

Committees: Finance Committee – For decision	Dates: 7 December 2021
Subject: Sundry Trusts (for which the Corporation is Trustee): Annual Report and Financial Statements 2020/21	Public
Report of: The Chamberlain	For decision
Report author: Julia Megone, Charity Accountant, Chamberlain's Department	

Summary

This report seeks approval for the Annual Reports and Financial Statements for the Sundry Trust Funds for the year ended 31 March 2021, listed at Annex 1.

There are 15 Annual Reports and Financial Statements relating to the Sundry Trusts of which the City Corporation is Trustee, or otherwise had rights of nomination or appointment of the majority of trustees, whose accounts are audited by BDO LLP alongside the Corporation's other Funds. The Finance Committee approves the 11 financial statements of charities where the Corporation is Trustee, which are set out at Annex 1.¹

For these charities, draft Annual Report and Financial Statements for the year ended 31 March 2021 are attached at Annex 2 for approval.

The audit work has been substantially completed and the Audit Review Panel commenced its work on 19 November 2021, with no significant issues expected. BDO LLP intend to issue an unqualified opinion for each set of accounts.

The financial statements of the charities for the year ended 31 March 2021 have been prepared in accordance with the Charities Statement of Recommended Practice (SORP) in accordance with the Financial Reporting Standard 102 (FRS 102).

The key points to highlight within the financial statements are:

- The charities generally benefitted from the recovery in value of investments in 2020/21, following large losses reflected in the previous year's financial statements as a result of the decline in asset prices in early 2020 due to the global Covid-19 pandemic
- Overall income reduced because in the prior year some charities recognised income from closed charities' funds being transferred (which was a one-off in 2019/20 when funds were transferred), and as a result of a reduction in fundraising income at the Bursary charities; expenditure was stable year on year.

¹ Where charities have individual trustees, or where the Trustee is acting through the Court of Aldermen (detailed in Annex 1), the accounts will be approved by the respective trustees or the Aldermen.

Recommendations:

The Finance Committee is asked to:

- Note that the external auditor BDO LLP intends to give an unqualified audit opinion on each set of charity financial statements;
- Consider the contents of the audit management report issued by BDO LLP (late item); and
- Consider the resolution from the Audit and Risk Management Committee and, if appropriate, approve the financial statements of the charities listed at annex 1 for the year ended 31 March 2021;
- Delegate to the Chamberlain, in consultation with the Chairman and Deputy Chairman of Finance Committee, approval of any material changes to the statement of accounts required before the signing of the audit opinion by BDO – which is expected by mid-December;
- Approve delegated authority for the Chairman and Deputy Chairman of the Finance Committee to approve and sign the financial statements of the charities listed at Annex 1 on behalf of the Court of Common Council.

Main Report

1. The 2020/21 Annual Report and Financial Statements for the 11 Sundry Trust charities where the Corporation is Trustee are presented for review.
2. The Charity Commission requires charities to submit their annual report within 10 months of their financial year-end, that is, by 31 January 2022.

Audit Opinion

3. The external auditor (BDO LLP) intends to give an unqualified opinion on the Annual Reports and Financial Statements of each of the Sundry Trust charities. The audit reports for 2020/21 have been expanded in line with revisions to auditing standards applicable for periods commencing on or after 15 December 2019, and now include a more detailed narrative on going concern and an explanation of to what extent the audits were considered capable of detecting irregularities, including fraud.
4. BDO issued the draft Audit Management Report as a late report to Audit & Risk Management Committee. There were no significant accounting adjustments or changes to the financial statements identified by the auditors; two immaterial accounting adjustments were found, which will be amended in the final financial statements. There were two internal control points; the first was in relation to a lack of formal fixed asset register for the Almshouses charity, and this will be addressed by your officers. The second control finding related to payroll, has been raised across the financial statements relating to the Corporation, and is being addressed by your officers.
5. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts commenced its work on 19 November 2021 to review the processes adopted by

BDO LLP. At the point of writing this paper, we are awaiting their feedback.

