Grant Thornton

The Indicative Audit Plan for City of London Corporation – City Fund

Year ending 31 March 2025

May 2025

This audit plan is indicative and subject to change as the risk assessment is ongoing

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01 Key developments impacting our audit approach

Local government reorganisation (LGR)

English Devolution White Paper

On 16 December 2024, the Secretary of State for Housing, Communities and Local Government, Angela Rayner, presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for devolution of power across England. Devolution is seen by the government as fundamental in achieving the change the public expect and deserve. Government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world, the paper sets out to change that. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the strategic authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

Government will facilitate a programme of LGR for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision-making. This will be done in a phased approach and, for most, will mean creating councils serving a population of 500,000 or more. Along with devolution Government wants to reset its relationship with local government, end micro-management and enable local government through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the White Paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation; and
- Re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Update

Jim McMahon, Minister for Local Government and English Devolution, wrote to 2-tier authorities in February 2025 to set out a timetable for reorganisation proposals to be submitted. We expect an interim plan shortly after 21 March 2025 and a full proposal by 28 November 2025.

Local audit reform

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

Government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies; and
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

Proposals for an overhaul of the local audit system

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- Setting out the vision and key principles for the local audit system;
- Committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- Enhancing capacity and capability in the sector;
- Strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- Increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022-23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market.

We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach (1)

National position – The pandemic along with the cost-of-living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

Climate change: As the impacts of climate change become increasingly evident, councils play a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand, and it is difficult to find land for new housing developments. New requirements around net zero and other environmental considerations complicate planning permission. Local authorities face the challenge of providing adequate housing whilst balancing environmental sustainability and statutory planning requirements.

Funding: Councils face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for councils to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

Digital transformation: The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Councils need to ensure inclusivity in digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Councils need to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, authorities become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and councils must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our response

Building and maintaining public trust is the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of services provided to local residents. The clearest evidence of this is that service spending is increasingly focused on adult and children's social care, SEND and homelessness. Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change.

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local councils to overcome financial constraints and deliver quality services.

Our VFM work continues to identify significant weaknesses in all criteria of the Code of Audit Practice, showing that councils face increasing pressure to provide services while managing change and reducing costs. We understand that the operating environment is dynamic and challenging. This understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced by our local authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach (2)

Local context	Our response

• For 2023-24 City Fund produced a £46m surplus, allowing for a contribution to reserves. The surplus was due to better than anticipated performance in investment income due to prevailing high interest rates, unused contingencies, slippage in Supplementary Revenue Projects and rental income from investment properties. Despite the positive overall position, City Fund experienced pressures in certain areas which were offset by surpluses elsewhere within the organisation. Pressures were observed in Community and Children's Committee and Port Health and Environmental Service.
• At the end of quarter 3 2024-25 the forecast revenue outturn was reported as an underspend of £12.1m against budget. This is due to additional interest receivable on money market funds of £16.5m, overspend of £1.2m primarily due to a reduction in rental income which reflects new rent-free periods granted to tenants and loss of income from voids. The Barbican Centre has a £3.2m overspend largely relating to the one-off costs.
• City Fund is projected to achieve a balanced budget in 2025-26, the medium-term financial plan suggests that in 2026-27 the Authority might fall into a deficit. This is a result of high inflation, combined with uncertainty around the funding position for City Fund with the new government and their approach to the redistribution of local government funding.
• Our Auditor's Annual Report for 2023-24 did not identify any significant weaknesses in arrangements:
  • It concluded arrangements to achieve financial sustainability were in place, some improvement recommendations were identified predominantly focussed on reviewing assumptions within various aspects of the budget, HRA and capital programme to increase accuracy; and
  • It concluded City Fund delivers economy, effectiveness and efficiency through its arrangements, with one improvement recommendation in relation to contract management.
	Our value for money work will continue to review and assess the Authority's arrangements and progress with improvement recommendations.

New accounting standards and reporting developments Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on the next page.	Our audit work will include a detailed review of City Fund's implementation of IFRS 16. More information can be found on the IFRS 16 Leases section later in this report, page 9.

Key developments impacting our audit approach (3)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, are agreed with the Chamberlain.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK-based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. We will work closely with management to review this arrangement to achieve an efficient audit process.
- We will continue to meet regularly with the Financial Services Director as part of our commitment to keep you fully informed on the progress of the audit.
- We also meet regularly with the Chair of your Audit and Risk Management Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Audit and Risk Management Committee with sector updates providing our insight on issues from a range of sources via our audit committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector. We are delighted to acknowledge the participation of your finance team in the annual accounts workshop conducted in March 2025.

IFRS 16 Leases

Summary

IFRS 16 Leases is now mandatory for all local government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Introduction

IFRS 16 updates the definition of a lease to:

> "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration." In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases. There are however the following exceptions:

- leases of low value assets (optional for LG); and
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if a LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16, as appropriate

Planning enquiries

As part of our planning risk assessment procedures, we made inquiries of management and have begun to look at City Fund's implementation process for IFRS 16. These early procedures suggest that the impact of IFRS 16 is material for the Authority, and we have included a risk on page 21 of this report, with planned audit procedures to respond to this risk. We will communicate our findings in this area at the July 2025 Audit and Risk Management Committee meeting.

The local government backstop

The backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- for years ended 31 March 2023 and earlier by 13 December 2024; and
- for years ended 31 March 2024 by 28 February 2025; and
- for years ended 31 March 2025 by 27 February 2026.

