the FAR to ensure that each valuation has been captured accurately. and should perform a high-level review of any unusual movements between asset values year-on-year. Where assets are componentised into sub-assets in the FAR management should ensure that there are checks and controls in place to ensure assets are not duplicated and that the approach adopted for componentisation is consistent. **Management response** Management accept the recommendation and will implement a formal reconciliation between each valuation and the FAR. Unusual changes in valuations are explored with the valuers but we will ensure explanations for any unusual year to year changes are accompanied with an explanation. We are also looking to implement the CIPFA asset register in the coming years, which will allow more control and less duplication compared to the current spreadsheet register.

● High – Significant effect on financial statements
● Medium – Limited effect on financial statements
● Low – Best practice

B. Action plan – audit of financial statements

We identified 9 recommendations for the Authority as a result of issues identified during the course of our audit. This is in addition to six recommendations raised in the 2021-22 Audit Findings Report which management has not acted on – see Appendix C. We have agreed our recommendations with management and will report on progress on these recommendations during the course of the 2023-24 audit. The matters reported here are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you, in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● High	**Community Infrastructure Levy (CIL) income recognition** In our procedures to confirm the completeness of income and debtors, we identified a control weakness in relation to management's income recognition processes that failed to identify CIL income pertaining to the 2022-23 financial period. Under the CIPFA Code para 2.2.2.8, CIL is received without outstanding conditions and is recognised at the commencement date of the chargeable development in the CIES. Management has failed to recognise CIL income at the appropriate time and have incorrectly recognised the income at the point in which it is billed, invoiced or the cash is received. This resulted in management reporting CIL income in incorrect financial periods, as supported by the agreed £3.171m adjusted misstatement per Appendix D. This deficiency is of a heightened risk as CIL payments are often high-value given that they fund capital expenditure. There is a high risk of material misstatement to the financial statements if this deficiency is not remediated. We verified that no prior-period adjustment is required as 2021-22 CIL income pertaining incorrectly allocated to 2022-23 was highly immaterial.	We recommend that management develop a robust process to recognise CIL income appropriately. The communication channel between the Environment department and the finance team should be robust so that the commencement dates of developments, schedules of ongoing/upcoming developments, and any other relevant matters are made known to finance the finance team to enable timely accrual of CIL income. In addition, we recommend management to review all standard operating procedures to ensure that they are in line with prescribed accounting treatment per the Code. A three-year review cycle, plus a specific review for years of significant updates to the Code, would ensure that internal processes remain relevant and in accordance with the reporting accounting framework. **Management response** Management accept the recommendation; clear processes will be established between the Environment Department and Finance to ensure commencement dates are communicated and adjustments made between invoiced and commencement date so that CIL income is accurately reported in accounts.

● High – Significant effect on financial statements
● Medium – Limited effect on financial statements
● Low – Best practice

B. Action plan – audit of financial statements

Assessment	Issue and risk	Recommendations
Medium	**Debtors/Creditors between the City of London Corporation's funds** Our debtor testing identified two instances where management did not remove a year-end debtor upon receipt of payment. As a result, debtors were overstated, and cash understated by £2.58m. Following further investigation, we came to understand that cashiers, on receipt of the funds, had allocated these receipts to a City Cash suspense account due to a lack of details about the transaction. The receipts should have been recognised under City Fund. We reviewed the suspense accounts and did not identify any other issues; however, we note that a risk is created through management not clearing down suspense codes promptly, exacerbated by the complexities of having multiple funds using the same ledger system and bank accounts.	We recommend that management routinely review suspense codes across the whole organisation, with particular emphasis around year-end. We would encourage management to support the cashier team to clear down cash receipts/payments that are held in suspense accounts to ensure that cash balances across funds are reported accurately. **Management response** Management accept the recommendation. Management acknowledge the importance of clearing suspense accounts and for 23/24 have introduced a P10 balance sheet review and creation of a standardised reconciliation template to strengthen our control process.
Medium	**Related Parties disclosure note preparation process and declaration of interest checks** During our testing of the Related Parties disclosure (Note 35), we identified issues in the note preparation. As part our testing of the disclosure, we corroborated balances representing transactions between the City of London City Fund and their related parties, in the note, and the sum of the transactions on the ledger. We identified variances in this test for eight unique counterparties, these misstatements are referred to in Appendix D. These variances indicated that the process of preparing the disclosure note was loosely defined and had insufficient controls in place to mitigate against the risk of inaccurate reporting of related party transactions. We also found issues relating to incomplete declarations of interests by Members. As part of our testing, we carried out Companies House checks to verify the completeness of Member declarations. We identified several interests that were not disclosed in Members' declarations. On review of the ledger, we did not identify any transactions with the City of London City Fund and these associated parties. However, there is a risk around management not being aware of these relationships as related party declarations may be inaccurate. Members who represent the City of London Corporation's interest in City development may also be able to facilitate transactions in their own interests if sufficient understanding of these interests is not known by the Corporation.	We recommend that management incorporates a review control over the working paper used to prepare the Related Parties note to ensure that the disclosures in the draft accounts are of a sufficient quality. This review control could involve a senior accountant carrying out a reperformance of the note preparation, through running their own reports from the ledger for each relevant related party. This will then allow them to detect and correct any errors in the draft note. We also recommend that management develops a reference log for counterparty names. Some organisations have variations of their name in the ledger, leading to management sometimes mistakenly including/excluding the wrong entity when preparing the accounts. A log referencing the correct names for counterparties will prevent this from happening in the future. Management should seek to carry out checks of Companies House, on a regular basis for all members, to ensure that all interests are known to the Corporation. They should ensure that the guidance issued to members when completing their declarations is clear, particularly with respect to what constitutes as an interest. **Management response** Management accept the recommendation, we are committed to making enhancements to our SOA preparation procedures and will explore methods to implement additional checks and validations in the identification of related party transactions. We are actively working with Town Clerks to reinforce controls ensuring both related party declarations and declarations of interests are diligently completed.

