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City Bridge Foundation (‘CBF’)

Report to the Audit and Risk Management Committee & City Bridge Foundation Board

Year ended 31 March 2023

Presented to the Audit and Risk Management Committee on 6 November 2023 and the City Bridge Foundation Board on 28 November 2023

Audit / Tax / Advisory / Risk

Strictly Private and Confidential

The Audit and Risk Management Committee & City Bridge Foundation Board
City Bridge Foundation
Guildhall
London
EC2P 2EJ

Dear Members of the Audit and Risk Management Committee and City Bridge Foundation Board

I have pleasure in submitting our audit findings report for the year ended 31 March 2023. The primary purpose of this report is to communicate to the Committee, Board and the Trustee the significant findings arising from our audit that we believe are relevant to those charged with governance.

I look forward to discussing our report with you, as well as any further matters you may wish to raise with us, and I shall be attending the Audit and Risk Management Committee and City Bridge Foundation Board meetings with Rachel Laws and James Badman.

I would like to take this opportunity to express our appreciation for the assistance provided to us by the finance team and the other staff at the charity during this year's audit.

Yours sincerely

Tina Allison
Partner

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Contents

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1. Executive summary

Our report to you

We are pleased to present our Audit Findings Report to the Committee and Board and we welcome the opportunity to discuss our findings with you at your meeting on 6 November and 28 November 2023 respectively.

This report refers to the charity as the City Bridge Foundation, reflecting the re-branding that has been implemented by the charity in September of this year. The registered name of the charity continues to be Bridge House Estates.

The primary purpose of this report is to communicate to the Committee, Board and Trustee the significant findings arising from our audit that we believe are relevant to those charged with governance.

In accordance with International Standards on Auditing (UK) the matters in this report include

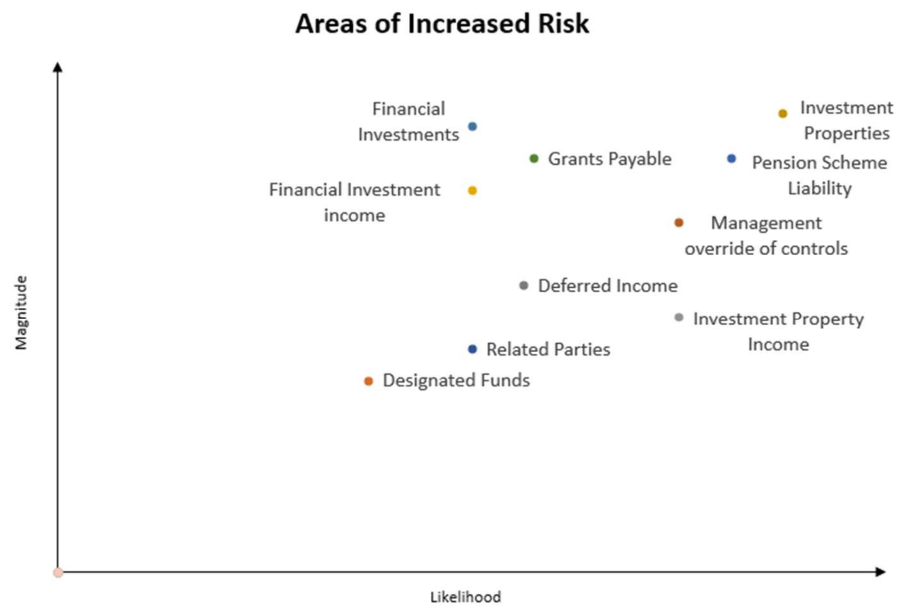
- the results of our work on areas of significant audit risk
- our views about significant qualitative aspects of the charity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures
- significant difficulties, if any, encountered during the audit
- any significant matters arising during the audit and written representations we are requesting
- unadjusted misstatement identified during the audit
- circumstances that affect the form and content of our auditor's report, if any
- any other significant matters arising during the audit that, in our professional judgment, are relevant to the oversight of the financial reporting process

We have included comments in relation to the above where relevant in the subsequent sections of this report.

We also report to you any significant deficiencies in internal control identified during our audit which, in our professional judgment, are of sufficient importance to merit your attention.