The Statutory Instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

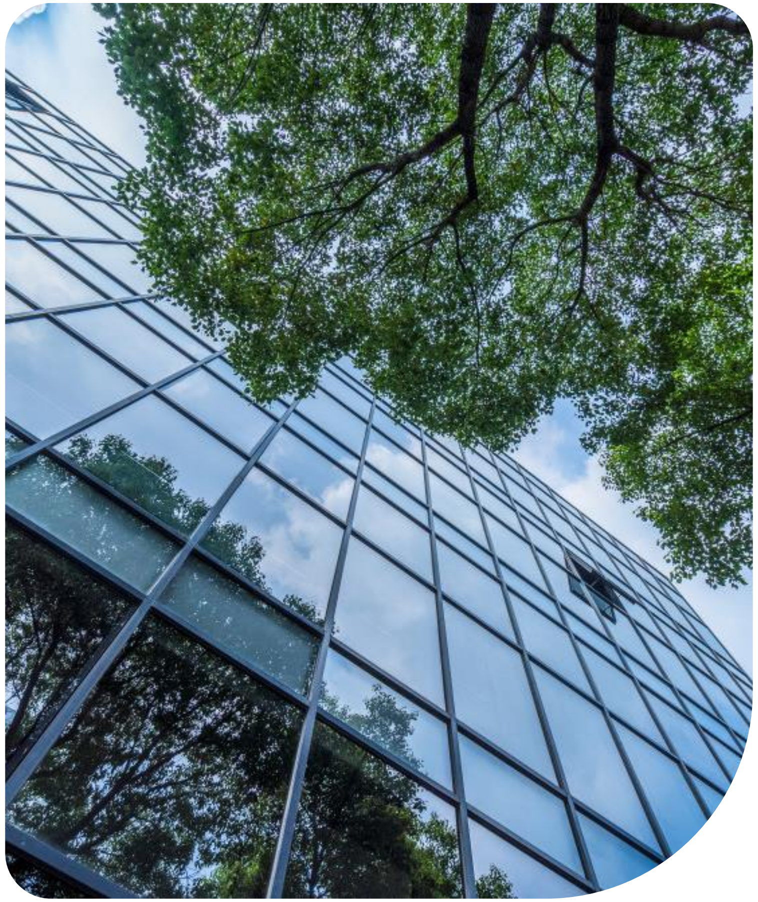
Local audit recovery

City Fund was not impacted by the backstop arrangements, having had recent years of accounts signed off with unqualified opinions in advance of the backstop dates.

Management's dedication to cultivating a robust finance team, fostering skill development, and promoting resilience is evident. Your finance team's exceptional collaboration with our audit team resulted in the timely delivery of the 2023-24 financial statements, being completed four months ahead of the backstop date.

02 Introduction and headlines

Introduction and headlines (1)



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the City of London Corporation – City Fund (‘the Authority’) for those charged with governance.

Respective responsibilities

The National Audit Office (‘the NAO’) has issued the Code of Audit Practice (‘the Code’). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed engagement letter and contract. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Authority’s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Risk Management Committee); and we consider whether there are sufficient arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit and Risk Management Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority’s business and is risk-based.

Introduction and headlines (2)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control (presumed risk)
- Risk of fraud in revenue recognition – (ISA (UK) 240 Presumed – rebutted for all revenue streams
- Valuation of land and buildings, council dwellings and investment properties
- Valuation of the pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

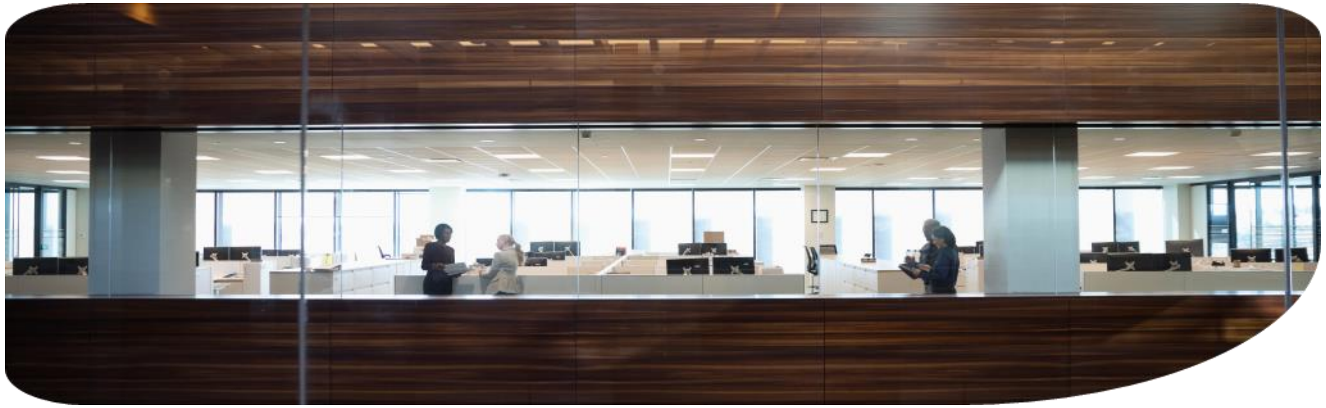
Materiality

We determined planning materiality to be £12.238m (PY £11.957m) for the Authority, which equates to 2% of your prior year gross operating costs for the year.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £612,000 (PY £598,000).

As part of our risk assessment, we considered the impact of unadjusted prior period errors. As all the errors were based on judgement and/or projected we have not identified any additional risks.

We determined a specific lower materiality of £20,000 per individual, for remuneration (senior officer) and exit packages of employee benefits.



Value for Money arrangements

At the time of writing, we have yet to conclude our detailed VFM planning and risk assessment procedures.