B. Action plan – audit of financial statements

Assessment	Issue and risk	Recommendations
● Medium	**Accounting treatment regarding revenue expenditure funded from capital under statute (REFCUS)** In testing additions and REFCUS, we identified a deficiency relating to the process in which management identify and record REFCUS. Management's approach is to capitalise all REFCUS as an asset under construction (AuC) until project completion. On completion, spend is then transferred out and charged, in that year, to the CIES as REFCUS. We failed a sample that pertained to capital expenditure on an academy owned by City Cash. From the City Fund's perspective, the spend should have been treated as REFCUS. The project was multi-year and we noted that the asset had been capitalised to AuC, with management's intention being to transfer this out on completion. We disagreed with this accounting treatment as management should be treating the in-year expenditure as REFCUS instead of waiting until the specific asset is complete. This had the impact of overstating property, plant and equipment and understating in-year expenditure. We carried out detailed testing of the AuC population and did not identify any other issues pertaining to this matter.	We recommend that management develops a robust process to recognise REFCUS appropriately. This would involve ensuring that the nature of the capital spend is clearly known to the capital accountants recording the expenditure, and carrying out a review process, at least on an annual basis, to ensure that the assets under construction population does not include any REFCUS. In addition, we recommend management to review all standard operating procedures to ensure that they are in line with prescribed accounting treatment per the Code. A three-year review cycle, plus a specific review for years of significant updates to the Code, would ensure that internal processes remain relevant and in accordance with the reporting accounting framework. **Management response** Management accept the recommendation, we will ensure REFCUS classification have clear explanations and justifications on why they have been treated in that regard. Additionally any AUC additions will be reviewed to ensure that they still meet the definition, including checks for any REFCUS expenditure.

B. Action plan – audit of financial statements

Assessment	Issue and risk	Recommendations
Medium	**Business rates appeal provision methodology** The City Fund is responsible for repaying a proportion of successful rateable value appeals. Management uses an external organisation, Analyse Local, to obtain information on the level of challenges, checks and threats to rateable values, as well as information on the outcomes of appeal. Management then use this information to determine the provision required. Due to the closure of the 2017 appeals list at 31 March 2023, and correspondingly the now lack of threats to the 2017 rateable values, the provision has decreased by £18.8m year-on-year. The methodology adopted in previous years has always been to provide for the full amount for challenges and threats, but to provide nothing for checks. These are cases raised by ratepayers to confirm property details and report any changes to the VOA. Management's judgement was that there was limited information available to accurately determine a rate to apply against the checks, as each of them are highly unique. Through management's experience of the provision over a number years, they are of the view that the total amount of challenges and threats materially equated to the amount successfully appealed for, and that the checks were not necessary to consider. However, due to the year-end deadline for submitting appeal cases, the VOA has seen significant spikes of check cases in the months leading up to the year-end, as there is no negative impact to businesses in raising an application. As above, management has not accounted for these in their provision. The Authority were also provided with national success rates by Analyse Local for checks and challenges which management disregarded in the calculation of their provision. We carried out a reperformance using our own method, considering success rates and check cases, noting that this did not result in a material variance to the provision. However, this recommendation acts as a point to adopt good practice going forward.	We recommend that management strengthen their methodology to determine the business rates appeal provision, by making use of all information provided to them by Analyse Local, such as checks data and success rates. We would encourage management to apply and document all judgements regarding this, where relevant. **Management response** The City retained a provision of £67.5m. The City made use of all available data when determining its appeal provision, including the success rate provided by Analyse Local. The City did not adjust for the success rate on Challenges and Appeals, as to have incorporated this data into our methodology would have resulted in a reduction to our existing provision of circa £46m which Management felt would have resulted in insufficient provision being maintained. The City looked at the required provision in the round and in the context of the 2017 List coming to an end. It would be wrong for Management to adopt a fixed and rigid approach in attempting to forecast the Appeal Provision given the external factors that often impact appeals. This was particularly true of 22/23 with the ending of the 2017 Valuation List. The methodology used for setting the 22/23 appeal provision has proved to be correct, with the forecast of the provision being extremely accurate. This fully vindicates the approach, decisions and process used and documented by Management.