Summary of the financial statements

6. The Sundry Trust charities are listed at Annex 1. Excluding the Charities Pool (which is an investment vehicle for the other charities), the remaining 14 Trusts:
- received income of £2.3m (2019/20: £2.8m) of which £1.0m was from investments (2019/20: £0.9m); the fall in overall income was mainly due to prior year one-off transfers of two other closed charities' funds into Emanuel Hospital, and a decline in donation and legacy income in the City of London School for Girls Bursary Fund.
 - incurred charitable expenditure of £1.6m (2019/20: £1.6m) including:
 - £1.1m (2019/20: £1.3m) comprising 379 grants, prizes, pensions and bursaries paid to individuals or organisations (2019/20: 380 grants, prizes, pensions and bursaries); and
 - £0.3m towards the running costs of the City of London Almshouses (2018/19: £0.3m);
 - incurred costs of raising funds of £0.0m (2019/20: £0.1m);
 - had unrealised gains of £4.6m from managed investments (2019/20: £4.2m losses); The valuations are linked to the UK stock market, which experienced a significant rise during 2020/21 following a steep prior to the previous year end in March 2020 as a result of the Coronavirus (COVID-19) pandemic; and
 - held total funds of £28.2m as at 31 March 2021 (2019/20: £23.0m), an increase of £5.3m (23.2%) from the same point in 2020. Again, this gain reflects the increase in value of invested funds following the bounce back in investment valuations following the initial impact of Covid-19 in February and March 2020.

Audit Progress and Opinion

7. BDO's audit work is substantially complete, apart from final reviews prior to sign-off. It is anticipated that the audit will be concluded satisfactorily to enable BDO to issue unqualified opinions as stated within paragraph 3 of this report.
8. The Audit Review Panel commenced its work on 19 November 2021. It is expected that the review will be concluded satisfactorily with no concerns. BDO representatives attended the Audit and Risk Management Committee to present their completion report, update on the status of the audits and to clarify any points or issues raised.
9. Each signed annual report and financial statements will be submitted to the Charity Commission and will be available to download from the Commission's website. The documents will further be available of the City Corporation website. The final management report from BDO on its audit will be presented to the Court of Common Council for information.

Approval of the Financial Statements

10. It is recommended that the Finance Committee approve delegated authority for the Chairman and Deputy Chairman of the Finance Committee to approve and sign the financial statements on behalf of the Court of Common Council, taking account of any observations from the Audit and Risk Management Committee on 30 November.

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Annex 1: List of the Sundry Trust charities, including charity registration numbers and a note of those charities with individual trustees

Annex 2: Annual Reports and Financial Statements of the Sundry Trust charities recommended for approval and signing

Annex 1

SUNDRY TRUSTS

The Corporation is Trustee of the charities listed below, for which the financial statements are presented for approval and signature

The City of London Charities Pool (*charity no. 1021138*)

King George's Field (*charity no. 1085967*)

Guildhall Library Centenary Fund (*charity no. 206950*)

City Educational Trust Fund (*charity no. 290840*)

City of London Combined Relief of Poverty (*charity no. 1073660*)

Charities administered in connection with the City of London Freeman's School (23 separate charities) (*charity no. 312120*)

City of London School Bursary & Awards Fund (*charity no. 276654*)

City of London School for Girls Bursary Fund and the City of London School for Girls Scholarships & Prizes Fund (*charity nos. 276251 and 276251-5; one set of financial statements for these linked charities*)

City of London Freeman's School Bursary Fund (*charity no. 284769*)

City of London Combined Education Charity (*charity no. 312836*)

City of London Almshouses (*charity no. 1005857*)

For information:

*In addition to the above charities, BDO also audited the following sundry trusts for which the Trustee is other than the Corporation. Charities marked with a (**) have individual trustees; for the charity marked with (***) the Corporation is Trustee acting through the Court of Aldermen; and*

*Emanuel Hospital (charity no. 206952) ****

*Sir William Coxen Trust Fund (charity no. 206936) ***

*Samuel Wilson's Loan Charity (charity no. 206964) ***

*Vickers Dunfee Memorial Benevolent Fund (charity no. 238878) ***