Grant Thornton

Audit Findings Report for City of London Corporation – City Fund

Year ended 31 March 2026

Date of issue: 3 September 2026

City of London Corporation
Guildhall
London
EC2P 2EJ

Grant Thornton UK LLP
8 Finsbury Circus
London
EC2M 7EA

www.grantthornton.co.uk

14 September 2026

Dear Members of the Audit and Risk Management Committee

Audit Findings Report for City of London Corporation – for the year ended 31 March 2026

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be discussed with the Audit and Risk Management Committee on 14 September 2026.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at Transparency-Teport-2025 (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Sophia Brown

Key Audit Partner

For Grant Thornton UK LLP

Contents

Headlines (1)

This page and the following summarises the key findings and other matters arising from the statutory audit of City of London Corporation – (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2026 for the attention of those charged with governance.

Financial statements

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

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

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

Our audit work was completed over two separate visits, during February 2026 and again from June – September 2026.

Our findings are summarised on pages 9 to 18. We identified adjustments to the financial statements and related disclosure notes, which resulted in a £20.5m decrease in the Surplus on Provision of Services and on the level of the Authority's general fund. Details of audit adjustments are provided on Appendix B.

We have raised recommendations for management, set out on Appendix C, and reported our follow up of prior year recommendation in Appendix D.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed on page 6.

We conclude that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of the Authority and with the audited financial statements.

Our anticipated financial statements audit report opinion will be unmodified, refer to Appendix E.

Headlines (2)

Outstanding matters

We await information requested from management in the following areas to enable us to complete our work:

- Full resolution of technical queries raised following the review of the draft accounts;
- Response to sample (1) evidence requested for payroll cost testing, leavers;
- Responses to queries raised in relation to capital commitments (6), capital assets additions (6), reclassification (5) and leases (2);
- Response on query (1) raised in relation to the accounting treatment of the relationship with Museum of London; and
- Submission of remuneration disclosure supporting evidence requested, payslips (24).

The following key areas of work are being processed by the audit team:

- Right of use assets, lease liabilities and associated movements; and
- Intangible assets.

Our work is also subject to the conclusion on the following matters:

- Sign off on technical points raised through the hot review of draft accounts;
- Receipt of IAS 19 assurance letter from Pension Fund auditor in relation to the LGPS pension scheme audit procedures;
- Receipt of management's representation letter; and
- Review of the final set of financial statements.

Headlines (3)

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Governance
- Financial sustainability
- Improving economy, efficiency and effectiveness

We have completed our value for money (VFM) work, with detailed findings set out in the Auditor's Annual Report presented alongside this report to the Audit and Risk Management Committee.

We are generally satisfied that the Authority has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources. The significant weakness identified in the prior year in relation to the low HRA reserve balance has been addressed and closed. However, we identified one new significant weakness in the current year in relation to Regulator findings following an inspection of the Corporation's housing service.

Statutory duties

The Local Audit and Accountability Act 2014 (the 'Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act
- certify the closure of the audit.

We have not exercised any additional statutory powers or duties during the year.

We have completed the majority of our work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed outstanding work in relation to consolidation returns under the Code (Authority exceeds the set group threshold of £2 billion in assets) and we have received confirmation from the NAO that the Whole of Government Accounts group audit has been certified by the Comptroller and Auditor General.

Subject to the receipt of the necessary NAO confirmation, we expect to complete the remaining WGA procedures and conclude work during December 2026. We are satisfied that the outstanding work does not have a material impact on the financial statements for the year ended 31 March 2026.

Our approach to materiality

As communicated in our Audit Plan dated 23 March 2026, we determined materiality at the planning stage as £16 million based on 2.35% of prior year gross expenditure. At year-end, we reconsidered planning materiality based on the draft financial statements. This resulted in a downward revision of the materiality figure.

A summary of our approach to determining materiality is set out below:

	Planning £	Final £	Qualitative factors considered
Materiality for the financial statements	16,000,000	**15,400,000**	We considered materiality from the perspective of the users of the financial statements. The Authority prepares an expenditure-based budget for the financial year with the primary objective being the provision of services to the local community, therefore gross expenditure is deemed the most appropriate benchmark. This benchmark was also used in the prior year. We initially increased the benchmark percentage during the planning stage of the audit to 2.35%. Subsequent engagement team discussions and review of our risk assessment, resolved to keep the benchmark percentage at 2%, similar to that applied in the prior year. This downward revision was consistent with our understanding of the Authority and follows our review of the draft accounts.
Reporting threshold	800,000	**770,000**	This is 5% of materiality. We report any unadjusted misstatements above this threshold to those charged with governance.
Materiality for senior officers' remuneration and exit packages	20,000	**20,000**	We identified senior officer remuneration and termination benefits (including exit packages) as disclosures for which we apply a lower materiality. These disclosures are considered sensitive to the public and users of the financial statements. An amendment of £20,000 or more, per individual officer, would have a quantitatively and qualitatively material impact on the relevant disclosures in the financial statements.

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages (10 to 17).

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	Green
Valuation of land & buildings	Significant	↔	✗	High	Green
Valuation of council dwellings	Significant	↔	✗	High	Green
Valuation of investment properties	Significant	↔	✗	High	Green
Valuation of the net pension fund liability	Significant	↔	✗	High	Green
Risk of fraud in revenue recognition (rebutted for all streams)	Other	↔	✗	Low	Green
Risk of fraud in expenditure recognition (completeness)	Other	↔	✗	Low	Green

↑ Assessed risk increase since
↔ Assessed risk consistent with
↓ Assessed risk decrease since

● Green - Not likely to result in material adjustment or change to disclosures within the financial statements
● Amber - Potential to result in material adjustment or significant change to disclosures within the financial statements
● Red - Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks (1)

Risk identified	Audit procedures performed
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption 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 its reporting of financial performance. We 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.	**To address this risk, we have:** • Evaluated the design and implementation effectiveness of management controls over journals. • Analysed the journals listing using data analytics and determined risk-based criteria for selecting unusual journals. • Identified and tested unusual journal entries made during the year and at the accounts production stage for appropriateness and corroboration to supporting evidence. • Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. • Evaluated the rationale for changes in accounting policies, estimates or significant unusual transactions. • Reviewed and tested journal entries identified as transfers between the General Fund and Housing Revenue Account. **Findings** Consistent with prior years, we identified a control deficiency relating to the approval of journal entries. Journal lines below £100,000 are not subject to formal approval; with only retrospective review and approval performed for journal lines above this threshold – see details of the control point raised (page 47). We considered this deficiency in our risk assessment and performed targeted testing of unusual journal entries below the approval threshold. No exceptions were identified from this work. Our IT audit identified control deficiencies relating to access management and segregation of duties. One user had access to diagnostic tools within the production environment, and three users had the ability to both develop and implement system changes. We reflected these findings in our risk assessment and targeted testing of unusual journal entries, including journals posted by the affected users. No exceptions were identified from this testing. **Conclusion** Our audit work is complete, and we have not identified any issues in respect of management override of controls.