B. Action plan – audit of financial statements

Assessment	Issue and risk	Recommendations
● Medium	**Assessment of historical grants received in advance** In testing grants received in advance, we identified several grants, primarily s106 agreements, that were still recognised in the financial statements despite being a number of years old. Several of these were greater than 10 years old. The Cipfa Code requires that once conditions have been met for a grant, be it capital or revenue, then the Authority must recognise the grant immediately in the CIES. Commonly with s106 agreements, there are several conditions which are met at different stages over the course of the development build. As such, these grants are often initially held on the balance sheet as a grant received in advance, with income then drawn down as and when conditions are met, usually matching the capital expenditure incurred. The issue with this approach is that often a balance may remain on the balance sheet, even after the agreement expires. With many s106 agreements, the developer holds the rights to clawback any unspent capital funds provided to the Authority. For the grants received in advance we tested as part of our audit procedures, we were able to obtain evidence that there remained a likelihood of clawback for each of them, rationalising management's judgement to not draw down the associated revenues. However, obtaining this evidence did take a considerable amount of time and we noted that management was not regularly reviewing the grants received in advance listing.	We recommend that management regularly reviews all significant grants received in advance, particularly those balances which are greater than 5 years old to identify whether there is any risk of clawback. This should be carried out on an annual basis as a minimum. Management should seek to create an information log to record details on each grant such as whether there is any further work still ongoing on the project, and any outstanding conditions or expressed intentions of clawback from the developer. **Management response** Management accept the recommendation, any grants in advance working papers should include risk of clawback and this should be then tracked from year to year, allowing the organisation to then act as appropriate, and act as a log to check conditions. The S106 information on the agreement status is something which the planning team should track, we can make sure that this information is reviewed along with grants received in advance.

B. Action plan – audit of financial statements

Assessment	Issue and risk	Recommendations
Low	**Accounting treatment regarding internal recharges** Our testing of fees, charges and other income identified several transactions which pertained to internal recharges between City Fund departments. The transactions all related to the shared usage of Walbrook Wharf offices, for which journals were raised to charge each department's usage of the offices to their respective cost centres. As such, there were equal and opposite entries to income and expenditure, totalling £1.058m, which had not been reversed out of the respective account codes. Whilst there is no impact on the bottom-line surplus/deficit, the income and expenditure reported in the financial statements are both overstated by the above amount. The Authority record similar recharges for other shared costs e.g. administrative buildings, support services, IT, etc. However, we verified that this issue was isolated to the Walbrook Wharf costs by confirming that the other recharges had been appropriately reversed out of income and expenditure. We have detailed management's treatment of the error in Appendix D.	It is important for the Authority to develop robust policies and procedures for internal recharges and ensure that these are followed consistently. We recommend that the Authority develops a control system to ensure that internal recharges do not remain within the ledger to mitigate against overstatement of expenditure and income in the financial statements. A log of journalled recharges should be maintained to ensure that at the closing of the ledger, all appropriate recharge reversals have been recorded. **Management response** Management accept the recommendation. Management are committed to improving our year end processes through training, enhanced working papers and a robust review process to ensure the financial statements are accurately produced. In addition, management are in the process of reviewing the internal recharges policy, including SLA's.
Low	**Unsigned employee contracts** In testing of employee contracts we identified six contracts that had not been signed by employees as evidence of acceptance of their employment. Human Resources (HR) acknowledged this, explaining that, at times, employees do not return their contracts, instead confirming their acceptance of employment through their line managers. Unsigned employee contracts can pose various risks, such as the incomplete or incorrect recording of employee benefits expenditure or legal and compliance risks e.g., disputes with employees over entitlements. Although we did not identify any material issues relating to employee benefit expenditure, or any associated legal and compliance matters, a lack of a signed contract does create an uncertainty around responsibilities and expectations if disputes were to arise.	It is important for the Authority to ensure that employee contracts are signed and maintained as part of the internal control environment. We recommend that the Authority mandates the signing of contracts and does not accept verbal acceptance of employment contracts. **Management response** Management accept the recommendation and are working closely with HR to strengthen processes to ensure signed contracts are received. Management gain some assurance of employees acceptance of terms and conditions as part of the onboarding process for online applications which are retained in personnel files.