At this stage we have not identified any risks of significant weaknesses in arrangements.

We will update the Audit and Risk Management Committee on the outcome of our planning procedures, resulting risk assessment and our planned response to any identified risks at the next meeting.

Audit logistics

At the time of drafting the report we have agreed advance audit work visit will take place in April 2025 and our final audit visit will take place from mid-June to September 2025. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £491,570 (PY: £360,000) for the Authority, subject to the Authority delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or further specialist input. Please refer to page 45 for a breakdown of the fee.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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.

03 Identified risks

Significant risks identified (1)

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.

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
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 Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how it reports performance. We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	• Evaluate the design and implementation effectiveness of management controls over journals. • Analyse the journals listing using data analytics tools and determine the criteria for selecting high risk unusual journals. • Test unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

"In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK)." (ISA (UK) 315).

In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK) 550).

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (2)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Risk of fraud in revenue recognition – ISA (UK) 240 presumed – (rebutted for all revenue streams)	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 there is no risk of material misstatement due to fraud relating to revenue recognition.	We identified and completed a risk assessment of all revenue streams for the Authority. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including that of City Fund, means that all forms of fraud are seen as unacceptable. We do not consider this to be a significant risk for City Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure the judgement remains appropriate.	To gain assurance over the Authority's revenue we will: • Evaluate the Authority's accounting policy for recognition of income for appropriateness and compliance with the Code. • Update our understanding of the system for accounting for the income and evaluate the design of associated processes and controls. • Select a sample of revenue items from each material revenue stream and test to supporting information and subsequent receipt of income to gain assurance over accuracy, occurrence and completeness. • Inspect transactions which occurred in the year and ensure they have been included in the current financial year.

Significant risks identified (3)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures

Valuation of land and buildings, council dwellings and investment properties	Under ISA 540 (UK) and ISA 315 (UK), auditors are required to determine the assessed risk of material misstatements in relation to accounting estimates. This involves considering the extent to which an accounting estimate is subject to estimation uncertainty, including the degree of complexity, subjectivity, or other inherent risk factors that could affect the susceptibility of the estimate to material misstatement due to fraud or error.	City Fund's asset valuation programme includes the following classes:
		• Other land & buildings (2023-24 £586m): revalued on a rolling 5-yearly basis. Valuation techniques such as the depreciated replacement cost (DRC) are used for the valuation of these assets, whereby key assumptions are made by the valuer to arrive to a value of a modern asset equivalent (MEA), meeting the capacity and location requirements of the services being provided by the replaced asset;
		• Council dwellings (2023-24 £240m): measured at fair value using the existing use value for social housing and re-valued cyclically using the Beacon methodology, on a rolling 5-yearly basis;
		• Investment properties (2023-24 £1,487m): these assets are measured at highest and best use on an annual basis. The investment method is applied to most of the Authority's investment properties, determining the property's value by estimating the potential income (market rents) and estimated yield.
		Management engages external valuation experts to carry out the valuation as at 31 March.
		The valuation of land and buildings (including council dwellings, right of use assets, and investment properties) represents a significant estimate in the Authority's financial statements. This is considered significant due to the size of asset values held as at 31 March 2024, the sensitivity to changes in assumptions, the diversity of the Authority's asset base resulting in varying application of valuation methods and assumptions as deemed appropriate, and overall level of judgement involved.
		We therefore assessed the valuation of land and buildings, (including council dwellings, right of use assets, and investment properties) as a significant risk due to the inherent risk of material misstatement arising from error.
		Our work will focus in the areas where we consider the risk to be most pertinent: assets which are material by value; assets where the valuation movement differs significantly to what we would expect based on indices and our knowledge of the assets; assets where we are aware of a significant change in any of the key assumptions from the prior period; any other factors which we consider will increases the risk of material misstatement in a particular asset.
			• Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work.
			• Evaluate the competence, capabilities and objectivity of the valuation experts engaged by the Authority.
			• Write to and discuss with the valuation experts engaged by you, the basis on which the valuations were carried out.
			• Engage 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.
			• Challenge the information and assumptions used by the valuers to assess completeness and consistency with our understanding.
			• Test, on a sample basis, revaluations made during the year to ensure they have been input correctly into City Fund's asset register.
			• Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Significant risks identified (4)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net liability	Under ISA 540 (UK) and ISA 315 (UK), auditors are required to determine the assessed risk of material misstatements in relation to accounting estimates. This involves considering the extent to which an accounting estimate is subject to estimation uncertainty, including the degree of complexity, subjectivity, or other inherent risk factors that could affect the susceptibility of the estimate to material misstatement due to fraud or error.	The Authority's pension fund net liability, as reflected in its balance sheet (2023-24 £875.6m), represents a significant estimate in the financial statements. City Fund's pension liability consists of City Fund's share of the City of London Corporation's net pension liability and the unfunded City of London Police pension scheme. The estimation of the pension fund net liability depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A change in either assumption or method applied could result in a significant impact on the determined pension liability estimate, making the estimate susceptible to risk of material misstatement. Management engages Barnet Waddingham LLP as the Authority's actuarial expert to conduct the pension valuation in accordance with IAS 19, as at 31 March. We therefore have assessed the valuation of the pension fund net liability as a significant risk due to the inherent risk of material misstatement arising from error. **Specifically, we consider the following areas of pinpointed significant risk:** • Key assumptions applied by the actuary • Significant changes in assumptions applied from the prior year • Material experience gain or losses recorded in the accounting period • Other factors considered to increase the risk of material misstatement based on auditor judgement.	• Update our understanding of the processes and controls put in place by management to ensure that City Fund's pension fund net liability is not materially misstated and evaluate the design of the associated controls. • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. • Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation. • Assess the accuracy and completeness of the information provided by City Fund to the actuary to complete the pension fund valuation. • Test 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. • Undertake 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. • Obtain assurances from the auditor of City of London Corporation Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. *Refer overleaf for planned audit procedures in respect of the Police pension Scheme.*