Significant risks (2)

Risk identified	Audit procedures performed
Valuation of land & buildings The Authority re-values its land & buildings on a rolling five-yearly valuation cycle in accordance with the CIPFA Code. In intervening years, current value is updated using appropriate indexation, unless a desktop valuation is required due to absence of a suitable index. In line with the CIPFA Code, the Authority determines the current value using the depreciated replacement cost or existing use value methods. In applying this methods, key assumptions are made by the appointed 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. We therefore identified valuation of land & buildings as a significant risk, particularly key assumptions and inputs applied by the valuer at financial statement date to determine the current value of the assets.	To address this risk, we have: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation experts engaged by management. • Discussed with, and wrote to, management's valuation experts to confirm the basis on which the valuation was carried out. • Engaged our own valuer expert to provide commentary on the instruction process in comparison to requirements from CIPFA/IFRS/RICS and the valuation methodologies and approaches, resulting assumptions adopted and any other relevant points. • Evaluated and challenged the information and assumptions used by the valuers engaged by management to assess completeness, accuracy and consistency with our understanding. • Reviewed indices used for assets not fully revalued in year and application to asset classes in line with the changes to the Code this year. • Recalculated the valuations, testing key inputs including BCIS rates, floor areas, obsolescence and other assumptions used in both DRC and existing use valuations. We also considered the appropriateness of each method applied to determine the assets valuation. • Tested, on a sample basis, revaluations made during the year to confirm they have been input correctly into the Authority's asset register and financial statements. *(continued overleaf)*

Significant risks (3)

Risk identified	Audit procedures performed
Valuation of land & buildings – continued	**Findings** The Authority departed from CIPFA Code requirements regarding the revaluation of Property, Plant and Equipment (PPE). The Code requires revaluations to be undertaken through a quinquennial valuation supplemented by annual indexation, or, in limited circumstances, a desktop valuation applied. Management continues to apply a five-year rolling revaluation programme, supplemented by annual revaluations of material assets. This approach does not fully comply with the Code, which requires the application of appropriate indexation in intervening years. Indexation was applied to only a limited number of assets during the year. Whilst we are satisfied that this approach does not result in a material misstatement of asset values and the accounts, it is not compliant with the CIPFA Code, and we raise a control point on page 38. Given the nature of the assets and their London location, management considers that values could move materially year-on-year. Management therefore considers that more frequent full valuations are necessary than the Code's updated approach would require. In addition, management did not apply indexation to a population of assets with a carrying value of approximately £12m. Whilst this balance is not material to the current year financial statements, non-application of indexation represents a departure from the requirements of the CIPFA Code. We raise a control point for management to consider full application of the Code in future years, refer to page 39. We reviewed the population where no revaluation or indexation was applied, and no material issues were identified. **Conclusion** Our audit work is complete, and we have not identified any other issues in respect to the valuation of land & buildings except for those reported above. We are satisfied that the judgments and estimates made by management regarding the valuation of land & buildings were appropriate.

Significant risks (4)

Risk identified	Audit procedures performed
Valuation of council dwellings The Authority measures its council dwellings at current value, determined using the basis of existing use value for social housing and is re-valued on a cyclical approach using the Beacon methodology. The valuation of council dwellings represents a key accounting estimate which is sensitive to changes in assumptions and market conditions. We therefore identified valuation of council dwellings as a significant risk, particularly the key assumptions and inputs applied by the valuer at financial statement date to determine the current value of the assets.	**To address this risk, we have:** • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work. • Evaluated the design and implementation of controls put in place by management to ensure that the Authority's council dwellings are not materially misstated. • Evaluated the competence, capabilities and objectivity of the valuation experts engaged by management. • Discussed with, and wrote to, management's valuation experts to confirm the basis on which the valuation was carried out. • Engaged our own valuer expert to provide commentary on the instruction process in comparison to requirements from CIPFA/IFRS/RICS and the guidance regarding the valuation of council dwellings and social housing. • Evaluated and challenged the information and assumptions used by the valuer engaged by management to assess completeness, accuracy and consistency with our understanding. • Tested a sample of Beacon properties in respect of dwellings, to consider whether their valuation assumptions are appropriate and representative of other Beacon properties within the Beacon group. • Tested, on a sample basis, a number of assets back to market data for council dwellings and other properties in that area. **Conclusion** Our audit work is complete, and we have not identified any other issues in respect to the valuation of council dwellings. We are satisfied that the judgments and estimates made by management regarding the valuation of council dwellings were appropriate.

Significant risks (5)

Risk identified	Audit procedures performed
Valuation of investment properties The Authority measures and re-values its investment properties at fair value (its highest and best use) annually. The investment method is used in valuing most of the investment properties of . This method determines a property's value by estimating the potential income (market rents) and estimated yield. A small change in the inputs can have a significant impact on the estimated value of the property. The valuation of investment property represents a key accounting estimate which is sensitive to changes in assumptions and market conditions. We therefore identified valuation of investment properties as a significant risk, particularly the key assumptions and inputs applied by the valuer at financial statement date to determine the fair value of the assets.	**To address this risk, we have:** • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work. • Evaluated the design and implementation of controls put in place by management to ensure that the Authority's investment properties are not materially misstated. • Evaluated the competence, capabilities and objectivity of the valuation experts engaged by management. • Discussed with, and wrote to, management's valuation experts to confirm the basis on which the valuation was carried out. • Engaged our own valuation expert to provide commentary on the instruction process in comparison to requirements from CIPFA/IFRS/RICS and the valuation methodology and approach, resulting assumptions adopted and any other relevant points. • Challenged the information and assumptions used by management's valuers to assess the completeness and consistency with our understanding. • Tested, on a sample basis, to confirm investment property assets have been identified and classified correctly in accordance with the Code in the fixed asset register. • Tested, on a sample basis, revaluations made during the year to ensure they were input correctly into the fixed asset register. • Recalculated the valuations, testing key inputs including yields applied, rental information used, and other key assumptions applied in the valuers' calculations behind asset valuation. • Assessed the value of a sample of assets in relation to market rates for comparable properties. **Conclusion** Our audit work is complete, and we have not identified any other issues in respect to the valuation of investment properties. We are satisfied that the judgments and estimates made by management regarding the valuation of investment properties were appropriate.

Significant risks (6)

Risk identified	Audit procedures performed
Valuation of net pension liability The Authority's share of the pension fund net liability represents a significant estimate in the financial statements. The estimation of the pension fund liability is derived from a complex series of judgements and calculations involving significant assumptions. A small change in inputs can have a significant impact on the estimated pension fund liability/asset. The Authority's net pension liability consists of the Authority's share of the City of London Corporation's net pension liability, the unfunded City of London Police pension scheme and Judge's pension scheme. It is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. We therefore identified the valuation of the Authority's pension fund net liability as a significant risk.	**To address this risk, we have:** • Updated our understanding of the processes and evaluate the controls put in place by management to ensure the Authority's pension fund net liability is not materially misstated. • Assessed the competence, capabilities and objectivity of management's expert actuary who carried out the pension fund valuation and the unfunded Police Pension scheme. • Assessed the accuracy and completeness of the information provided by management to the actuary to complete the pension fund valuation. • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • Undertook procedures in relation to Police Pension Scheme covering member data testing, benefits payable and contribution to confirm accuracy of data sent to the actuary. • Reviewed the split of the City of London Corporation pension scheme split between all the funds of the Corporation to ensure the Authority's share of assets and liabilities is correct. **Conclusion** Our audit work is substantially complete, and we have not identified any issues in respect to the valuation of the pension schemes applicable to . We await the auditors of the City of London Corporation Pension Fund to issue us a letter in response to our questions over 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. This letter will cover procedures performed in the current year in relation to the triennial valuation of the City of London Corporation Pension Scheme. We are satisfied that the judgments and estimates made by management regarding the valuation of the pension schemes were appropriate.