C. Follow up of prior year recommendations

We identified the following issues in the audit of the 2021-22 City of London Corporation City Fund's financial statements, which resulted in 10 recommendations being reported in our 2021-22 Audit Findings Report. Those that have not been addressed are not included in Appendix B. For further detail on the prior-year recommendations please refer to our Audit Findings Report for the year ended 31 March 2022.

We note the overall progress against these recommendations and are satisfied that management has acted on four of the ten issues identified in the prior-year audit.

It is worth noting that the 2021-22 deficiencies were reported after the preparation of the 2022-23 financial statements, and so we would not have expected management to have implemented measures to reduce the risk posed by all deficiencies.

Assessment	Risk level	Issue and risk previously communicated	Update on actions taken to address the issue
X	● Medium	Weaknesses around the internal control process regarding management's review of journals	This issue has not been resolved for the 2022-23 financial period. We recommend the measures outlined in our Audit Findings Report for the year ended 31 March 2022.
X	● Medium	Records to support capital commitments and capital spend were not in line with best practice	This issue has not been resolved for the 2022-23 financial period. We recommend the measures outlined in our Audit Findings Report for the year ended 31 March 2022.
✓	● Medium	Quality of working papers and audit evidence provided, and the capacity of the finance team to support the audit team	Acknowledging the challenges faced during the prior-year audit, significant improvements have been made, including filling vacant positions and enhancing processes.
✓	● Medium	Lack of a maintained log of key judgements impacting the financial statements	Management implemented measures to hold a log of significant accounting judgements. This has proven effective.
X	● Medium	Timeliness of revocation of user access in Oracle EBS	This issue has not been resolved for the 2022-23 financial period. We recommend the measures outlined in our Audit Findings Report for the year ended 31 March 2022.
✓	● Medium	Material input errors in the Balance Sheet as a result of manually typing the figures into the accounts	Management introduced a consistency checker into the accounts preparation process to minimise manual input errors. This step has proven effective.
X	● Medium	Management of generic database administrator accounts	This issue has not been resolved for the 2022-23 financial period. We recommend the measures outlined in our Audit Findings Report for the year ended 31 March 2022.
X	● Low	Lack of historical records to support bank reconciliations and reconciliation issues	This issue has not been resolved for the 2022-23 financial period. We recommend the measures outlined in our Audit Findings Report for the year ended 31 March 2022.
✓	● Low	Fixed assets reclassified outside of the fixed asset register system, Terrarius	Management opted to prepare their fixed asset register manually for the 2022-23 financial period, thus removing this risk.
X	● Low	RICS-compliant Terms of Engagement not held between the Corporation and property valuers	This issue has not been resolved for the 2022-23 financial period. We recommend the measures outlined in our Audit Findings Report for the year ended 31 March 2022.

Assessment

✓ Action completed

X Not yet addressed

D. Audit adjustments – adjusted misstatements

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m
Double-counted Barbican Library asset The Barbican library was a double-counted asset in the fixed asset register, and correspondingly the ledger. The asset was sitting against one asset code at its prior-year depreciated value of £1.811m, but also on a different code at its revalued amount. As such, there was an overstatement of £1.811m to land and buildings which management acknowledged was a clerical error.	Dr Surplus on the Revaluation of PPE **1.81m**	Cr PPE **1.81m**	**Dr 1.81m**
Inaccurate value of the Exhibition Halls asset The revaluation, as at 31 March 2023, of the Exhibition Halls asset in the Barbican Estate was not recorded. Instead, the asset was held at the opening value, adjusted for relevant movements such as depreciation, additions and disposals. As such, there was an understatement to land and buildings of £0.259m. Whilst we note this is a trivial misstatement management agreed to amend as there were several related errors.	Cr Surplus on the Revaluation of PPE **0.26m**	Dr PPE **0.26m**	**Cr 0.26m**
Inaccurate value of the New Spitalfields Market asset The revaluation, as at 31 March 2023, of the New Spitalfields Market asset was not recorded. Instead, the asset was held at the opening value, adjusted for relevant movements such as depreciation, additions and disposals. As such, there was on overstatement to land and buildings of £2.777m.	Dr Surplus on the Revaluation of PPE **2.78m**	Cr PPE **2.78m**	**Dr 2.78m**
Inaccurate value of the Central Criminal Court asset The revaluation, as at 31 March 2023, of the Central Criminal Court (CCC) asset did not reflect the appropriate value as per the apportionment between City Fund and City Cash reflected in the site plan held by the City Surveyor. According to the City Surveyor's records, the City Fund owns 80.4% of the estate, with the residual amount held by City Cash. However, in the financial statements, the City Fund had recognised the entire asset, valued at £103.852m as per the valuation report. In line with the apportionment described above, we would have expected the full valuation of £103.852m to be apportioned between the two funds, meaning that we would expect £83.497m to be the value sitting in the City Fund accounts (80.4%), resulting in a decrease in value from the draft financial statements of £20.355m.	Dr Surplus on the Revaluation of PPE **20.36m**	Cr PPE **20.36m**	**Dr 20.36m**