Conclusions in relation to the areas of significant audit risk

As explained in our Audit Planning Report, in line with ISA (UK) 315 (Revised), we have considered the inherent risks, including the likelihood and magnitude of a potential misstatement, as shown in the chart below.



In line with our audit plan we focussed our work on the significant audit risks identified:

- Revenue recognition – investment property income
- Revenue recognition – financial investment income
- Grant expenditure and grants payable

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- Management override of controls
- Significant judgements and estimates comprising of:
  - Valuation of financial investment holdings
  - Valuation of investment properties
  - Estimation of the net pension scheme liability
  - Split of the net pension scheme deficit between entities within the City of London Corporation
  - The recoverability of year-end rental debtors

Other audit findings

Section 3 sets out various comments on other important matters which we have identified from our audit.

Fraud and irregularities

Section 4 sets out the Trustee's and our responsibilities in respect of fraud and irregularities.

Audit materiality

The audit materiality for the financial statements set as part of our audit planning took account of the level of funds held by City Bridge Foundation ('CBF') and was set at 2% of investments. In addition, we determined that a materiality amount lower than this should be applicable for any transactions in the Statement of Financial Activities and other Balance Sheet items, being 1.5% expenditure.

We have reviewed this level of materiality based on the draft financial statements for the year ended 31 March 2023 and are satisfied that it continues to be appropriate with 2% of investments being £33.2m and 1.5% expenditure being £1.34m.

Unadjusted misstatements

We report to you any unadjusted individual errors other than where we consider the amounts to be trivial, and for this purpose we have determined trivial to be 5% of our audit materiality.

We are pleased to report that there are no remaining unadjusted items identified from our audit in excess of the above trivial limit.

Audit completion and our Audit Report

We have substantially completed our audit in accordance with our Audit Planning Report which was presented to the Board and Committee on 5 July and 10 July 2023 respectively, subject to the matters below.

- The audit file is subject to final partner review in some areas (outlined in Section 2 and Section 3)
- Central Fraud (ISA 240) question responses from the Audit and Risk Management Committee
- Receipt of c.50 remaining related party declarations
- Completion of our review of the cost allocation workings following completion of our recharges work.
- Pensions - GT to share workpapers around the valuation of the assets in the scheme w/c 9 Oct
- Conclusion of extent of RAAC issue (Section 2.6 below)
- Receipt of responses to central Payroll queries/ provision of OS contracts.
- Receipt of remaining Investment & bank confirmations from respective investment managers, custodians & banks.
- Receipt of central Private Minutes and completion of their review.
- Finalisation of our review of IT systems and controls.
- Completion of the post-Balance Sheet events review.
- Review of the final financial statements.
- Receipt of the signed letter of representation (Appendix 3).

We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise from progressing these outstanding matters.

On the satisfactory completion of these matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the 2023 financial statements.

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Responsibilities and ethical standards

We have prepared this report taking account of the responsibilities of the Trustee and ourselves set out in Appendix 4 of this report.

The matters included in this report have been discussed with the charity's management during our audit and at our closing meeting on17 August 2023.

Karen Atkinson (CBF and Charities Finance Director) and Nathan Omane (Head of Finance - CBF) have seen a draft of this report and we have incorporated their comments and/or proposed actions where relevant.

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2. Significant audit risks

As reported in our Audit Planning Report, ISA (UK) 315 (Revised) was applicable this year, and required us to consider a spectrum of inherent risk, considering both the likelihood and magnitude of a possible misstatement, with risks close to the upper end of the spectrum of inherent risk considered to be 'significant risks'.

Risk is considered in the context of how, and the degree to which, inherent and control risk factors affect the likelihood and magnitude of a misstatement occurring. Such factors may be qualitative or quantitative, and include complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias or other fraud risk factors.

In addition, the auditing standards also set out a number of areas considered to always be a significant risk. Our audit response in respect of risks not identified as significant is set out in Section 3.

We have commented below on the results of our work in these areas as well as on any additional significant risks, judgements or other matters in relation to the financial statements of City Bridge Foundation identified during our audit.