Other risks (1)

Risk identified

Risk of fraud in revenue recognition (rebutted for all 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 that there is low risk of material misstatement due to fraud in revenue recognition.

In our risk assessment of all revenue streams for , we considered the risk factors set out in ISA 240 and nature of the revenue streams at . Based on that, we rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying transactions and the fact that it would require a significant number of transactions to be misstated to cause a material misstatement. We determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- There is little incentive to manipulate revenue recognition;
- Opportunities to manipulate revenue recognition are limited; and
- The culture and ethical frameworks of local authorities, including that of , meaning that all forms of fraud are seen as unacceptable.

Based on our assessment of the fraud factors within the Authority's revenue streams, no specific fraud risk factors have been identified and therefore we do not consider revenue recognition to be a significant risk for the Authority.

Whilst we rebutted the risk of fraud above, we considered that the risk of error relating to revenue recognition may be prevalent within streams at the Barbican, Spitalfields, Police, and Port Health and Environmental due to the nature of trading. We, therefore, pinpointed the risk associated with the occurrence of revenue within these streams as an 'other' risk.

Audit procedures performed

To address this risk, we have:

- Confirmed our understanding of the revenue business process for material streams and determined if there are any relevant controls.
- Selected a sample of revenue items from each material revenue stream and tested to supporting information and subsequent receipt of income to gain assurance over accuracy and occurrence.
- Tested a sample of receipts and invoices raised post year-end to ensure they were included in the correct financial year, gaining assurance over completeness.

Conclusion

Our audit work is complete, and we have not identified any issues in respect to revenue recognition.

Other risks (2)

Risk identified	Audit procedures performed
Presumed risk of fraud in expenditure recognition In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition. Having considered the nature of all expenditure streams at , we considered the risk that expenditure may be misstated due to the improper recognition of expenditure and concluded that there is not a significant risk for all expenditure streams. This is due to the low fraud risk in the nature of the underlying transaction, which would require a significant number of transactions to be incorrectly recorded to cause a material misstatement. We determined that the risk of fraud arising from expenditure recognition can be rebutted, because: • 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 , meaning that all forms of fraud are seen as unacceptable. Based on our assessment, no specific fraud risk factors were identified and therefore we do not consider expenditure recognition to be a significant risk for the Authority. Though we rebutted the risk of fraud above, we considered that the risk relating to expenditure recognition may be prevalent around manual accruals of expenditure around year-end and the potential volume at year-end increasing the risk of error in expenditure recognition. We, therefore, pinpointed the risk associated with the completeness of expenditure as an ‘other’ risk.	To address this risk, we have: • Confirm our understanding of the expenditure business process and determine if there are any relevant controls. • Inspected a sample of payments and invoices received around the end of the financial year to confirm whether they were included in the correct accounting period. • Inspected a sample of expenditure items and tested to supporting information to gain assurance over accuracy and occurrence. • Inspected a sample of accruals made at year-end for expenditure incurred but not yet invoiced to assess whether the estimation of the accrual was consistent with the value billed after the year-end. **Conclusion** Our audit work is complete, and we have not identified any issues in respect to expenditure recognition.

Other findings – information technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas. Further detail report of the IT audit scope and findings has been provided to management and can be requested from management.

Our issued in March 2026 reported that we would carry out a design and implementation assessment Oracle E-Business Suite and Altair. On completion of our risk assessment, we concluded that our assessment would focus on design effectiveness only.

			ITGC control area rating			
IT application	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**	**Issued identified**
Oracle E-Business Suite – General Ledger	Detailed ITGC assessment (design effectiveness only)	● Amber	● Amber	● Green	● Green	Refer to page 10 of report in relation to management override of controls and pages 40-43 for control points raised.
i-Trent Payroll	ITGC assessment (design effectiveness only)	● Green	● Green	● Green	● Green	None
Altair – Pensions system	Detailed ITGC assessment (design effectiveness only)	● Green	● Green	● Green	● Green	None (best practice point raised on page 42)

Assessment:

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

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Risk Management Committee. We have not been made aware of any incidents in the period, and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	The principal laws and regulations with which the local authority complies include, amongst others, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024 and the Local Government Act 2003. We are not aware of any significant incidences of non-compliance in the current year.
Written representations	A letter of representation has been requested from management, which is presented as a separate item for presentation along this report. There were no specific representations requested from management, subject to satisfactory conclusion of outstanding matters on page 6 of this report.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent. All requests that were sent to counterparties were received.
Disclosures	Our review identified material disclosure omissions in the financial statements. Details of disclosure notes adjustments can be found within the audit adjustments section, Appendix B of this report.
Significant difficulties	No significant difficulties to report. All information and explanations requested from management were provided and management was available to provide evidence or meet with the audit team as required.

Other responsibilities (1)

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • The use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities. • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • The Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities (2)

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We identified some minor inconsistencies during our work, which were amended by management. We plan to issue an unmodified opinion in this respect – refer to Appendix B for the identified inconsistencies.
Matters on which we report by exception	We are required to report on matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • if we have applied any of our statutory powers or duties • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. We have nothing to report on these matters except we identified a significant weakness in respect of the Authority's arrangements to secure value for money (refer to page 22).
Specified procedures for Whole of Government Accounts	We are required to carry out procedures (on behalf of the NAO) on the whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Our work has not yet commenced, as we await auditor instructions from the NAO. In line with National Audit Office (NAO) guidance, audit certificates are required to remain open pending confirmation that the WGA group audit has been certified by the Comptroller and Auditor General (C&AG), including where no issues exceed reporting thresholds. Accordingly, we cannot formally conclude the audit and issue an audit certificate until this confirmation is received.
Certification of the closure of the audit	We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2026 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we receive confirmation from the National Audit Office that the audit of the WGA consolidation pack for the year ended 31 March 2026 is complete and certified by the Comptroller and Auditor General. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2026.

Value for money arrangements

Approach to value for money work for the year ended 31 March 2026

The National Audit Office issued its latest value for money guidance to auditors in March 2026. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, the Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30 November each year from 2025-26. Our draft AAR accompanies this audit findings report.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.

Governance

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

Financial sustainability

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

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.

In undertaking this work we identified a significant weaknesses in arrangements. Please refer to our value for money commentary report presented along this report in the Auditor's Annual Report for details on the significant weakness identified in arrangements.

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). 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.