D. Audit adjustments – adjusted misstatements

Impact of adjusted misstatements

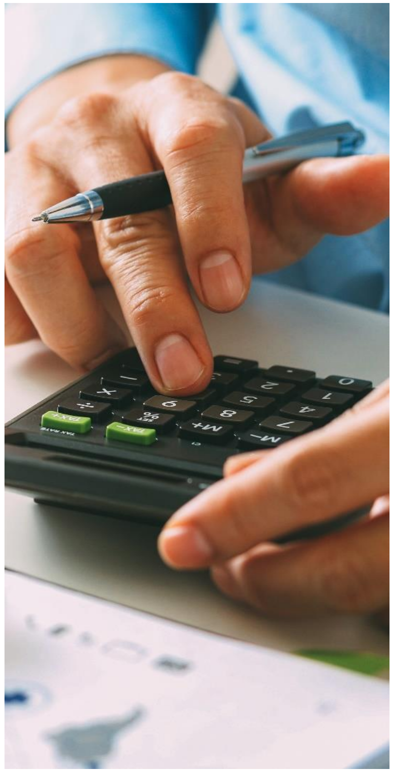
Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m
Inaccurate value of the Barbican Block Stores asset The revaluation, as at 31 March 2023, of the Barbican Block Stores asset in the Barbican Estate was not recorded. Instead, the asset was held at the opening value, adjusted for relevant movements such as depreciation, additions and disposals. As such, there was an overstatement to land and buildings of £0.360m. Whilst we note this is a trivial misstatement management agreed to amend as there were several related errors.	Dr Surplus on the Revaluation of PPE **0.36m**	Cr PPE **0.36m**	**Dr 0.36m**
Inaccurate value of the Barbican Car Park and Bicycle Stores asset The revaluation, as at 31 March 2023, of the Barbican Car Park and Bicycle Stores asset in the Barbican Estate was not recorded. Instead, the asset was held at the opening value, adjusted for relevant movements such as depreciation, additions and disposals. As such, there was on overstatement to land and buildings of £0.84m.	Dr Surplus on the Revaluation of PPE **0.84m**	Cr PPE **0.84m**	**Dr 0.84m**
Inaccurate disposals treatment There were two assets, Woodredon Farm (valued at £2.22m in the fixed asset register) and 17 Fleet Street (valued at £2.90m in the fixed asset register), which were disposed in-year. Management mistakenly did not write down the net book value of the asset, instead recording the proceeds all as gains on disposal. As such, there is an overstatement to gains on disposal of £5.12m (£2.90m + £2.22m).	Dr Surplus on the Revaluation of PPE **2.90m** Dr Financing and Investment Income and Expenditure **2.22m**	Cr PPE **2.90m** Cr Investment Properties **2.22m**	**Dr 5.12m**
Suspense account error Our debtor testing identified two instances where management did not remove a year-end debtor upon receipt of payment. As a result, debtors were overstated and cash understated by £2.58m. Following further investigation, we came to understand that cashiers, on receipt of the funds, had allocated these receipts to a City Cash suspense account due to a lack of details about the transaction. The receipts should have been recognised under City Fund. We reviewed the suspense accounts and gained comfort that this is a factual error and does not require extrapolation.	Dr Cash **2.58m** Cr Short-Term Debtors **2.58m**	Nil	Nil

D. Audit adjustments – adjusted misstatements

Impact of adjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m
Community Infrastructure Levy (CIL) We identified three transactions in relation to the CIL income, summing to £3.171m which were recorded in the incorrect period. These errors are due to management's interpretation for the recognition of CIL income being inconsistent with the Code. Management recorded the CIL income on the date when invoice was raised instead of the date when income accrued. The Code states that CIL income accrue to the billing authority on the commencement date of the development and the City had entered into an arrangement with the developer allowing for two instalments of the CIL income. This arrangement does not affect when income accrues to the City but intends to relieve the developer from a one-off large sum payment. On notice of the commencement date, the City should record the income, not when invoiced. We have raised a corresponding control deficiency for this, as described in Appendix B.	**Cr** Government grants and other grants, contributions and reimbursements **3.17m**	**Dr** Short-Term Debtors **3.17m**	**Cr 3.17m**
Investment properties' reconciliation error In testing investment properties we carried out a reconciliation between the fixed asset register, financial statements, trial balance and the valuation reports. We identified an overstatement of £17.1m from the valuation reports. This was due to investment properties being double-counted and overstated in the financial statements by the same amount.	Dr Financing and Investment Income and Expenditure **17.10m**	Cr Investment Properties **17.10m**	**Dr 17.10m**
Overall impact	**Dr £44.94m**	**Cr £44.94m**	**Dr £44.94m**