Significant risks identified (5)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net liability			Police Pension Scheme The last full valuation of the Police Pension Scheme was as at 31 March 2020. The next combined actuarial valuation is expected to be carried out as at 31 March 2024 and will set contributions for the period from 1 April 2024 to 31 March 2027. Planned audit procedures comprise of: • Agreeing the membership data provided to the actuary to the IAS 19 report as at 31 March 2025 to ensure the total numbers of active, deferred and pensioners are accurate and complete. • Performing analytical review procedures on membership data submitted to the actuary. • Understanding the overall quadrennial valuation procedures and controls established by the Authority and the actuary.

Other risks identified (1)

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Fraud in expenditure recognition	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result, under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure. We identified and completed a risk assessment of all expenditure streams for the Authority. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This determination is based on the low fraud risk inherent in the nature of the underlying transactions, as well as the immaterial nature of both individual and collective expenditure streams. Our fraud risk assessment in respect of expenditure considered the following: - There is little incentive to manipulate expenditure recognition; - Opportunities to manipulate expenditure recognition are limited; and - The culture and ethical frameworks of local authorities, including that of City Fund, mean that all forms of fraud are seen unacceptable. However, despite rebutting the risk of fraud in expenditure recognition, we assessed an increased risk of error in estimation and cut-off processes at year-end in respect of the completeness of expenditure. Such as we have considered the volume of transactions at year-end and the process of estimation involved in manual year-end accruals, in respect of accurately capturing and recognising expenditure within the correct financial period. We do not consider this to be a significant risk for the Authority but will keep this consideration under review through the audit to ensure the judgement remains appropriate.	• Inspect transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period. • Inspect a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the estimation of the accrual was consistent with the value billed after the year-end. We will also compare listings of accruals to the previous years to ensure completeness of accrued items. • Investigate manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.

"The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated." (ISA (UK) 315)

Other risks identified (2)

Risk	Description	Planned audit procedures
International Financial Reporting Standard (IFRS) 16 Leases – implementation	IFRS 16 is now mandatory for all local government bodies from 1 April 2024. Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code. In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 were included in the Authority's 2023-24 financial statements. Managements initial review indicated the balance sheet impact would be c£14.5m for a right of use asset and lease liability. The implementation of IFRS 16 is a significant change to lease disclosures made in the Authority's financial statements.	Our work will include, but not be limited to: <u>Transition</u> • Documenting our understanding of the processes and controls in place by management to ensure that right of use assets and liabilities are not materially misstated from the lease arrangements. This includes steps implemented by management to identify leases impacted by IFRS 16. • Reviewing steps implemented by management to identify leases which are impacted by IFRS 16, ensuring completeness and confirming they meet the requirements of the CIPFA Code of Audit Practice (Code). • Reviewing IFRS 16 accounting policies and disclosures in relation to the Code. • Reviewing the application of judgement and estimation in determining right of use asset valuation and lease liabilities. • Reviewing and reperforming calculations to determine the future lease liabilities using present value calculations. <u>Ongoing</u> • Document our understanding of the process for applying the optional accounting simplification of IFRS 16, which relate to short term leases and low value leases. • Document the use of any management experts, where applicable. • Obtain management's list of leases that have been recognised as a lease liability and corresponding right of use asset in the financial statements. • Consider whether the Authority has any leases for which they pay no or below market (peppercorn) rent and ensure right of use assets are appropriate recognised.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; and
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

04 Our approach to materiality

Our approach to materiality (1)

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.

Matter	Description	Planned audit procedures
01	**Determination** We determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements.	We determine planning materiality to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.
02	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature when it relates to: – instances where greater precision is required.
03	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.
04	Matters we will report to the Audit and Risk Management Committee Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	• We report to the Audit and Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £612,000 (PY £598,000). • If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Management Committee to assist it in fulfilling its governance responsibilities.

Our approach to materiality (2)

	Amount £	Qualitative factors considered
Materiality for City Fund's financial statements	12,238,000	We considered materiality from the perspective of the users of the financial statements. City Fund prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community, therefore gross expenditure was deemed the most appropriate benchmark. This benchmark was also used in the prior year. We considered it appropriate to apply 2% to a proportion of the 2023-24 gross expenditure benchmark. The benchmark percentage increased from 1.95% applied in the prior year. This is in line with the recent updates to Grant Thornton guidance, we deem this change to be appropriate for the Authority as there were no significant matters brought to our attention suggesting a lower benchmark percentage was appropriate.
Materiality for Remuneration (Senior Officer) and Exit packages of employees	20,000	We identified senior officer remuneration and termination benefits as disclosures where we will apply a lower materiality level, as they are considered sensitive disclosures to the read of the financial statements. An amendment of £20,000 or more would have a quantitatively and qualitatively material impact on the relevant disclosures in the financial statements.

05 Progress against prior year audit recommendations

Progress against prior year audit recommendations (1)

We identified four issues in our 2023-24 audit and five issues from prior year audits which remain in progress. We have followed up these prior year audit recommendations below.