As part of our assessment of our independence, 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 are aware of local taxation charges paid by Grant Thornton to the Authority as a result of the firm having an office located in 8 Finsbury Circus. We do not consider that this gives rise to a business relationship between the firm and the Authority as the firm has no choice but to pay local taxes. Therefore, we do not consider this to give rise to an independence issue. We have not identified any other 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, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person 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.

Fees and non-audit services (1)

We confirm below our final fees charged for the audit.

Audit fees	Final 2024-25 fee £	Final 2025-26 fee £
Audit fee as per contract	491,570	511,230
Total audit fees (excluding VAT)	**491,570**	**511,230**

A reconciliation of our fees to the financial statements is set out below.

Reconciliation of fees per the financial statements to total fees above (audit services)	£
Fees per the financial statements for audit services	511,230
Certification of grant claims and returns*	205,000
Total audit fees (excluding VAT)	**716,230**

For the purposes of our audit, we made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to the City of London Corporation. The non-audit services identified which were charged from the beginning of the financial year to current date have been disclosed overleaf, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

This service is consistent with the Authority's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

*Management made an estimate in the accounts in relation to this work (Housing Benefit Assurance Process) to a total of £205k, covering all prior years (at least 4 years) as seen in table above.

Fees and non-audit services (2)

Non-audit services

Service	Proposed fee £	Threats Identified	Safeguards applied
Money laundering prosecution case brought against an individual involved in payroll fraud. The defendant has pleaded and Grant Thornton is to assist with quantification of wrongdoing for confiscation and sentencing.	50,000	Self-interest Self review Management Advocacy	City of London Police (CLP) operates as the independent operational enforcers of the 'Square Mile' catchment area within City of London Corporation's (CLC) jurisdiction, but also as a fraud, economic and cyber-crime investigations force nationality. The fees for this service will therefore be paid by CLP directly, which would fall under their operational costs that are ultimately funded by the CLC. The City Fund audit fees are approx. £511k, and the expected non-audit service fee is c. £50k which would not be considered material to either party and within the fee cap. This is not a service provided to or in respect of CLC. The nature of the service involves supporting the CLP with their financial crime investigations and will be for the benefit of the Crown/the public. The service team will review the individual's bank statements and transfers with respect to the criminal investigations which will not directly impact on the audit engagement in any way. The service would be undertaken by a separate team who are not involved in the audit. The service does not involve undertaking any responsibilities of management, and no advice will be provided to the CLC or CLP directly. The CLP acts in a law enforcement role on behalf of the Crown, and we would be supporting that role in relation to a specific scope. Any decision whether to proceed with charges would be for CLP to agree with the CPS and we would not have the authority to influence that decision. While the deliverables will be shared with CLP and their legal advisors, this will primarily be shared with the Court. The service team is providing expert forensic investigation services in the CLP's capacity as a police force operating on behalf of the Crown. As such, the service does not involve acting as an advocate for the CLC.
Total	50,000		

Appendices

A. 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	●	
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	●	●
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		●
Expected modifications to the auditor's report, or emphasis of matter		●

B. Audit adjustments (1)

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
1. Balance Sheet – Reclassification of long-term investments We identified that two short-term investments were classified as long-term in the balance sheet.	0	Dr Short-term investments 45,700 Cr Long-term investments (45,700)	0	Nil
2. Gain on disposal disclosure – Error We identified a £50.87m overstatement of the net gain on disposal, arising from the incorrect recognition of lease premiums and Rights of Light compensation as disposal gains. The net gain on disposal is £3.1m.	Dr Gain on the disposal of assets 50,874 Cr Grant income (24,500) Cr Fees and charges (2,374)	Cr Rent received in advance (24,000)	Decrease in surplus 24,000	24,000

B. Audit adjustments (2)

Impact of adjusted misstatements – continued

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
3. Non-specific grant income – Misclassification We identified misclassification of an item relating to business rates included within the CIES as Grant Income. The item should instead be presented within the Business Rates line	Dr Taxation & non-specific grant income 6,236 Cr Finance service - net cost of services (6,236)	0	0	Nil
4. Specific grant income – Misclassification We identified an item related to Homelessness Rent Income which was incorrectly coded to Grant Income.	Dr Grant income 1,601 Cr Fees and charges (1,601)	0	0	Nil
5. Collection Fund Bad Debt Provision overstatement We identified the Collection Fund bad debt provision was overstated, resulting in an overstatement of the Authority's 30% share of the provision.	Cr Operating expenses (3,421)	Dr Short-term debtors - Bad debt provision 3,421	Increase in surplus (3,421)	Nil
Overall impact	Dr 20,579	Cr (20,579)	Dr 20,579	Dr 20,579

B. Audit adjustments (3)

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on surplus/deficit of the provision of services £000	Management's reason for not adjusting
1. Understatement of HRA council dwellings valuation We compared the closing valuation of council dwellings to expected values derived from averages of comparable properties. This analysis identified an estimated understatement of £2.89m across the population. The difference reflects a judgemental estimation difference between management's valuation and the auditor's expectation rather than a factual error.	Cr Surplus/Deficit on the revaluation of council dwellings (2,889)	Dr CD 2,889	Increase in surplus (2,899)	Immaterial difference in estimation
2. Understatement of PPE valuation We identified an estimated understatement of £0.83m in property values arising from differences between the auditor's expectations and the physical obsolescence assumptions applied by the valuer. The difference reflects a judgemental estimation difference.	Cr Surplus/Deficit on the revaluation of property, plant and equipment (832)	Dr PPE 832	Increase in surplus (832)	Immaterial difference in estimation

B. Audit adjustments (4)

Impact of unadjusted misstatements - continued

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on surplus/deficit of the provision of services £000	Management's reason for not adjusting
3. Note 16 Long-term debtor We identified that the lease balance disclosed was not updated to reflect changes in the underlying lease arrangements during the year. Based on audit evidence obtained, the lease balance should be £5,112,751, whereas the financial statements disclose £4,318,723.	Cr CIES (794)	Dr Long-term debtor 794	Increase in surplus (794)	Immaterial
Total	Cr (4,515)	Cr (4,515)	Increase in surplus (4,515)	

B. Audit adjustments (5)

Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Note 13 Property, Plant and Equipment – Commitments overstatement	We identified an overstatement of £161.1m in the Capital Commitments disclosure. The total value disclosed was £297.4m, whereas the supporting capital commitments listing reflected a total of £136.4m.	Yes
Housing Revenue Account – Note 3 – Housing stock	One disclosure misstatement noted in terms of the housing stock number not being in line with the number of properties per the valuer's report. This was on account of non-inclusion of 150 new properties completed during the year on the property schedule. This causes the number of flats to increase from 1,847 to 1,997 and closing stock to increase from 1,874 to 2,024.	Yes
Housing Revenue Account – Charges for services and facilities	Charges for services and facilities is required to be updated from £1.7m to £3.4m.	Yes
Note 26 – Transactions relating to post-employment benefits	The number of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line for 2024-25 is to be amended from £217.9m to £127.5m.	Yes
Note 23 Pension Scheme – City of London Pension Scheme	Note 23 stated that the most recent triennial valuation was at 31 March 2022. This will be amended to 31 March 2025 for the updated valuation.	Yes