D. Audit adjustments – unadjusted misstatements



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022-23 audit which have not been made within the final set of financial statements. The Audit and Risk Management Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m	Reason for not adjusting
Misclassification between long-term debtors and investment properties There is a misclassification of £1.125m between these two balance sheet lines. This arose due to the accounting treatment adopted by management for a lease premium associated with one of the investment properties.	Nil	Dr Long-Term Debtors **1.13m** Cr Investment Properties **1.13m**	Nil	Immaterial classification error
Under-accrual of expenditure and income There are several transactions between the City Fund and Barbican Exhibitions Ltd, both income and expenditure, which have been under-accrued. The total factual misstatement is £2.219m.	Dr Expenditure **2.22m** Cr Fees, Charges and Other Income **2.22m**	Dr Short-Term Debtors **2.22m** Cr Short-Term Creditors **2.22m**	Nil	Immaterial
Fees, charges and other income over-accrual We identified an extrapolated error of £1.814m in our testing of fees, charges and other income. This related to an overstatement to income as a result of over-accruing.	Dr Fees, Charges and Other Income **1.81m**	Cr Short-Term Debtors **1.81m**	**Dr 1.81m**	Immaterial extrapolation
Internal recharges As described in Appendix B, we identified several internal recharges relating to Walbrook Wharf which had not been reversed out of the financial statements, effectively overstating both income and expenditure.	Dr Fees, Charges and Other Income **1.06m** Cr Expenditure **1.06m**	Nil	Nil	Immaterial

D. Audit adjustments – unadjusted misstatements

Impact of unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m	Reason for not adjusting
Overstatement to land asset valuations Based on the measurements tested for two land assets, we identified an overstatement of land area, which extrapolated to an overstatement to the land and buildings asset class of £1.471m.	Dr Surplus on the Revaluation of PPE **1.47m**	Cr PPE **1.47m**	**Dr 1.47m**	Immaterial classification error
Indexation of assets not revalued Based on our indexation exercise of assets not revalued, using market data, we are of the view that the land and buildings asset class is £3.828m understated.	Cr Surplus on the Revaluation of PPE **3.83m**	Dr PPE **3.83m**	**Cr 3.83m**	Immaterial
Additions/REFCUS treatment We identified capital expenditure of £3.096m (extrapolated) on an academy owned by City Cash which had been capitalised by City Fund, rather than being recognised as revenue expenditure funded by capital under statute (REFCUS). This accounting treatment has been reported as a control recommendation in Appendix B.	Dr REFCUS **3.10m**	Cr PPE **3.10m**	**Dr 3.10m**	Immaterial extrapolation
Overall impact	**Dr £2.55m**	**Cr £2.55m**	**Dr £2.55m**	

D. Audit adjustments – prior year unadjusted misstatements

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021-22 financial statements

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m
Two HRA Beacons were double-counted in the fixed asset register causing Property Plant and Equipment to be overstated by £2.20m.	Dr Surplus on the Revaluation of PPE **2.20m**	Cr PPE **2.20m**	**Dr 2.20m**
Inaccurate apportionment of the Central Criminal Court asset between City Cash and City Fund. The Central Criminal Court had been apportioned as 22.05% to City Cash and 77.95% to City Fund. The records held by the Estates team, however, indicate that it should be apportioned as 19.6% to City Cash and 80.4% to City Fund. This led to the Authority's accounts being understated by £2.44m.	Cr Surplus on the Revaluation of PPE **2.44m**	Dr PPE **2.44m**	**Cr 2.44m**
We identified an extrapolated error of £3.33m relating to work that had not taken place in year by third parties, but which had been charged to capital expenditure, with the spend being shown within the creditor population.	Nil	Dr Creditors **3.33m** Cr PPE **3.33m**	Nil
Misstatement in the classification between investment properties and long-term debtors, relating to lease premiums (£1.48m).	Nil	Dr Long-Term Debtors **1.48m** Cr Investment Properties **1.48m**	Nil
During our testing of post year end receipts, we identified that the Authority had understated income by £0.411m. We noted that this may be indicative of further misstatements in this area but from our work we are satisfied there is no material risk of understatement within income.	Cr Income **0.41m**	Dr Debtors **0.41m**	**Cr 0.41m**
Overall impact	**£0.65m**	**£0.65m**	**£0.65m**

D. Audit adjustments – misclassification and disclosure

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the 2022-23 audit which have been made in the final set of financial statements.