Assessment	Issue and risk previously communicated	Update on actions taken
In progress	Classification between Trade Creditors and Goods Received Not Invoiced (reported in 2023-24) In testing of accruals, we identified two instances where management recognised accruals at 31 March 2024 while the invoices related to these transactions were received a month earlier. As such, these items should have been recognised as trade creditors at 31 March 2024. This misclassification does not impact the bottom line of short-term creditors, but between disclosure lines in Note 21. This error is a result of invoices which were received but not processed and matched to the relevant purchase orders in a timely manner. Risk – Incorrect classification between Trade Creditors and Goods Received Not Invoiced (GRNI), or vice versa, impacts the accuracy of the financial statements. In addition, it can distort financial ratios such as the current ratio and the quick ratio, potentially misleading the readers of the accounts of City Fund's liquidity position Recommendation – We recommend that management regularly reviews the outstanding invoices to be validated on the system, particularly at year-end, to ensure correct classification of creditors.	Management update Throughout 2024-25 we've continued to circulate the monthly PP2P reporting packs to budget holders to minimise or eradicate creditor classification errors in the accounts. Auditor comments We will follow up during our fieldwork visit to assess management's actions to address our recommendation.
In progress	Statement of Accounts approval (reported in 2023-24) During the review of the accounts, we observed that while the financial statements were approved by the Chamberlain before being published for public inspection, they were not subsequently submitted to the Committee for approval following the end of the inspection period. The Audit and Accounts Regulations mandate that the accounts must be submitted for approval by the finance committee after the inspection period. It is noted that management typically submits the accounts to Finance Committee after the conclusion of the audit. While the Regulations do not specify the exact timing for this approval after the inspection period, it is advisable for management to consider presenting the financial statements to the Committee earlier, especially in cases where the audit process takes longer to complete. Risk – This represents a requirement of the Accounts and Audit Regulations of 2015, and there is a potential risk of management not complying with the Regulations in the future. Recommendation – We recommend that management considers taking the report to the relevant committee earlier than the term of conclusion of the audit. This has proven in the recent years that it can take longer in some cases.	Management update Given that the draft accounts are presented at the July meeting of the Audit and risk Management Committee, and the final accounts at the September meeting; this meets the requirements of the Accounts and Audit Regulations, and no additional occasion is necessary. Auditor comments Auditor to consider management comments, discussing the process and provide an update at a later Audit and Risk Management Committee meeting.

Progress against prior year audit recommendations (2)

Assessment	Issue and risk previously communicated	Update on actions taken
In progress	Lack of formal accounting policy for grant payables (revenue expenditure funded from capital under statute (REFCUS)) based on the date of disbursement following approval (reported in 2023-24) In work performed on REFCUS we inspected a drawdown application for the Museum of London's relocation funding, received in March 2023 but recognised in financial year 2023-24 based on the date of approval and disbursement. While the CIPFA Code does not mandate this, it aligns with the principles, to recognise grant payables when City Fund has a present obligation to transfer economic benefits, and an outflow of resources is probable to settle the obligation. Risk – Without a formal policy, there is risk of inconsistency in the recognition and measurement of grant payables, potentially leading to inaccurate financial reporting and non-compliance with the CIPFA Code principles. Recommendation – We recommend that City Fund develops and documents a formal accounting policy addressing the recognition of grant payables based on the date of approval/disbursement. This policy should be designed to align with the principles and requirements outlined in the CIPFA Code. The policy should provide clear guidance on the criteria for recognising grant payables, the timing of recognition, and the treatment of any conditions.	Management update An accounting policy will be added to the accounts for 2024-25 stating that REFCUS grants payable should be recognized in the financial year that they are paid. Auditor comments We will follow up during our fieldwork visit to assess management's actions to address our recommendation.
In progress	Non-adherence to apportionment set out in the valuation report (reported in 2023-24) We performed detailed mathematical testing on other land and building valuation movements for a sample of assets to ensure accuracy. From testing performed it was noted per the fixed asset register the Information Centre asset was apportioned between land and buildings per the valuation report, as recommended by the City Fund expert valuer. Correct apportionment between land and building aspects is best practice and discrepancies can lead to lack of alignment between the valuation report and asset apportionment in the fixed asset register. Risk – The implication of this non-compliance with apportionment guidelines in the valuation report may result in inaccurate asset values being assigned to cost centres or subjective codes where assets/cost have been categorised as a building instead of land and is incorrectly depreciated in the accounting records, potentially leading to misstated financial information and non-compliance with the CIFPFA Code and RICS guidance. Recommendation – We recommend that management ensures that the apportionment of asset values aligns with the guidelines and recommendations provided in the valuation report. This may involve a review of the existing apportionment of assets within the fixed asset register, to ensure all assets reflect the valuation report's recommendations.	Management update The CIPFA Asset manager will be completed along with the manual spreadsheet for 2024-25 and the additional reconciliation between final FAR and Valuations Having a dedicated software system should reduce the chances of errors. Auditor comments We will follow up during our fieldwork visit to assess management's actions to address our recommendation.