2.1 Revenue recognition – investment property income

Key related judgements

Investment property income is the largest revenue streams for the Foundation, totalling £24.9m in 2023.

Investment property income is comprising mostly of routinely invoiced income, though there have been rent-free periods and rent holidays in the year, which require more complex accounting. In addition, the quarterly invoicing pattern often leads to the need to partially defer invoiced income at year-end.

This revenue stream also includes revenue released from deferred lease premiums attached to long term leases where CBF is the lessor.

Given the relative size of this revenue stream and complexities arising over cut-off and lease accounting, we consider there to be a significant risk over this revenue stream.

Crowe response

As part of our audit work we:

- Reviewed the income recognition policy to ensure it is aligned with FRS 102 and is being appropriately applied and disclosed.
- Documented and reviewed the systems and controls in place over investment property income. This is a key area of control to ensure that you have recognised all income that is due and closely managed and monitored the debtor ledger.
- Reviewed a sample of transactions and bank receipts either side of the year end date to ensure these have been recognised in the appropriate period.
- Obtained a breakdown of investment property income for the year and reconciled to the trial balance.
- Verified a sample of property receipts to supporting tenancy agreements and invoices.
- Reviewed the year-end deferred income balances, testing a sample to support and re-calculating the split of any invoices as appropriate.
- Reviewed the long-term lease premium accounting treatments to ensure they had been accounted for in accordance with the relevant accounting standards, and that they are being released.

Our conclusions and other comments

Our testing of investment property income is complete with no issues noted. Our work has not highlighted any issues in relation to the recognition of this income stream.

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2.2 Revenue recognition – financial investment income

Key related judgements

Investment income in City Bridge Foundation (£2.2m) is derived from the various investment holdings including listed investments, private equity, multi-asset and infrastructure fund holdings and bank deposits. City Bridge Foundation also co-invests with the City of London Pension Fund and City's Cash into a number of holdings, with the year-end valuation and investment income then apportioned to each entity from this central pool.

The primary risk for this revenue stream is over the accuracy of the central split of the income allocated to City Bridge Foundation as well as the completeness of the investment income reported for the year in each entity, where it might be necessary to accrue for income not yet received.

Crowe response

As part of our audit work we:

- Agreed the income reported in the investment managers' reports and bank interest to the nominal ledger and third-party sources and reviewed cut off to check that the income had been appropriately recognised and that the income recognised in the year is complete.
- Reviewed the relevant AAF01/06 controls reports for the investment managers and custodians to gain assurance that there are appropriate controls in place to accurately report income to the Corporation and Charity.
- Reviewed the allocation of investment income to City Bridge Foundation, ensuring it is in line with the proportion of the investment holdings allocated to each entity.

Our conclusions and other comments

Our testing of investment income is nearly complete and pending final reviews. We are still waiting on some direct confirmations from Investment Managers and Custodians.

Our testing of investment income did not highlight any material issues in relation to the recognition of this income stream.

2.3 Management override of controls

Auditing standards require us to consider as a significant audit risk area of potential or actual management override of controls. In completing our audit we have therefore considered the following matters.

Significant accounting estimates and judgements

ISA (UK) 540 (Revised) Auditing Accounting Estimates and Related Disclosures requires additional audit focus over management's estimates, including undertaking separate risk assessments for both inherent and control risks. In respect of the former, consideration is given to the uncertainty, subjectivity and complexity of the estimate. We are also required to consider whether the disclosures made in the financial statements are reasonable.

Management have made a number of necessary significant accounting estimates and judgements which impact the financial statements. We identified the following for specific audit review:

- The estimation of the valuation of financial investment holdings [significant];
- The estimation of the valuation of investment properties [significant];
- The assumptions adopted by management and used by the actuary to calculate the pension liability [significant];
- The recognition of financial investment and investment property income [significant];
- The split of the pension scheme liability between the component entities of the City of London Corporation [significant];
- The recoverability of year-end rental debtors [significant]
- The assessment of impairment of fixed assets [not significant];
- The assessment of the remaining useful life of assets [not significant]; and
- The split of recharged expenditure between the component entities of the City of London Corporation [not significant]

Estimates and judgements that are not considered to be significant risks are set out in Section 3.