Area of the accounts	Auditor recommendation	Adjusted?
Property, Plant and Equipment	We identified a variance of £1m between the trial balance and the fixed asset register for both other land and buildings (OLB), and vehicles, plant and equipment (VPE). Management explained that there was an inaccurate journal was posted that resulted in OLB being overstated by £1m and VPE being understated by £1m.	Yes
Capital disclosures	We identified a misstatement in Note 15 (Capital Expenditure and Finance), in which the REFCUS balance in the accounts is stated to be £28.5m, whereas the ledger was reporting a balance of £23.8m. This was the result of a clerical error when preparing the accounts.	Yes
Capital disclosures	During our review of the Capital Commitments disclosure in Note 13, we noted that not all commitments had been captured. In the draft accounts, capital commitments above £1m totalled £21.2m for nine projects. The correct disclosure for capital commitments above £1m should be £527m for 11 projects. Two projects had not been disclosed, notably the Fleet Street Development.	Yes
Capital disclosures	During our review of the Capital Financing Requirement (CFR) disclosure in Note 15, we noted a variance of £3.7m when applying the balance sheet check. Management explained that this was due to a historical issue. The CFR in the draft accounts was £90.4m. Through discussions held, management agreed to amend the CFR to £94.1m.	Yes
Collection Fund	During our review of Note 3 in the Collection Fund accounts, we noted that the tax bases disclosed do not agree to the tax bases approved by the Chamberlain and as per the City Fund 2022-23 medium-term budget. Management has indicated that they had mistakenly included the tax bases for 2023-24 in the accounts rather than the 2022-23 tax bases.	Yes
Debtors	The prior-year comparatives for trade debtors under short-term debtors (Note 20) were inconsistent with the prior-year accounts. They should have read £37.7m instead of £39.7m, resulting in a total debtors of £154.9m instead of £156.9m. This was a clerical error.	Yes
Debtors	During our review of the short-term debtors (Note 20), we noted that the collection fund bad debt provision (£11.7m) was netted off the balance on the 'City Fund's Share of National Business Rates Arrears' line and not reported separately. This was also the case for the PY balance (£9.5m), which management also agreed to split out.	Yes
Financial instruments	During our review of the financial instruments' disclosure, we noted that the carrying value and the fair value for the short-term investments were the same. This matter has been detailed in Appendix B. We recommend that management includes a disclosure to explain their judgement that the fair value and carrying value is the same for the short-term investments.	Yes
Related parties	Auditor identified several variances in the balances disclosed under Note 35 (Related Parties). Management explained that these were a result of clerical errors and agreed to adjust the disclosures accordingly.	Yes

D. Audit adjustments – misclassification and disclosure

Misclassification and disclosure changes

Area of the accounts	Auditor recommendation	Adjusted?
Judges Pension Scheme	As part of our work on the Judges' Pension Scheme (Note 25), we carried out a reconciliation between the actuary's report and the draft accounts. We noted two above-trivial variances on the line items 'Actuarial gains/(losses) arising from changes in demographic assumptions' and 'Actuarial gains/(losses) arising from changes in financial assumptions'. Management acknowledged this was a clerical error made when preparing the note.	Yes
Pension liability	We noted that the narrative in Note 23c stated that the duration liability is 21 years, instead of 17 years as stated in the actuary report. Management acknowledged this was a clerical error made when preparing the note.	Yes
Operating leases	During our testing of the new operating leases the City Fund entered into as lessor in 2022-23, we identified that the stepped rents had been incorrectly added together in management's workings for two of them. Management provided detailed calculations showing the actual rent due in each year and compared it to the original calculation of future rents. The overall impact was that the future minimum lease payments receivable within a year were overstated by £0.604m, and the payments receivable in 2 to 5 years were overstated by £1.088m. Management acknowledged this was a clerical error made when preparing the note.	Yes
Expenditure and Funding Analysis (EFA)	The net expenditure chargeable to City Fund and HRA Balances column in the EFA note did not reconcile to the outturn balances included in the narrative report. Auditor also recommended management considers a five-column approach to to meet the segmental reporting requirements. Management agreed to make both amendments.	Yes
Remuneration disclosures	In our work on the remuneration disclosures (Note 9), we identified several clerical errors had been made when preparing the note. These were as follows: • Officers' remuneration > £50k: There were several variances, resulting from transposition errors, in the number of employees within each band in the prior-year comparatives. • Officers' remuneration > £50k: The band '£80,000 - £84,999' was stated as '£80,000 - £89,999'. • Officers' remuneration > £50k: Salaries greater than £150k were included in this table, however this should have been the cut-off point as any salaries above this threshold must be included in the Senior Officers table within Note 9. • Exit packages: The number, and classification, of exit packages in the table did not agree to the total number, and classifications, of exit packages identified in the listing extracted from the payroll system. • Senior Officers' Remuneration: There were several variances in the senior officer remuneration note, regarding pensions remuneration in which the amount received had not been apportioned appropriately to the City Fund. • Senior Officers' Remuneration: During our work, we noted that several senior officers were excluded from the note. These were identified through a completeness test using payroll data and through reviewing the entity's corporate structure. Two of these staff members will require prior-year comparative figures in the note.	Yes