Progress against prior year audit recommendations (3)

Assessment	Issue and risk previously communicated	Update on actions taken
In progress	Management of the fixed asset register (reported prior to 2023-24) Several misstatements were identified whilst carrying out detailed testing of PPE and investment property revaluations. 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). Recommendation – We recommended that management implements more robust controls through a formalised process of reconciling the FAR and the valuation reports.	Management update The CIPFA asset manager software is due to mirror the FAR spreadsheet in 2024-25, before being the primary source in 2025-26. This will reduce the number of manual spreadsheets & calculations. It will allow us to quickly check for duplications. A formal reconciliation has been implemented 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. Auditor comments We will follow up during our fieldwork visit to assess management's actions to address our recommendation
In progress	Terms of engagement with external valuers not best practice and RICS compliant (reported prior to 2023-24) Our valuation expert performed a review of the valuation reports prepared by your experts and this review resulted in a control deficiency identified in the fact that City Fund did not ensure that terms of engagement and summary valuation report were prepared in line with RICS standards. This did not result in concerns around the valuation approach and our work but is an observation our valuation expert raised around best practise and compliance with RICS standards. Recommendation – We recommended that management ensure each valuation expert are fully complying with RICS requirement and in confirm Terms of engagement for each valuation undertaken.	Management update The scope of work has been set out in various documentation between City Surveyor and the valuers, provided to the external auditors. In terms of the methodology that has been set out at the start of the contract and will be reissued if this methodology changes. Auditor comments We will follow up during our fieldwork visit to assess management's actions to address our recommendation

Progress against prior year audit recommendations (4)

Assessment	Issue and risk previously communicated	Update on actions taken
Complete	Community Infrastructure Levy (CIL) income recognition (reported prior to 2023-24) Management did not account for CIL income in line with the CIPFA Code para 2.2.2.8, which requires income to be recognised where CIL is received without outstanding condition This is recognised at the commencement date of the chargeable development in the CIES. Management incorrectly recognised the income at the point in which it is billed, invoiced or the cash is received. Recommendation – We recommended that management develops a robust process to recognise CIL income appropriately. Ensure there is an up-to-date standard operating procedure to in line with prescribed accounting treatment per the Code.	Management update As of 2023-24 the Environment Department and Finance have established clear processes which ensure commencement dates of CIL agreements are communicated allowing CIL income to be accurately reported in accounts via the usage of accruals. Management note that no issues were identified during the 2023-24 audit highlighting the successful implementation of the new process. Auditor comments We did not identify issues during the 2023-24 audit and conclude as complete.
Complete	Debtors/Creditors between the City of London Corporation's funds (reported prior to 2023-24) We identified instances of cash received in suspense accounts and not cleared down promptly, resulting to debtor balances overstated. Recommendation – We recommended that management routinely reviews suspense codes across the whole organisation, with particular emphasis around year-end and ensure it cleared down to ensure cash balances are reported accurately.	Management update Since this finding in 2022-23 no further findings of this type have been found. We continue to regularly review cash suspense codes to ensure they're fully cleared periodically. Auditor comments We did not identify issues during the 2023-24 audit. However, we will continue to assess management actions taken to address our recommendation as part of the year end field work.

Progress against prior year audit recommendations (5)

Assessment	Issue and risk previously communicated	Update on actions taken
Complete	Related Parties disclosure note preparation process and declaration of interest checks (reported prior to 2023-24) Several variances in the balances disclosed under Note 35 (Related Parties) were identified and declarations of interest were not completed by all members. Recommendation – We recommended 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 accurate and complete. Management should also 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.	Management update Management have continued to implement the stringent process from 2023-24 to ensure full engagement with the related parties process is achieved. The process of checking members against companies' house records and peer reviews of working papers will continue for 2024-25 to ensure all related parties are captured in the final disclosure. Auditor comments We did not identify issues during the 2023-24 audit. However, we will continue to assess management actions taken to address our recommendation as part of the year end field work.
In progress	Journal authorisation (Prior year 2021-22 and earlier) We noted that all journals with individual lines >£100k the system retrospectively identifies these Journals, and it is shared with the approver automatically via email for their approval. This is not required where individual lines are<£100k. Recommendation – We recommended that a clearer audit trail is maintained to demonstrate the Journal review process and that this is embedded into finance's working arrangements.	Management update From 2025-26 onwards management have implemented a centralised log of journals which will demonstrate that all journals >100k have been approved. Management are looking at how the use of SAP can continue to refine this process going forward. Auditor comments This will remain in progress for 2024-25. We will follow up during our fieldwork visit to assess management's actions to address our recommendation for the new financial year 2025-26.

Progress against prior year audit recommendations (6)

Assessment	Issue and risk previously communicated	Update on actions taken
Complete	Assessment of historical grants received in advance (reported prior to 2023-24) 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. Recommendation – 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 update 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. The conditions for S106 agreements have not been met until the money has been spent or funds returned, but there is ongoing work to ensure that conditions have been met and to identify potential clawbacks from developers Auditor comments We will follow up during our fieldwork visit to assess management's actions to address our recommendation

06 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Oracle E-Business Suite	Financial reporting	• Our IT Audit team will perform work to obtain assurance that the ITGCs are designed and implemented effectively. • We will report any deficiencies identified, with our recommendations at the completion of the work performed. • We do not plan to test the operating effectiveness of ITGCs.
Altair	Police Pension Fund	
iTrent	Payroll	

07 Advance audit work

Advance audit work

Details of work to be conducted at the advance stage:

Description	Work commentary
Fees, charges and other service income **Other service expenses**	• Request general ledger data for 12 months along with the trial balance and mapping. • Select a sample for testing, based on data provided, for management to collate supporting evidence in advance of the final audit visit.
Employee expenses	• Request listings of starters, leavers and changes in circumstance including employee expenditure not processed via payroll for the year. • Select a sample for testing, based on data provided, for management to collate supporting evidence in advance of the final audit visit. • Obtain the year-end payroll reconciliation (excluding IAS 19 adjustments) and ensure the amounts in the ledgers can be agreed to monthly payroll reports. • Perform substantive analytical procedures for the year disaggregated by month.
IFRS 16 – Right of use assets and lease liabilities	• Document our understanding of management process to identify leases impacted by IFRS 16. • To gain assurance over the completeness of the right of use assets and lease liabilities identified by management, we will review from the 2023-24 general ledger lease payments made and select a sample of lease payments for testing to determine that management have appropriately included the leases in their lease register or equivalent. • Select a sample of leases for testing and inspect the current year asset register to ensure the right of use asset is appropriately recognised. • Review and reperform calculations to determine the future lease liabilities, using present value calculations, are accurate.
Capital additions and other capital items	• Request a listing of capital additions which reconciles to the year-end asset register and general ledger. • Select a sample for testing, based on data provided, for management to collate supporting evidence in advance of the final audit visit. • Perform asset existence and rights & obligations testing based on the 2024-25 opening balances.