It is important that you are satisfied that the assumptions used by management are appropriate and we will ask you to provide a written representation to us to confirm this.

Controls around journal entries and the financial reporting process

We reviewed and carried out sample testing on the charity's controls around the processing of journal adjustments (how journals are initiated, authorised and processed) and the preparation of the annual financial statements. We also considered the risk of potential manipulation by journal entry to mask fraud.

We note that only Chamberlain (finance) staff, whether they work in the corporate team or one of the units, are able to post journals and whilst journals under £100k are not subject to management review or spot checks, they should be accompanied by relevant supporting documentation. All journals over £100k are reviewed in the form of managers' reviewing regular reports detailing these journals and approving them on the Oracle system. This is considered a sufficient control for City Bridge Foundation given the level of activity and volume of journals posted.

Our work on the review of journals posted to the City Bridge Foundation has been completed with no issues to note.

Significant transactions outside the normal course of business

We are required to consider the impact on the financial statements if there are any significant transactions occurring outside of the normal course of the business.

No such transactions were notified to us by management, nor did any such transactions come to our attention during the course of our work.

2.4 Grants expenditure & payable

Key related judgements

This is the largest single expenditure item for CBF, totalling £63.4m in 2023. Our audit work has focussed on ensuring that grant awards and payments have been appropriately approved and that liabilities have been captured in the appropriate period.

Crowe response

As part of our audit work, we have:

- Used as our start point a schedule of grants, prepared by management, which reconciles the opening liability for grants to the closing creditor and the expense in the financial statements taking into account payments and awards in the year.
- Tested the completeness and accuracy of this schedule by confirming, on a sample basis, that awards approved have been included in the schedule and allocated to the appropriate period. We have been provided with copies of minutes and decision letters for this purpose.
- Agreed a sample of grants awarded across year-end to the relevant approval and communication to ensure they have been recognised within the correct financial year.

Our conclusions and other comments

Our work has been completed in this area. One disclosure adjustment regarding the split of grants payable between <1 year and >1 year was identified, totalling £75k which has been adjusted. No other issues have been noted.

2.5 Estimates and judgements – Pension Liability

Key related judgements

The assumptions surrounding the FRS102 pension liability (£4.3m) calculations performed by the actuaries can make a significant difference to the result disclosed in the financial statements.

The City Corporation operates a funded defined benefit pension scheme, The City of London Pension Fund, for its staff employed on activities relating predominantly to the three principal funds for which it is responsible (City Fund, City's Cash and City Bridge Foundation).

At present, City Bridge Foundation includes the pension scheme liability in the accounts as reported under IAS19, with a conversion not made to FRS102 on the grounds of the difference not being material. There is a risk that this difference may in fact be material or otherwise significant.

Crowe response

As part of our audit work we included the following tests:

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- Benchmarking the assumptions used by the actuary in calculating the FRS102 pension liability.
- Assessing the difference in calculating the liability between IAS19 and FRS102 to determine whether it is material or otherwise significant.
- Verifying scheme assets to third party documentation.
- Verifying (on a sample basis) the input data provided to the actuary to HR and payroll records.
- Verifying the apportionment methodology of the pension liability across the 3 main City of London entities.
- Reviewing the prior year adjustment that has been made in relation to the updated 21/22 triennial valuation.

Our conclusions and other comments

Our work is largely complete in this area subject to the following and any points raised as per of the final review process:

- Grant Thornton are completing the audit of the pension scheme and we currently liaising with them in order for us to complete a review of their working papers to gain comfort over this balance.
- We are in the process of reviewing the methodology around the apportionment of the pension liability across the three City of London funds.

2.6 Estimates and judgements – Investment Property Valuation

Key related judgements

Investment properties held by the Foundation totalled £841.1m as at 31 March 2023. These properties have been valued independently by two firms, with Savills valuing the full portfolio other than one property (Newington House) valued by JLL. Both valuers are registered with the Royal Institution of Chartered Surveyors (“RICS”) as at 31 March each year. Investment properties are carried in the financial statements at fair value.