D. Adjustments between the published draft accounts and the audited draft accounts

The draft 2022-23 City Fund financial statements were published on the Corporation's website on 12 July 2023. At this date, we remained engaged in closing down the 2021-22 audit. There were several adjustments that were made to the 20212-2 financial statements in the period between the publishing of the City Fund accounts and our finalisation of the 2021-22 audit. As such, there were several adjustments that were required to be made to the 2022-23 financial statements as a result of the adjustments to the 2021-22 financial statements. We carried out our audit procedures for 2022-23 on a second draft of the financial statements. Below, we have summarised the changes made by management between the draft 2022-23 accounts, published on the Corporation's website, and the financial statements that we carried out our audit procedures on. These adjustments summarise the changes to the core financial statements. We have carried out a detailed review of all notes to the accounts to ensure consistency within our expectations.

Financial Statement line item	2021-22 or 2022-23 balance affected	Impact of adjustment	Nature of adjustment
CIES – major project cost	2022-23	Draft Accounts: £24.7m Revised Draft Accounts: £20.1m	REFCUS adjustment for a transaction that should have been recorded in the City Cash statements
Other operating income	2021-22	Draft Accounts: £7.4m Revised Draft Accounts: -£5.8m	The draft accounts balance was a clerical error and should have read -£5.8m as per the final 2021-22 accounts
Financing and investment income/expenditure	2021-22 and 2022-23	Draft Accounts: £73.7m (PY £76.6m) Revised Draft Accounts: £75.1m (PY £122.6m)	Lease premia adjustments as a result of 2021-22 audit findings – refer to the 2021-22 audit findings report
Investment properties	2021-22 and 2022-23	Draft Accounts: £1,337.8m (PY £1,418.2m) Revised Draft Accounts: £1,560.3m (PY £1,642.1m)	Lease premia adjustments as a result of 2021-22 audit findings – refer to the 2021-22 audit findings report
Short-term investments	2022-23	Draft Accounts: £961.1m Revised Draft Accounts: £964.8m	Cash and Investments adjustments for an error made on apportionment between City Fund and City Cash
Short-term debtors	2021-22	Draft Accounts: £156.9m Revised Draft Accounts: £154.9m	Debtors adjustments as a result of 2021-22 audit findings – refer to the 2021-22 audit findings report
Cash and cash equivalents	2022-23	Draft Accounts: £28.6m Revised Draft Accounts: £29.5m	Cash and Investments adjustments for an error made on apportionment between City Fund and City Cash
Short-term creditors	2021-22	Draft Accounts: £397.5m Revised Draft Accounts: £395.5m	Creditors adjustments as a result of 2021-22 audit findings – refer to the 2021-22 audit findings report
Grants received in advance	2021-22 and 2022-23	N/A	Splitting out the grants received in advance from the creditors population as a result of 2021-22 audit findings – refer to the 2021-22 audit findings report

E. Fees and non-audit services

We confirm below our final fees charged for the audit.

Audit fees	Proposed fee 2022-23
Fee per Audit Plan	**£357,500**
Evaluation of the impact on the financial statements of a significant number of control deficiencies	£18,350
A detailed review of historical grants received in advance	£7,400
Working through a significant number of errors in the fixed asset register	£6,300
Detailed testing of the completeness of Community Infrastructure Levy (CIL) income	£11,600
Identification, assessment and reporting on a significant number of misstatements, particularly in disclosure notes such as Related Parties and the Remuneration Report	£3,950
Additional work required under the Value for Money audit	£6,400
Total audit fees (excluding VAT)	**£411,500**
WGA procedures – the Authority is above the threshold for 2022-23 and requires detailed WGA procedures, we are required to undertake additional work as required by the NAO.	**TBC**
Final fee	**TBC**

Final Fee 2021-22
£492,805

As detailed in the audit plan, the 2022-23 fee was expected to increase due to the following factors:

- The need to meet the requirements of ISA 315 (Revised) - £4,000
- The need to meet the requirements of ISA 540 (Revised) - £6,000
- Pension fund triennial valuation additional procedures - £6,000
- New system implementation additional procedures - £1,500

These adjustments give rise to the initial adjustment of £17,500 from the fee as per the contract.

The additional £54,000 of adjustments take the fee to the proposed £411,500. These reflect cost implications as a result of various difficulties faced, for which we were required to invest more time and resource.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Audit opinion

We anticipate that we will provide the Authority with an unmodified audit report.

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