08 Value for Money arrangements

Value for money arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

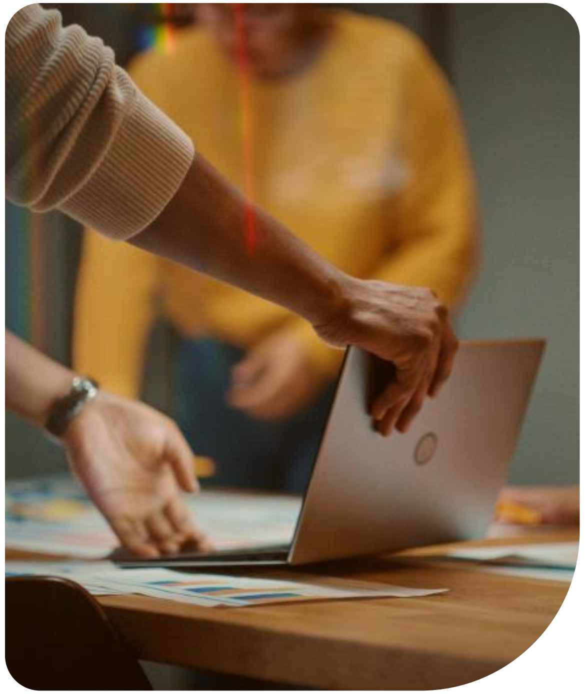
How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.



Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

Statutory recommendation

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.

Risks of significant weakness in VFM arrangements

Initial risk assessment of the Authority's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this indicative Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024-25. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023-24 Auditor judgement on arrangements		2024-25 risk assessment	2024-25 risk-based procedures
Financial sustainability	A	No significant weakness in arrangements identified, but 10 improvement recommendations made, predominantly focussed on reviewing assumptions withing various aspects of the budget, HRA and capital programme to increase accuracy.	Planning and risk assessment work is not yet complete. At the time of reporting, we have not identified risks of significant weakness in any of the criteria areas.	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will continue with our risk assessment procedures and undertake sufficient work to document our understanding of your arrangements as required by the Code. If we identify significant weaknesses during the course of our work, we will communicate these with management and those charged with governance.
Governance	A	No significant weakness in arrangements identified, but 7 improvement recommendations made including: maximising the possibility of compliance with the new Procurement Act 2023, ensuring that appropriate assurances are gained from Internal Audit, and prioritising renewal of the Anti-Fraud and Corruption Strategy.		
Improving economy, efficiency and effectiveness	A	No significant weakness in arrangements identified, but one improvement recommendation made in relation to contract management.		

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

09 Logistics

Logistics

The audit timeline

Key dates:

Year-end
31 March 2025

Audit and Risk Management Committee
12 May 2025
Present Audit Plan

Audit and Risk Management Committee
15 September 2025
Present Audit Plan

Audit phases

Planning – 3 weeks
from 17 March 2025

Advance – 2 weeks
from w/c 21 April 2025

Final audit – 13 weeks
from w/c 16 June 2025

Completion – 2 weeks
From w/c 15 September 2025

Key elements

- Assess and determine audit scope, risk factors and materiality
- Planning meeting with management
- Planning requirements checklist to management
- Agree timetable and deliverables with management
- Document key business processes, and assess design and implementation effectiveness of relevant controls
- Agree Audit Plan with management

Key elements

- Review key management judgements and estimates
- Perform early audit sampling on selected balances

Key elements

- Audit teams to complete fieldwork and detailed testing
- Weekly update meetings with management

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Audit Findings issued to Audit & Risk Management Committee
- Audit Findings presentation to Audit & Risk Management Committee
- Auditor's Annual Report
- Finalise and sign financial statements and audit report

Our team and communications

Grant Thornton core team

Sophia Brown
Key Audit Partner

- Key contact for senior management and Audit & Risk Management Committee
- Responsible for overall audit quality

Bheki Dlamini
Audit Engagement Manager

- Works with your senior finance team members
- Responsible for overall audit management, audit delivery and reporting
- Resource management

Mary Adeson
Audit In-charge

Sanchit Singh
Audit In-charge

- Day-to-day point of contact
- Leads the audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• Audit Plan • Audit progress report and sector updates • Audit Findings • Auditor's Annual Report	• Audit planning meetings • Weekly audit progress update • Communication of issues • Audit clearance meeting	• Technical updates • Chief accountants' workshop
Informal communications	• Open channel for discussion	• Communication of audit issues as they arise	• General audit matters	• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK-based team. They work as part of the engagement team, reporting directly to Sophia and Bheki and will interact with you in the same way as our UK-based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

10 Fees and related matters

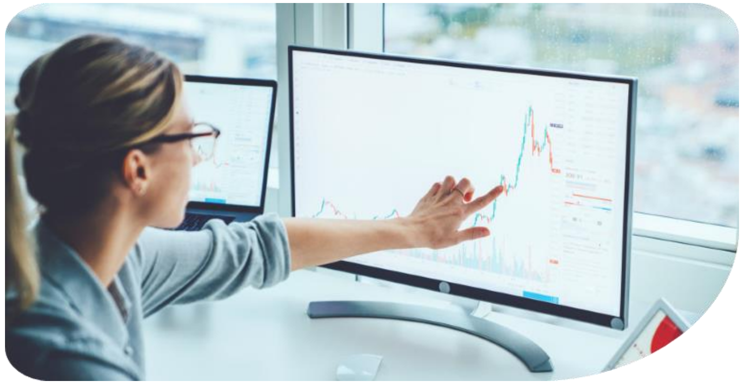
Audit fees

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2024) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Updated auditing standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.