FRS102 requires revaluation to be made with sufficient regularity to ensure that the carrying value does not differ materiality from that which would be determined using fair value at the reporting date.

Crowe response

We reviewed the investment property valuation report with consideration to judgements and estimates used by the valuer with reference to market data. We also tested the inputs provided to the valuer by the entity and the ownership status via land registry.

We also reviewed the valuation adjustment and ensured any gains/losses on revaluation have been appropriately recognised in the Statement of Financial Activities.

Our conclusions and other comments

Valuation reports review

As with the prior year, we have engaged Cluttons as an auditor’s expert to complete a review of the Foundation’s valuation report prepared by Savills, consisting of a high-level review of the full report and a more detailed review of five selected properties. This has also included challenging the methodology and inputs used by Savills to determine their reasonableness. The property valued by JLL is immaterial, with a value of £3.25m, and therefore a full review by Cluttons has not been deemed necessary.

The valuations prepared by Savills have been noted as falling well within the expected ranges calculated by Cluttons. We have concluded with the aid of this review that the approach adopted by Savills is reasonable. Whilst some valuation movements are not in line with wider market trends, satisfactory explanations have been obtained and are primarily linked to the location of the properties or the tenancy arrangements in place.

At the time of writing, the review process for this area is currently ongoing. We will provide a verbal update on this at the committee meeting.

Ongoing RAAC review

We note that there is scope for properties within the portfolio to be affected by the ongoing nationwide issues with reinforced autoclaved aerated concrete (RAAC), as a number were constructed or renovated during the period it was used.

The valuations have been prepared on the basis that no RAAC is present in the properties and therefore could be materially impacted should RAAC be found to have been used in the core framework of the building.

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We understand that the City of London have launched a Corporation-wide working party to identify and survey any buildings that are potentially affected, though this is unlikely to be completed prior to the signing of the audit opinion due to the scale of the review and inspections required.

Depending on the progress of this review however there may be a need for the Foundation to disclose a contingent liability within the accounts for any remedial works, should a possible obligation arise.

We will continue to review the status of this review up to the signing of the accounts and work alongside CBF management to ensure a suitable disclosure is included in the accounts to reflect the current position at signing. We will also provide a verbal update on this at the Committee meeting.

2.7 Estimates and judgements – Financial Investment Valuation

Key related judgements

The financial investments portfolio within City Bridge Foundation represented £855.4m as at 31 March 2023 (including short term investments). There is a risk regarding the existence / ownership of the assets in the investment portfolio and their correct valuation.

As the investments are held and managed by third party service providers it is important that:

- the charity has sufficient controls in place to mitigate the risks associated with outsourcing services; and
- the controls in operation by the third-party service provider over the ownership and management of the Entity's assets are sufficient; and their associated income streams are sufficiently robust.

Crowe response

Our focus was on your own internal procedures to manage and control the investments as well as the controls being operated by both the investment managers and the custodian, including consideration of the relevant AAF01/06 controls reports. We obtained valuations directly from the investment managers.

We reviewed the reconciliations between the reports from the investment managers and the custodian's report and the records independently maintained to confirm ownership and to identify potential anomalies or significant movements in the year (particularly in relation to purchases and disposals).

We also reviewed the cash flows to, from and between the investment managers and the tracking of these movements.

Our conclusions and other comments

As part of our testing, we have obtained direct confirmation from the respective investment managers for both listed and unlisted investments. We are currently awaiting a number of investment managers and custodians reports. We are liaising with these parties to obtain these.

For our testing on listed investments, we have corroborated the values of the investments held by the Foundation to third party sources. We have not found any issues as part of this work.

On unlisted investments, we have undertaken additional work on these investments to assess whether there are any indicators of a required impairment, including assessments of the fund performance and reviews of post year-end information.

Where they have been prepared and have been available, we have also reviewed the AAF 01/06, or equivalent controls reports, for the investment managers and custodians. We are currently awaiting the receipt of various reports, however we have not yet noted any issues.

In addition to the above, we have undertaken extra substantive tests of detail covering additions, disposals and recognition of management fees. At the time of this report, the review process on this area is still in progress.