B. Audit adjustments (6)

Misclassification and disclosure changes - continued

Disclosure	Misclassification or change identified	Adjusted?
Note 18 – Reclassification of long-term investments	Two investments held with NatWest (over a 3-year period) were classified as long-term investments. However, due to the maturity of the investments being within 12 months, they no longer meet the criteria for classification as non-current assets and should be reclassified as current assets. Management agreed to amend the Note 18 disclosure. Refer also to point 1 in the table on page 28.	Yes
Note 18 – Financial asset omission of cash equivalent	Note 18 disclosure of financial instruments, omitted cash and cash equivalents of £30.3m under disclosed financial assets. Management agreed to amend and also to correct the prior year disclosure.	Yes
Note 19 – Nature and extent of risks arising from financial instruments	Note 19 disclosed that at 31 March 2026, the Authority held total cash, cash equivalent and investments of £900.8m. Amendment is required to clarify this balance relates only to cash equivalents and investments, as the Authority does not hold cash balances. Further, there is a variance of £9.5m when comparing to balance sheet values of these amounts.	Yes
Note 18 – Short-term investments	We reconciled the Note 18 and balance sheet investment balances and identified the Note 18 disclosure was overstated by £18.1m. The difference comes from the short-term investments, where the balance sheet presents a total of £815.3m, compared to the Note 18 figure of £833.4m.	Yes
Council dwellings disclosure note – Useful economic lives	A query was raised with management regarding the useful life of council dwellings being stated as 125 years in the financial statements. Management confirmed a typing error, and the figure will be amended to 65 years.	Yes
Accounting Policies	We requested management to update the statement of accounts to position the accounting policies relating to the financial statements of the City Fund before the presentation of the financial statements of the City of London Corporation Pension Fund.	Yes

B. Audit adjustments (7)

Misclassification and disclosure changes - continued

Disclosure	Misclassification or change identified	Adjusted?
Note 16 – Debtors	A query was raised with management regarding the prior year comparative figures disclosed for long-term debtors. Management confirmed that the comparative figures were incorrectly disclosed and agreed to amend. This issue relates solely to the disclosure of prior year long-term debtor figures and does not impact the current year debtor balances.	Yes
Note 37 – Related Party Disclosure	The wording included in the prior year accounts was carried forward to the current year, resulting in certain entities continuing to be described as related parties even though they no longer meet the definition in the current year. To improve the readability of the related party disclosure, we recommend that management include additional narrative to distinguish transactions relating solely to the prior year. This would help ensure the disclosure clearly demonstrates that it is complete and appropriately reflects related party relationships in the current year.	No
Review of other information	In our review of other information reported in the statement of accounts, we identified the following: • The Narrative Report stated business rates income of £1.6bn. This did not agree to, or was inconsistent with, the business rates income disclosed in the Collection Fund Account notes. • The disclosed total pay bill of £249m in the Narrative Report did not agree to the £230.1m of 2024-25 employee expenses per Note 5.	Yes

B. Audit adjustments (8)

Misclassification and disclosure changes - continued

Disclosure	Misclassification or change identified	Adjusted?
Review of Narrative Report	In our review of other information reported in the statement of accounts, we identified the following: • There is limited commentary on major capital commitments. We requested management to elaborate narrative in line with Code requirements which specifies commentary on significant assets/liabilities, including key commitments. • The Financial Outlook section references inflationary pressures, funding uncertainty and the Fair Funding Review at a high level but does not quantify these risks or set out specific mitigating actions. • The medium-term financial projections table shows the underlying (surplus)/deficit before mitigations worsening from £(16.4)m in 2026-27 to £70.2m by 2029-30 and shows several reserves being substantially drawn down over the period. We requested management to provide further narrative to explain the trend, the nature of the 'further mitigations' referred to, or the implications if mitigations are not delivered.	Yes
Expenditure and Funding Analysis (EFA)	The following disclosure amendments were noted which management has agreed to amend: • For "Adjustments between the Funding and Accounting Basis" we noted a variance of £5.2m in Capital grant and contributions applied figure compared to Note 11. • In Note 4 to EFA – 'Other adjustments' column has a net Surplus/Deficit on Provision of Services impact of £115m (2024-25 £146m). We requested management to include narrative to explain the impact.	Yes

B. Impact of unadjusted misstatements in the prior year (1)

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2024-25, and the resulting impact upon the 2025-26 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2025-26 financial statements. The Audit and Risk Management Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on surplus/deficit of the provision of services £000	Reason for not adjusting
Investment property valuation (overstatement) – Based on our recalculation of the identified the property values, we identified a variance of £1.3m when comparing to those values recorded in the fixed asset register per valuation reports.	0	Cr Investment properties (1,336) Dr Unusable reserves 1,336	0	Immaterial difference in estimation
Reconciling difference between the fixed asset register (FAR) and management's expert valuation report – Based on our reconciliation of the FAR and the management's expert valuation report, we identified an overstatement variance of £1.8m.	0	Cr PPE (1,801) Dr Unusable reserves 1,801	0	Immaterial difference
NNDR provision (overstatement) – We identified a variance of £0.872m when reperforming the calculation of the NNDR provision estimate. This was due to management excluding the impact of reliefs applied to NNDR bills.	0	Dr Provision liability 872 Cr Usable reserves (872)	0	Immaterial difference in estimation

B. Impact of unadjusted misstatements in the prior year (2)

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on surplus/deficit of the provision of services £000	Conclusion
Impact of unadjusted misstatements in the current year (see page 31)	Cr (4,515)	Dr 4,515	Increase in Surplus by 4,515	Impact not material in current year, no change in net expenditure position in current year.
Impact of unadjusted misstatements in the prior year	0	0	0	
Net expenditure impact	Cr (4,515)	Dr 4,515	Increase in Surplus by 4,515	The impact of prior period and/or current period unadjusted misstatements is not material and does not change the reported position of the Authority.

C. Action plan (1)

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	1. Departure from CIPFA Code revaluation requirements The Authority departed from the CIPFA Code (paragraph 4.1.238) regarding the revaluation of Property, Plant and Equipment (PPE). The Code requires revaluations to be undertaken through a quinquennial valuation supplemented by annual indexation, a rolling five-year programme with annual indexation, or, in limited circumstances, a desktop valuation. Management continues to apply a five-year rolling revaluation programme, supplemented by annual revaluations of material assets. This approach does not fully comply with the Code, which requires the application of appropriate indexation in intervening years. Indexation was applied to only a limited number of assets during the year. Whilst we are satisfied that this approach does not result in a material misstatement of asset values, it is not compliant with the CIPFA Code. Risk – Non-compliance with the requirements of the CIPFA Code constitutes a departure from the applicable financial reporting framework and reduces assurance over the Authority's compliance with sector-specific guidance.	Management should review and update its asset revaluation methodology to ensure full compliance with CIPFA Code paragraph 4.1.238. Management response For the 2025-26 financial year, indexation assistance was sought from our external valuers but for a small population of assets, it was concluded that they were unable to provide an index due to the specialist nature of the asset or that no suitable index exists. Management will formally document this process and explore alternative indexation advice to reduce the risk of accumulating valuation differences; though are satisfied there is no material misstatement of asset values.

Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

C. Action plan (2)

Assessment	Issue and risk	Recommendations
● Medium	**2. Assets with no appropriate indexation** Management did not apply indexation to a population of assets with a carrying value of approximately £12m. Whilst this balance is not material to the current year financial statements, and we have not identified a risk of material misstatement; the non-application of indexation represents a departure from the requirements of the CIPFA Code. Risk – If this approach continues, there is a risk that valuation differences may accumulate over time, resulting in asset carrying values that do not appropriately reflect changes in underlying market conditions. This may increase the likelihood of larger valuation adjustments being required in future years and could, over time, result in material misstatement of individual asset values or asset classes. Continued departures from the Code weaken management's ability to demonstrate full compliance with financial reporting requirements.	Management should ensure that all assets subject to indexation are assessed for the availability of appropriate indices, including proxy indices where a directly applicable index is unavailable. Where it is concluded that no suitable index exists, the rationale should be documented and supported by valuation advice. This will support compliance with the Code, promote consistency in the valuation process, and reduce the risk of valuation differences accumulating over time. **Management response** For the 2025-26 financial year, indexation assistance was sought from our external valuers but for a small population of assets, it was concluded that they were unable to provide an index due to the specialist nature of the asset or that no suitable index exists. Management will formally document this process and explore alternative indexation advice to reduce the risk of accumulating valuation differences.

Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

C. Action plan (3)

Assessment	Issue and risk	Recommendations
● Medium	**3. Inadequate segregation of duties between developers and implementers access in Oracle E-Business Suite** The review of user responsibilities within the Oracle E-Business Suite (EBS) environment, identified users with Application Developer access within the development environment and System Administrator access within the production environment, thereby creating a segregation of duties conflict between developer and implementer functions. Risk – Inadequate segregation of duties between development and production administrative access increases the risk of unauthorised or inappropriate changes being introduced into the production environment without sufficient independent oversight. This may enable users to bypass established change management controls, reduce accountability over privileged activities, and increase the risk of inappropriate access to sensitive production data and configurations.	Management should review users with elevated access across development and production environments to ensure responsibilities are aligned with segregation of duties and least privilege principles. Where elevated access across multiple environments is required for operational purposes, management should ensure: • access is formally approved and supported by documented business justification; • privileged activities are comprehensively logged and monitored; • periodic access reviews are performed; and • production implementation activities remain subject to independent oversight and formal change management controls. **Management response** Three members of the Oracle (CBIS) Support Team have access to the "Application Developer" responsibility and the "System Administrator" responsibility. This is required to support E-Business Suite environment. It does not provide the ability to apply development changes to the environment (this is done via the documented OCCR process, where changes are applied by the DBAs who are the only team that have the required access), but does allow for configuration changes to be made to the environment. The OCCR process ensures that any development changes will have been tested, approved, and scrutinised as part of the IT CAB process, before they are applied to the production environment. The risk of the support team creating/updating transactions has been mitigated by alerts in place to monitor such activity.

Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

C. Action plan (4)

Assessment	Issue and risk	Recommendations
● Medium	**Inappropriate assignment of application developer access within Oracle E-Business Suite production environment** In reviewing user responsibilities within the Oracle E-Business Suite (EBS) production environment, three users were identified with Application Developer access within the live production environment. The Application Developer responsibility provides elevated technical access that may enable users to perform activities beyond standard business user functions, including access to application configuration and development related functionality. The continuous assignment of this access within production increases the risk that changes may be performed directly within the production environment outside established change management controls. While management has implemented compensating controls, including the OCCR change management process and monitoring alerts that identify transaction activity performed by support personnel within Oracle EBS, these controls are primarily detective in nature and do not fully mitigate the risks associated with persistent elevated access within the production environment. Risk – Continuous developer level access within the production environment increases the risk of unauthorised or inappropriate changes being made directly in production without sufficient independent oversight. This may enable activities to bypass established change management controls, weaken segregation of duties, reduce accountability over privileged activities, and increase the risk that inappropriate activities are not identified in a timely manner due to limited monitoring controls.	Management should review the appropriateness of Application Developer access assigned within the Oracle EBS production environment and ensure privileged access is restricted to authorised personnel with a clearly defined business requirement. Management should also strengthen monitoring controls over privileged production activities by implementing detailed logging and periodic review of successful privileged activities. Privileged access should also be periodically reviewed to ensure continued business justification and alignment with least privilege and segregation of duties principles. **Management response** As per point above, this access is appropriate for limited users on the Oracle (CBIS) Support Team in order to support the environment. The access is limited to be able to make configuration changes, which would only be applied to the production environment after being thoroughly checked in the test environments.

Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

C. Action plan (5)

Assessment	Issue and risk	Recommendations
Medium	**Inappropriate assignment of FND_DIAGNOSTICS responsibility to developer in Oracle EBS production** In reviewing user responsibilities assigned within the Oracle E-Business Suite (EBS) production environment, we noted that one developer was granted the FND_DIAGNOSTICS responsibility. This responsibility provides access to diagnostic tools that expose sensitive application and system information. Granting such access to a developer in a live production environment is inconsistent with best practices for segregation of duties and access control. Risk – Providing developers with diagnostic-level access in production increases the risk of unauthorised access to sensitive data, potential misuse of system tools, and unintentional changes that could impact the integrity of financial data. It also weakens the control environment and may result in non-compliance with audit and regulatory requirements.	Management should restrict the FND_DIAGNOSTICS responsibility to designated support personnel or DBAs with a clear operational need. Developers should not be granted this access in production environments. Where temporary access is required, it should be granted through a formal break-glass process with appropriate approvals, time-bound access, and post-access review. **Management response** One member of the development team has access to this responsibility, which enables the prompt diagnosis of any issues as they emerge. This responsibility provides reporting only level diagnostics access, it does not allow changes to be made to the environment. It is therefore entirely appropriate that this access is assigned on this basis.
Low	**Weak password configuration settings for Altair** We noted that password complexity settings were not configured in line with the Authority's password policy: • Minimum password length: 6 characters • Old password cannot be reused: Only the last 2 previous passwords remembered. Risk – A lack of robust password settings may allow system information to be compromised by unauthorised users. We recommend that password parameters for Altair should be configured to meet best practice guidelines such as those recommended by NCSC.	**Management response** Access to Altair is controlled via 2 passwords. The first gains access to the host server and the second allows access to the City of London's pensions data – both passwords are required to access the system. The comments appear to refer to the second of the 2 passwords, and the Pensions Office is in the process of changing the existing password settings to bring it in line with corporate policy. The requirements for the first of the 2 passwords is stricter and requires more characters, special characters, numbers and the use of upper- and lower-case characters.

