

Committee(s): Audit and Risk Management Committee – For information	Dated: 26/02/2024
Subject: City's Estate Annual Report and Financial Statements Update	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Information
Report author: Daniel Peattie, Assistant Director – Strategic Finance Liton Rahman, Interim Chief Accountant	

Summary

This report provides an update on the audit of the Annual Report and Financial Statements for City's Estate (formerly known as City's Cash) and the Open Spaces and Sundry Trusts which are consolidated within the City's Estate accounts for the year ended 31 March 2023.

Recommendation(s)

The **Audit and Risk Management** Committee is requested to:

- **Note** the progress made on the audit of the Annual Report and Financial Statements for City's Estate.
- **Note** the progress made on the audit of the Annual Report and Financial Statements for Open Spaces and Sundry Trusts which are consolidated with the City's Estate accounts.

Main Report

Background

1. The update provided to the committee on 6th November 2023 highlighted significant progress in the audit Annual Report and Financial Statements for City's Estate. Below is a summary of the key points:
2. The revised 2022-23 Annual Report and Consolidated Financial Statements for City's Estate were submitted for approval. This version incorporated three significant changes identified during the audit conducted in September 2023. These changes included rectifying double counting of school income (£4.7m), addressing a missing depreciation charge (£0.7m) for fixed assets, and correcting double counting of investment properties (£84.3m), ensuring the accuracy of financial reporting.
3. Additionally, the Annual Reports and Financial Statements for nine consolidated charities for the same period were attached for approval. These charities included Ashted Common, Highgate Wood and Queen's Park Kilburn, West Ham Park, Hampstead Heath Charity (incorporating Hampstead Heath Trust Fund), Sir Thomas Gresham Charity, Keats House, Burnham Beeches and Stoke Common, Epping Forest, and West Wickham Common and Spring Park Wood (along with Coulsdon and Other Commons).
4. The auditors provided a draft initial audit findings report reflecting progress and outstanding items. These primarily revolved around a few outstanding areas of fieldwork and internal review processes. An update on further progress and any additional issues identified was provided at the Audit and Risk Management Committee meeting. Representatives from Crowe UK LLP attended to present their report and clarify any points or issues.

Current Position

5. The updated version of the 2022-23 City's Estate Annual Report and Financial Statements is provided in Appendix 1. In addition to the changes mentioned above, this revised version incorporates the following significant changes identified during the audit of the published accounts and results in a total decrease in Total Comprehensive (Income) and Expenditure, including the adjustments mentioned above, of £88m (from -£68.8m to £19.2m):

Changes affecting the surplus/(deficit)

- Double counting of school's income (£4.2m) – during audit testing of education income back to the accounts, it was discovered that £4.2m of education income was incorrectly double counted in both income and reserves. This error has been rectified in the revised financial statements.
- Double counting of school's expenditure (£12.7m) – during audit testing of education expenditure back to the accounts, it was discovered that £12.7m of education expenditure was incorrectly double counted in both income and reserves. This error has been rectified in the revised financial statements.

- Inter-company elimination (£1.2m) – a review of inter-company eliminations uncovered an erroneous elimination which was understating the expenditure position reported in the statement of comprehensive income.
- Reclassification of disposal income (£4.1m) – disposal income had been recorded against the incorrect line in the statement of comprehensive income.
- Capital receipts from disposal (£7.1m) – capital receipts from the disposal of assets had been overstated in the statement of comprehensive income
- Prior-year write-off (£1.2m) – a write-off relating the previous financial year had been included in the current financial year in error.
- Erroneous income elimination (£1.5m) – income relating to historic payroll balances posted to a transfer from reserve code had been incorrectly eliminated which resulted in an understatement of income.

Changes only affecting the balance sheet

- Reclassification of debtors/creditors (£1.2m) – a classification error within debtors and creditors resulting in an overstatement of the year end debtors and creditors position.
 - Reclassification of investments/cash (£3.7m) – a classification error between non-property investments and cash resulting in an overstatement of the year end non-property investments position and an understatement in the year end cash position.
6. At the time of writing, the majority of the audit fieldwork has been completed. The external auditor is conducting final reviews of the Financial Statements and the consolidation process. The consolidation of City's Estate is an extremely complicated process as it involves reviewing the balances for 118 different Divisions of Services (DoS) and 53 different balance sheet codes, including the entities that are consolidated into City's Estate accounts and therefore has taken longer than originally anticipated.
 7. The audit and or independent examination of the Annual Reports and Financial Statements for each of the consolidated charities for the same period have largely been completed with no material changes to the accounts presented to committee in November 2023.
 8. The deadline for submitting the signed charity financial statements to the Charity Commission was within 10 months of their financial year end, i.e. by 31 January 2024. The following accounts were signed and filed on time:

Accounts signed 31 January 2024

- Ashtead Common (registered charity no. 1051510)
- Sir Thomas Gresham Charity (registered charity no. 221982)

- Keats House (registered charity no. 1053381)
- Epping Forest (registered charity no. 232990)
- West Ham Park (registered charity no. 206948)
- Hampstead Heath Charity (registered charity no. 803392), incorporating the linked charity the Hampstead Heath Trust Fund (registered charity no. 803392-1)

9. Unfortunately, the deadline for submitting the signed financial statements for the following entities was missed due to delays in responding to audit queries, particularly around requests for minutes from Board meetings:

Accounts signed 19 February 2024

- Burnham Beeches and Stoke Common (registered charity no. 232987)
- West Wickham Common and Spring Park Wood (registered charity no. 232988) & Coulsdon and Other Commons (registered charity no. 232989)

Accounts to be signed by end of February 2024

- Highgate Wood and Queen's Park Kilburn (registered charity no. 232986)

10. The Charity Commission was made aware of the delay, and measures will be implemented to ensure that similar issues do not occur in the future.

Conclusion

11. At present, there are a handful of queries remaining regarding the 2022-23 accounts. The external auditor is conducting final reviews of the Financial Statements and the consolidation process, and an unqualified audit opinion is expected to be issued by Crowe by the end of March.

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Appendices

- Appendix 1 – Revised City's Cash Annual Report and Financial Statements 2022-23

Background Papers

Audit and Risk Management Committee – Monday 6th November 2023 – Item 6:
2022-23 City's Cash Financial Statements

Finance Committee – Wednesday 8th November 2023 – Item 7: 2022-23 City's Cash
Financial Statements