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3. Other audit findings

In addition to matters relating to the significant audit risks as reported in Section 2, we have also noted the following matters from our audit work which we should bring to your attention.

3.1 Report and Financial Statements

As noted in the Statement of Trustee's Responsibilities, the Trustee is responsible for preparing the Trustee's Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

We have provided feedback to management on the financial statements which has been incorporated into the subsequent version of the financial statements as appropriate.

3.2 Going concern

We explained in our Audit Planning Report that in preparing the financial statements to comply with Financial Reporting Standard 102 the Trustee and management are required to assess the charity's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, the Trustee and management are required to consider all available information about the future of the charity in the period of at least, but not limited to, twelve months from the date when the financial statements are approved and authorised for issue.

The trustee's going concern assessment is a key area of emphasis and importance for our audit and, in accordance with the requirements of ISAs (UK), our audit report includes a specific reference to going concern.

Where the trustee identifies possible events or scenarios, other than those with a remote probability of occurring, that could lead to failure, then these should be disclosed in the financial statements.

The trustee may consider and take account of realistic mitigating responses open to them, considering the likely success of any response.

We have discussed this with the City Bridge Foundation management and explained that our work on going concern includes the following:

- Reviewing the period used by the Trustee and management to assess the ability of the Foundation to continue as a going concern,
- Examining budgets and forecasts prepared by management covering the period of the going concern assessment to ensure that these appropriately support the trustee's conclusion,
- Reviewing the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year, and
- Reviewing any other information or documentation which the Trustee has used in their going concern assessment.

Our conclusions and other comments

As at 31 March 2023 City Bridge Foundation is reporting unrestricted funds totalling £644.4m (2022: £691.8m). CBF's net movement in funds for the year is (£109m) (2022: £79.1m),

CBF also has a year-end cash balance of £7.6m (2022: £4.1m) and further financial investments totalling £819.7m (2022: £879.5m). Whilst not all of these investments are readily liquifiable, there are sufficient listed assets held to support the charity's operations in the short term should income from other sources be affected for any reason.

At the time of writing this report our assessment of the going concern status of the charity has been completed, with the review process currently ongoing.

We will be seeking representations that the Trustee and Board has considered the forecasts and is satisfied that the going concern basis is appropriate.

We have included as Appendix 7 some further guidance on going concern which may be of help to the trustee.

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3.3 Estimates and judgements

As noted in Section 2, management have made a number of necessary significant accounting estimates and judgements which impact the financial statements.

We identified the following non-significant estimates and judgements for specific audit review:

- Assessment of impairment of assets.
- Assessment of the remaining useful life of assets.
- The classification of accounts between short term investments and cash and cash equivalents.
- The split of recharged expenditure between the various entities of the City of London Corporation.

It is important that you are satisfied that the assumptions used by management are appropriate and we will ask you to provide a written representation to us to confirm this.

<u>Assessment of impairment of assets</u>

We have not identified any issues on the impairment of assets as part of our testing on this area and have nothing to note on this.

<u>Assessment of the remaining useful life of assets</u>

No issues have been noted through our review of depreciation and useful economic life of assets held by the charity.

<u>The classification of accounts between short term investments and cash and cash equivalents</u>

We have noted a potential variance on the classification between short term investments and cash and are currently working to confirm whether an audit adjustment will be noted as a result.

<u>The split of recharged expenditure between the various entities of the City of London Corporation</u>

Our work on recharges is complete and at the review stage of the process.

3.4 Income

International Standards on Auditing (ISA (UK) 240) presumes there is always a significant risk of material misstatement due to fraud in revenue recognition, unless this is rebutted.

Whilst we deem investment property and financial investment income to be significant (see Section 2) we do not consider other income streams to be significant due to its high-volume and low-value nature. Other income streams are not considered a significant risk due to their immaterial nature.

Across all income streams the key risks remain the same:

- Completeness (has all income due been appropriately recognised in the period?).
- Cut off (has income been recognised in the appropriate period?).
- Fund allocation (have donor restrictions on the use of the income been appropriately captured in the financial statements?).
- Accuracy (where income is owed at year end, is it likely to be received or should it be provided against?).