C. Action plan (6)

Assessment	Issue and risk	Recommendations
● Low	**Outdated cybersecurity and IT-related policies** We noted that three of the inspected IT and cybersecurity related policies are outdated and have not been reviewed or updated to reflect current risks, threats, and best practices. The policies in place may not adequately address emerging cybersecurity challenges or evolving regulatory requirements. We also noted the Vulnerability Scanning Policy lacks version control, making it difficult to verify whether the policy has been reviewed, updated, or approved in line with current cybersecurity practices. Risk – Failure to periodically review and maintain IT and cybersecurity related policies may result in outdated security requirements and governance practices remaining in operation. This may increase the risk that emerging cybersecurity threats, operational changes, and regulatory expectations are not appropriately addressed within the organisation's control environment. Also, the absence of formal version control and documented review history may reduce accountability and limit management's ability to evidence effective policy governance and oversight.	Management should implement a formal process to ensure all IT and cybersecurity related policies are periodically reviewed, updated, version controlled, and formally approved in accordance with defined review frequency requirements. Policy documentation should, at a minimum, include: • version numbers; • review and approval dates; • document owners; and • evidence of formal approval and periodic review. **Management response** Since providing our initial audit responses, management has updated the organisation's cybersecurity policy suite. In addition, a second resource has been appointed within the team to perform a Chief Information Security Officer (CISO) role.

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

D. Follow up of prior year recommendations (1)

We identified the following issues in the audit of the Authority's 2024-25 financial statements, which resulted in two new recommendations and five follow up from previous years being reported in our 2024-25 Audit Findings Report. Five of the recommendations are now closed, we set out below the results.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Not yet addressed	Capital commitment recognition process (reported in 2024-25) During the audit, it was noted that the capital accountant determines outstanding capital commitments by: • Reviewing approved capital budgets; • Examining purchase orders raised but not receipted at year-end; • Reviewing contracts for major ongoing capital projects (e.g., Salisbury Square); • Applying a materiality threshold of £1m, above which detailed disclosures are made in addition to the overall total. For high-value items (i.e., >£1m), management performs a detailed assessment to ensure that the disclosed amounts reflect legally binding obligations. However, based on the audit team's understanding this process does not reflect best practice in recognising capital commitments. Risk – Failure to review the full contract register may result in incomplete or inaccurate disclosure of capital commitments. It also potentially creates an inaccurate picture of what elements of the capital budget have been committed to which could reduce how flexibly management are able to change aspects of their capital programme.	Auditor comment Similar issues identified during our audit work (refer to page 32 – Recommendation remains open. Management comment The Finance team will check the capital commitments against the latest version of the corporate asset register to identify if there are any significant discrepancies.

D. Follow up of prior year recommendations (2)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Not yet addressed	Terms of engagement with external valuers not best practice and RICS compliant (reported prior to 2024-25) 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 for Knight Frank, Savills and JLL 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. We recommended that management ensure each valuation expert are fully complying with RICS requirement and in confirm Terms of engagement for each valuation undertaken.	Auditor comment Similar issues identified during our audit work (refer to page 32 – Recommendation remains open. Management comment New contracts have been agreed with scope of work set out in various documentation between City Surveyor and the valuers in terms of the methodology that has been set out at the start of the contract and will be reissued if this methodology changes. All documentation will be provided to the external auditors.

D. Follow up of prior year recommendations (3)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Not yet addressed	**Review of ledger balances ahead of system migration (reported in 2024-25)** While our audit testing identified a specific issue (defendant funds held from a cash seizure) relating to the timely review of a creditor balance, this highlighted a broader opportunity to strengthen financial oversight ahead of the planned migration from Oracle to SAP. Risk - Failure to review and resolve aged balances prior to system migration may result in the transfer of inaccurate or unsupported financial data into the new system. This poses a risk of misstatement in the financial statements, particularly where balances are materially misstated or no longer valid. It may also impair the effectiveness of financial reporting and control processes post-migration.	**Auditor comment** No similar issues identified during our audit work. However, management confirmed that work is in progress – recommendation remains open. **Management comment** As part of the transition to the new SAP system, Chamberlains will be implementing an enhanced balance sheet reconciliation process.
Not yet addressed	**Formal documentation of annual asset impairment review (reported in 2024-25)** Management does not currently maintain formal documentation of its annual impairment review of assets. However, we note that as part of the year-end procedures, informal inquiries are made of project managers and officers to identify potential impairment indicators. This practice does not comply with the requirements of the CIPFA Code of Practice on Local Authority Accounting and IAS 36 – Impairment of Assets, which require entities to assess at each reporting date whether there is any indication that an asset may be impaired, and to document the basis of such assessments. Risk – Failure to document the impairment review process may hinder timely identification of impairment indicators, particularly for high-value or operationally critical assets.	**Auditor comment** Similar issues identified during our audit work – recommendation remains open. **Management comment** The Finance team requests staff to provide details of impairment indicators. The external valuers speak with the relevant operational staff as part of their checks on assets they are valuing. City of London also carries out quarterly monitoring of the capital programme and provide committee reporting for key assets, including monthly updates for major projects. The above processes will be set out for the external auditors in one document to formalise the impairment review process.

D. Follow up of prior year recommendations (4)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Not yet addressed	Declaration of interest checks (reported in 2024-25) Auditor identified several instances where Members' Declaration of Interest forms had not been submitted in the current year and prior year declarations had been rolled forward. For members where no declaration of interest was completed in current year, auditor performed an independent review of Companies House records and did not identify any related party relationships/transactions requiring disclosure in the financial statements. We do not consider rolling forward declaration of interest forms adequate and management should aim to obtain updated form annually. Risk – Failure to obtain complete declarations from all members may result in material related party transactions being omitted from financial disclosures.	Auditor comment We recommend management strengthen controls over the preparation of the Related Parties disclosure note, including implementing a formal review process and conducting periodic Companies House checks for all members to ensure completeness and accuracy. Similar issues identified during our audit work. Recommendation remains open.
Not yet addressed	Related parties disclosure note preparation (reported in 2024-25) Our Companies House searches identified instances where potential related party relationships had not been disclosed on Members' interests' forms. However, our assessment concluded that none of the identified relationships resulted in, or required, amendments to the Authority's related party disclosures. Risk – Incomplete or inaccurate declarations may result in management being unaware of relevant relationships, increasing the risk of undisclosed related party transactions and potential conflicts of interest.	Management comment Management continues to implement stringent processes to ensure full engagement with the related parties process is achieved. In 2025-26 following consultation with the Digital Information and Technology Service (DITS) to explore web-based solutions, Chamberlains have implemented a new process using Microsoft Power Automate – we anticipate the new process will increase engagement and reduce the risk of errors.

D. Follow up of prior year recommendations (5)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Not yet addressed	Journal authorisation (reported year 2021-22) As was identified in previous years, there are weaknesses around the internal control process regarding managements review of Journals. Journals with entries above £100k requires approval. However, this is not required where individual lines are <£100k. It was noted for 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. Risk – There is a risk that journals are posted in the system without following the approval process and there is no trail of review in some instances. It was previously recommended that a clearer audit trail is maintained to demonstrate the journal review process and that this is embedded into the finance's working arrangements.	Auditor comment Similar issues identified during our audit work (refer to page 10) – recommendation remains open. Management comment For the 2025-26 financial year a centralised log journals > £100k has been implemented which incorporates approval workflow before posting to the ledger. The workflow demonstrates that a journal has been reviewed and approved by the approver who is separate individual to the requester/uploader of the journal. Moving forward, the new ERP system will also provide a solution that enables all journals to pass through a workflow process within the system, irrespective of value. This workflow will allow users to upload a journal into a parked state, which then requires an approver to approve before it gets posted to the ledger.