Audit fees	2023-24 £	Proposed for 2024-25 £
City Fund audit	340,000	491,570
ISA 240	8,000	n/a
ISA 315	12,000	n/a
Total (Exc. VAT)	360,000	491,570

Assumptions

The total fee for 2024-25 will increase to £491,570. This change reflects the adjustment in audit supply market rates compared to what a similar-sized authority under the PSAA framework contract is charged. Additionally, this fee accounts for the extra work now required under the revised ISA (UK) 315 and ISA (UK) 240, as the previous year's fee was agreed in 2022 and excluded these elements.

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well- presented working papers which are ready at the start of the audit.
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements.
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

2023-24 audit fee

In 2023-24 the audit fee per the contractual agreement was £340,000. Since our appointment in 2022 there were major changes in auditing standards, the revision of ISA (UK) 315 and ISA (UK) 240, requiring additional fees for these areas of work. The final proposed fee for 2023-24, communicated in the 2023-24 audit plan, was £360,000. The final fee charged for 2023-24 was £371,350, which included a charge for additional journals work carried out.

11 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, there are no matters that we are required to report.

FRC Ethical Standard

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. There have been no such breaches to report. We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority 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 Authority or investments in the Authority 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 Authority 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 Authority.
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 Authority's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence at planning 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 and network firms 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. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

12 Communication of audit matters with those charged with governance

Communication of audit matters with 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 and Key Audit Matters	●	
Planned use of internal audit	●	
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 matters in relation to going concern	●	●

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Our communication plan	Audit Plan	Audit Findings
Views about the qualitative aspects of the Authority’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

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.

13 Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals.

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Delivering audit quality

Digital differentiation

We are a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

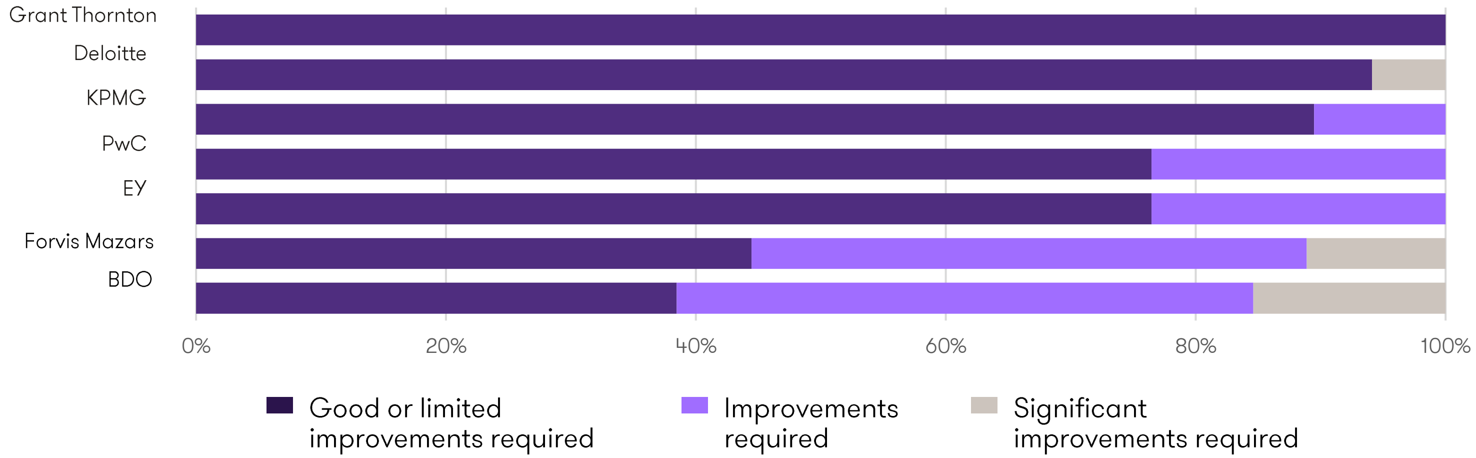
Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become issues, we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit

FRC's Audit quality inspection and supervision nspection
(% of files awarded in each grading, in the most recent report for each firm)



14 Appendices

Escalation policy

The Backstop

The Department for Levelling Up, Housing and Communities introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 – Initial communication with the Chamberlain (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Chamberlain to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Town Clerk & Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Town Clerk & Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding.

Step 4 - Escalation to the Audit & Risk Management Committee (at next available meeting or in writing to Audit & Risk Management Committee within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the Audit & Risk Management Committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

IFRS reporters: New or Revised accounting standards that are in effect

First time adoption of IFRS 16 Lease liability in a sale and leaseback	• IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. • This year will be the first year IFRS 16 is adopted fully within local government.
IAS 1 amendments Non-current liabilities with covenants	• These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IAS 7 and IFRS 7 Supplier finance arrangements	• These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters: Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and disclosure in the financial statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement.
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures.
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.