Tourism income

City Bridge Foundation owns Tower Bridge, which is open to the public for an admission fee. In addition, there is a gift shop on site generating further revenue, and the venue is also rented out for events. This revenue stream totalled £7.6m in 2022/23 (2021/22: £3.1m), being the first full year of normal operation since the pandemic.

Historically, a significant proportion of the income is from cash sales, which is by its nature a fraud risk, however we understand that since the pandemic this proportion has decreased significantly, with tourists favouring online booking and card payments instead. In addition, given the high volume/low value and transactional nature of the income it is not considered to give rise to a significant risk of material misstatement.

Crowe response

As part of our audit work, we have:

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- Performed analytical reviews of trends and variances for each tourism income stream against expectations, budget, forecast and prior years where appropriate;
- Reviewed a sample of reconciliations between the EPOS system and amounts banked;
- Traced a sample of sales through the EPOS system and ultimate receipt to bank;
- Traced a sample of events income through to supporting documentation and receipt to bank; and
- Reviewed year-end cut-off to ensure income has been recognised in the correct years, including the deferral of income relating to events booked after 31 March 2023.

Our conclusions and other comments

Our work has been completed in this area with no issues noted.

3.5 Payroll

Payroll is the second largest single expenditure item for the Foundation totalling £8.1m in 2023 (2022: £7.1m).

As payroll is processed centrally and allocated to the various organisations within the Corporation we have taken a holistic approach to the testing.

Crowe response

As part of our audit, we reviewed the controls in place over monthly processing including the reconciliation of the payroll to the nominal ledger.

We also performed analytical procedures that considered gross pay, deductions, and staff numbers year on year to ensure that all trends and relationships appeared reasonable and that the totals agreed with the ledger.

Additionally, we verified a sample of staff between the payroll and other HR records and agreed their costs to supporting documentation on a sample basis.

Our conclusions and other comments

At the time of writing this report, we have queries in relation to the central work detailed sample test. The manager and partner reviews are continuing. We will provide a verbal update at the committee.

3.6 Funds

City Bridge Foundation operates a number of different funds subject to various restrictions and designations. It is important that all movements on funds are correctly identified and accounted for. This requires careful consideration of the various terms and conditions which may be applied to the income stream for these funds.

Crowe response

As part of our audit work, we have:

- Traced restricted items identified in our income testing to the relevant fund account;
- Reviewed a sample of expenses allocated to restricted funds to ensure that the expenditure was spent in accordance with the objects of the fund;
- Reviewed the analysis of net assets to ensure that it has been correctly allocated across the funds;
- Reviewed the calculation of designated funds, in particular those associated with the repairs and replacement of the bridges owned by the charity, to ensure they are reasonable and any movements appropriately approved; and
- Reviewed the processes in place to ensure that restricted transactions are completely and accurately captured and reported within the organisation and review year end balances to ensure that they appropriately reflect the restrictions that should be in force.
- Reviewed supporting documentation in relation to the release of the designation of the Social Investment Fund approved by the Board in February 2023.

Our conclusions and other comments

Our audit testing has not identified any issues. At the time of this report, the review process on this area is still in progress.

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3.7 Candlewick House

A significant refurbishment project has been completed at Candlewick House during the year, with a total cost of £17.4m having been incurred as capital costs for this project. It is noted however that the contractor is currently disputing the overall costs, claiming the total cost is £19m for the project.

This total cost is currently being disputed by CBF and as at the date of this report this dispute remains an ongoing matter. agreement reached.

C***rowe response***

As part of our audit, we have obtained and reviewed the ongoing correspondence between the charity and the construction firm, along with the Board meeting minutes covering this matter and the independent mediation advice received by the charity. We note that this matter is currently ongoing and we will continue to monitor this dispute up to the signing of the audit report and assess any potential accounting implications based upon further information received.

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4. Fraud and irregularities and our audit reporting

Audit reporting on detecting irregularities, including fraud

In line with ISA (UK) 700 our audit report includes an additional comment to explain to what extent the audit was considered capable of detecting irregularities, including fraud.

