

City of London
Corporation (City Fund)

Annual Audit Letter to the
Members of the Court of
Common Council on the
2011 Audit

Contents

Executive summary	1
1. Introduction	2
2. Financial reporting	3
3. Value for money conclusion	4
4. Grants	5
5. Responsibility statement	6
Appendix 1: Analysis of professional fees	7

Executive summary

This letter reports our conclusions from our audit of the City Fund of the City of London Corporation (“the City” or “the Corporation”) for financial year 2010/11. The City Fund is the part of the Corporation which carries out its functions as a local authority, port health authority and police authority. The letter’s main messages are:

City Fund financial statements	We issued an unqualified opinion on the City’s 2010/11 accounts. This was the first year in which accounts for the City Fund were required to be prepared under International Financial Reporting Standards (IFRS).
City’s local government pension scheme annual report	We issued an unqualified opinion on information in the City’s 2010/11 pension scheme annual report.
Value for money conclusion	We issued an unqualified conclusion on the City’s arrangements for securing value for money during 2010/11.
Whole of Government Accounts consolidation return	We provided an unqualified statement of assurance to the National Audit Office on the consolidation return for the purposes of their audit of the Whole of Government Accounts. We reported certain additional matters.
Grants	We undertake work on grant claims and other returns on behalf of the Audit Commission and provide certificates to grant funders on compliance with aspects of the terms on which funds have been claimed. We will provide a separate, detailed letter to the City in early 2012 on the outcome of this work, but at this point there are no matters which we consider need to be brought to your attention.

There are no individually significant recommendations which we wish to bring to Members attention here.

1. Introduction

The purpose of this letter

The purpose of this Annual Audit Letter (“Letter”) is to summarise the key issues arising from the work that we have carried out during the year.

We have addressed this Letter to the members of the Court of Common Council of the City of London Corporation as it is the responsibility of the members to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money.

The Letter will be published on the Audit Commission website at www.audit-commission.gov.uk and should also be posted on the City’s website.

Responsibilities of the Appointed Auditor and the City and scope of our work

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

We have been appointed as the Corporation’s independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England, including local authorities. As your appointed auditor, we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission’s Code of Audit Practice (“the Code”). Under the Code, we review and report on:

- the City Fund accounts;
- the City’s local government pension scheme annual report; and
- whether the City has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion) in respect of its local authority functions.

We also provide an assurance report to the National Audit Office on the financial information prepared by the City for consolidation into the Whole of Government Accounts.

It is the responsibility of the City to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the City is fulfilling these responsibilities.

As an additional responsibility to those set out in the Code, we also undertake grant certification work on behalf of the Audit Commission.

2. Financial reporting

Key issues arising from the audit of the accounts

We reported separately to the Audit and Risk Management Committee in July 2011 on the issues arising from our audit and have issued an audit report providing an unqualified opinion on your 2010/11 accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate.

This was a challenging year as it was the first year in which the City were required to prepare accounts for the City Fund under International Financial Reporting Standard (IFRS) principles. This required the City to restate prior period information as part of the transition to the new reporting requirements.

We explained in our report to the Audit and Risk Management Committee how we had focused our work on areas where we anticipated that the change to IFRS would have the most impact, including the accounting for capital grants, lease accounting, aspects of fixed asset accounting and segmental reporting. We concluded that in respect of these areas that the accounts had been prepared in accordance with the revised financial reporting framework in all material respects. We also reported on how we had focused our attention as well on ongoing key areas of estimation in relation to commercial property valuations, the police pension liability and bad debt provision levels. We reported our conclusion in each of these areas that the officers had made reasonable judgements.

Our report to the Committee also included a few recommendations to assist with future financial control and reporting. These were all accepted by officers including timescales for action.

Key issues arising from the audit of the pension scheme accounts within the pension scheme annual report

We reported separately to the Audit and Risk Management Committee in July 2011 on the issues arising from our 2010/11 audit. We also issued an unqualified opinion on the pension scheme accounts within the pension scheme annual report.

Whole of Government Accounts

Whole of Government Accounts (WGA) are commercial-style accounts covering all the public sector and include some 1,700 separate bodies. Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice 2010 to review and report on the whole of government accounts return. Our report is used by the National Audit Office ("NAO") for the purposes of their audit of the Whole of Government Accounts.

We issued an unqualified report on the consistency of the City's consolidation return with the statutory accounts and the policies governing the preparation of the return. We also reported, however, that although the overall return was correct in total there were a number of classification errors in the original version of the return which were above the significance threshold set by the NAO for reporting of £1 million. These were corrected in the final version of the return.

3. Value for money conclusion

The scope of our work

We are required to issue a conclusion on whether we are satisfied that the City has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources in respect of its local authority functions. This is known as the value for money conclusion.

Our conclusion is given in relation to the following criteria specified by the Audit Commission:

Specified criteria for auditors' VFM conclusion	Focus of the criteria for 2011
The organisation has proper arrangements in place for securing financial resilience.	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Value for money conclusion

We issued an unqualified value for money conclusion for the 2010/11 financial year. There were no areas of specific risk on which we reported to Members.

4. Grants

Under Section 28 of the Audit Commission Act 1998, the Commission is responsible for making arrangements for certifying claims and returns in respect of grants or subsidies made or paid by Central Government or a Public Authority to a Local Authority. The Commission, rather than its appointed auditors, has the responsibility for agreeing certification arrangements with the respective grant-giving bodies, principally government departments. The appointed auditor carries out work on individual claims as an agent of the Commission under these arrangements which comprise certification instructions which the auditor must follow.

Our programme is in progress at the time of writing. We will issue a separate Annual Audit Letter in respect of the grants programme in early 2012, following the completion of the programme. At this point there are no matters which we consider need to be brought to your attention.

5. Responsibility statement

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and in this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.

This report should be read in conjunction with the "Briefing on audit matters" circulated to you in July 2011 and sets out those audit matters of governance interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to the City and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the City, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.



Deloitte LLP

Chartered Accountants
St Albans

30 November 2011

Appendix 1: Analysis of professional fees

The professional fees earned by Deloitte in respect in 2011 are as follows:

	2011 £'000	2010 £'000
Fees payable in respect of our work under the Code of Audit Practice in respect of the City Fund	179	212
Fees payable in respect of the certification of grants	53	50
	<hr/>	<hr/>
	232	268
Fees payable in respect of the Local Government Pension Scheme	35	35
	<hr/>	<hr/>
Total fees payable in respect of our role as Appointed Auditor in respect of the City Fund	267	303
Non audit fees		
Property advisory services	61	-
	<hr/>	<hr/>
	328	303
	<hr/> <hr/>	<hr/> <hr/>

Our work in respect of the 2011 grants programme is ongoing and the amount shown above is an estimate only.

The fees receivable in respect of private and voluntary funds and in respect of the local government pension scheme were dealt with in separate reports to the Audit and Risk Management Committee.

In March 2010 Deloitte completed the merger of its practice with that of Drivers Jonas. Drivers Jonas, now Drivers Jonas Deloitte ("DJD"), has provided property advisory services to the City prior to and after the merger. Part of the amount recorded above was for work contracted by the predecessor firm, Drivers Jonas, and carried out under instructions accepted prior to the merger with Deloitte.

The services are subject to a protocol previously agreed by the Audit and Risk Management Committee.

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