D. Follow up of prior year recommendations (6)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Completed	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 prior to 2024-25) 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 the Authority 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.	Auditor comment No similar issues identified in current year audit work – recommendation closed.
Completed	Delayed deactivation of user access on Oracle EBS post-termination (reported prior to 2024-25) During our audit, we noted that Oracle EBS application access was not promptly revoked or disabled for terminated employees. Risk – Where system access for leavers is not disabled in a timely manner, there is a risk that former employees will continue to have access and can process erroneous or unauthorised access transactions. There is also a risk that these accounts may be misused by valid system users to circumvent internal controls.	Auditor comment No similar issues identified in current year audit work – recommendation closed.

D. Follow up of prior year recommendations (7)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Completed	Insufficient granularity in trial balance for asset categorisation – assets under construction and right-of-use assets (reported in 2024-25) Although the total Property, Plant and Equipment (PPE) balance per the trial balance reconciles with the financial statements, discrepancies were noted at the asset category level due to the absence of separate subjective codes for Right-of-Use (RoU) assets in the trial balance. This lack of granularity resulted in differences between the trial balance and the disclosure note. Additionally, material classification errors between the AUC PPE, AUC intangible and AUC investment property were identified, resulting in both a current year and prior period adjustment. Risk – The absence of detailed subjective coding for all asset categories may compromise the accuracy of financial reporting, hinder effective reconciliation processes, and reduce transparency in asset classification. This increases the risk of misstatements and audit trail deficiencies.	Auditor comment No similar issues identified in current year audit work – recommendation closed.
Completed	Signed Agreements for Casual Workers (reported in 2024-25) We noted that for 3 samples related to weekly casuals costs, the commencement date of the agreement was after the reporting date of 31st March 2025. We were able to confirm the employment of these workers during the reporting period through alternate evidences which included the iTrent records and payslips. However, to further strengthen the audit trail, it would be beneficial for management to ensure that casual agreements are readily available and well-documented. Risk - There is a heightened risk of misstated weekly casuals' costs in the financial statements. This may compromise the accuracy and reliability of financial reporting.	Auditor comment No similar issues identified in current year audit work – recommendation closed.

D. Follow up of prior year recommendations (8)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Completed	**Management of the fixed asset register (reported prior to 2024-25)** 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).	**Auditor comment** No similar issues identified in current year audit work – recommendation closed.
Completed	**Lack of formalised assessment for non-revalued assets (reported in 2024-25)** Management does not currently have a formalised process in place for assessing the valuation of assets that are not subject to formal revaluation in each financial year. While we acknowledge that management engages internal property experts to provide qualitative assessments of asset condition and market relevance, and that a five-year rolling revaluation programme is in place in accordance with CIPFA guidance, the lack of a documented annual assessment increases the risk that material changes in asset values may not be identified on a timely basis. Although the CIPFA Code does not mandate annual revaluation for all assets, it does require that asset values remain materially accurate. Without a structured and documented approach, there is limited assurance that this requirement is consistently met. Without a structured and consistent approach to assessing non-revalued assets, there is a heightened risk of misstated asset values in the financial statements. This may compromise the accuracy and reliability of financial reporting and could result in non-compliance with IAS 16 or the Code. We recommended management implement a formalised annual assessment process for assets not subject to revaluation. This should include documented procedures for reviewing indicators of impairment or significant changes in value, supported by appropriate evidence and professional judgement.	**Auditor comment** No similar issues identified in current year audit work – recommendation closed.

E. DRAFT audit opinion (1)

DRAFT Independent auditor's report to the Members of City of London Corporation

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of the City Fund of the City of London Corporation (the 'Authority') for the year ended 31 March 2026, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Police Pension Fund Account and Notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2026 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

E. DRAFT audit opinion (2)

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chamberlain's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chamberlain's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chamberlain's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chamberlain with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon, and our auditor's report on the pension fund financial statements. The Chamberlain is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

E. DRAFT audit opinion (3)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

E. DRAFT audit opinion (4)

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Chamberlain

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chamberlain. The Chamberlain is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, for being satisfied that they give a true and fair view, and for such internal control as the Chamberlain determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chamberlain is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

E. DRAFT audit opinion (5)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 (as amended), the Accounts and Audit (Amendment) Regulations 2024 and the Local Government Act 2003, Local Government Act 1972, Local Government and Housing Act 1989, and Local Government Act 1988 (as amended by the local Government Finance Act 1992 and the Local Government Finance Act 2012) and Police Pension Fund Regulations 2006, Police Pensions Regulations 2015, Public Services Pensions Act 2013, and Police Reform and Social Responsibility Act 2011).

- We enquired of management and the Audit and Risk Management Committee, concerning the Authority's policies and procedures relating to:

 - the identification, evaluation and compliance with laws and regulations;

 - the detection and response to the risks of fraud; and

 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of management, internal audit and the Audit and Risk Management committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and risk of fraudulent recognition of income and expenditure. We determined that the principal risks were in relation to:

 - Journal entries posted, with a focus on unusual journal entries using criteria developed based on our knowledge of the Authority, use of data analytics and other risk factors identified;

 - High estimation uncertainty in respect of the valuation of investment properties, council dwellings, other land and buildings and pension fund net liability/asset in the Balance Sheet; and

E. DRAFT audit opinion (6)

- The presumed risk of fraud under ISA240 with respect to the recognition of the Authority's income streams in line with IFRS 15, rebutted for all income streams.
- The completeness of non-pay expenditure. We considered the risk to be particularly prevalent around the year-end and therefore focussed our testing on cut-off and accruals.

• These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it or recognise non-compliance.

• We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

  – The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement teams:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
- the provisions of the applicable legislation
- guidance issued by CIPFA/LASAAC and SOLACE
- the applicable statutory provisions.

E. DRAFT audit opinion (7)

- In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2026.

We have nothing to report, except that we identified one significant weakness in the Authority's arrangements for the year ended 31 March 2026:

Significant weaknesses in arrangements identified	Recommendations
Improving economy, efficiency and effectiveness The Regulator of Social Housing's February 2026 inspection identified failings in the Authority's arrangements for meeting the Decent Homes Standard and maintaining complete records on housing stock condition. The resulting C3 rating reflects serious failings and resulting in a significant weakness in arrangements identified.	Management must act at pace to improve performance against stock condition surveys, decent homes standard rates, fire safety inspections, electrical safety inspections, and tenant information. Management should also ensure it has the necessary resources and resilience in those resources to support the Housing Improvement Strategy, so that improvements are sustained and issues do not recur.

E. DRAFT audit opinion (8)

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the relevant guidance issued by the Comptroller and Auditor General. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

E. DRAFT audit opinion (9)

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the City Fund of the City of London Corporation for the year ended 31 March 2026 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to the Authority's consolidation returns and we have received confirmation from the National Audit Office that the audit of the Whole of Government Accounts is complete for the year ended 31 March 2026. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2026.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[**Signature**]

Sophia Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

XX September 2026

Grant Thornton