Irregularities are acts of omission or commission which are contrary to the prevailing laws or regulations. Fraud includes both fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Our responsibility is to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The additional reporting requirements this year placed increased emphasis on our understanding of the risks to CBF from fraud and irregularities. Our audit included discussions with management and those charged with governance to obtain their assessment of the risk that fraud may cause a significant account balance to be materially misstated as well as other procedures to obtain sufficient appropriate audit evidence.

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 together with the Charities SORP (FRS102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity for fraud. The laws and regulations we considered in this context for the UK operations were General Data Protection Regulation, employment law and health and safety legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of financial investment and investment property income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit, and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, sample testing on income, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, and reading minutes of meetings of those charged with governance.

In accordance with International Auditing Standards, we planned our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or accounting records including any material misstatements resulting from fraud, error or non-compliance with law or regulations.

However, owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected even though the audit is properly planned and performed in accordance with the ISAs (UK). No internal control structure, no matter how effective, can eliminate the possibility that errors or irregularities may occur and remain undetected. In addition, because we use selective testing in our audit, we cannot guarantee that errors or irregularities, if present, will be detected. Accordingly, our audit should not be relied upon to disclose all such misstatements or frauds, errors or instances of non-compliance as may exist.

We have also included in Appendix 5 some fraud risks that the Trustee and management should be aware of.

Trustee responsibilities

The primary responsibility for safeguarding the charity's assets and for the prevention and detection of both irregularities and fraud rests with the trustee and management of the organisation. It is important that management, with oversight of those charged with governance, place a strong emphasis on fraud prevention and fraud deterrence. This involves a commitment to creating a culture of honest and ethical behaviours which can be reinforced by an active oversight by those charged with governance.

As in past years, the following statements will be included in the letter of representation which we require from the trustee when the financial statements are approved.

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- The trustee acknowledges their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and errors, and the trustee believes they have fulfilled those responsibilities.
- The trustee has assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
- The trustee is not aware of any fraud or suspected fraud affecting the charity involving management, those charged with governance or employees who have a significant role in internal control or who could have a material effect on the financial statements.
- The trustee is not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, affecting the charity's financial statements.

We draw your attention to bullet point 2 above which presupposes that an assessment has been made. We have not been made aware of any actual or potential frauds which could affect the 2023 financial statements, or in the period since the previous year end.

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Appendix 1 - Reporting audit adjustments

Unadjusted misstatements

International Standards on Auditing (UK) require that we report to you all misstatements which we identified as a result of the audit process but which were not adjusted by management, unless those matters are clearly trivial in size or nature.

We are pleased to report that there are no remaining unadjusted items identified from our audit in excess of the above trivial limit.

Adjusted misstatements

The following misstatements, which have been corrected by management, were also identified during our audit work and up to the date of this report. No further adjustments to the financial statements are required for these items and this information is provided to assist you in understanding the financial statements completion process and to fulfil your governance responsibilities.

Adjustment description	Debit/credit net income £k	Debit/(credit) net assets £k	Debit/(credit) opening reserves £k
Over-accrual of an invoice relating to Electra House: Dr Accruals Cr Capital Expenditure (Investment Properties)		 150 (150)	
Adjustment to bring the year-end retention on the Electra House works in line with the March 2023 valuation from the contractor: Dr Capital Expenditure (Investment Properties) Cr Accruals		 59.8 (59.8)	
Adjustment between the split of grant creditors due within one year and due greater than one year to correct an error in the payment schedule of one grant: Dr Grants Payable >1 year Cr Grants Payable <1 year		 75 (75)	

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Appendix 2 - Systems and controls

We have set out below certain potential improvements to the charity's processes and controls which we noted during our audit work and which we believe merit being reported to you.

Our evaluation of the systems of control at City Bridge Foundation was carried out for the purposes of our audit and accordingly it is not intended to be a comprehensive review of your business processes. It would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors not material in relation to the financial statements.

We are pleased to report that we have no new audit findings with regards to general systems and controls. Please see the subsequent page for a review of the prior year control findings.

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We have set out below the systems and control issues on which we reported after our audit last year together with an update on how the points raised have been addressed including information on the progress made at the time of the audit of the 2022 financial statements.

Status		**Priority**
Recommendation fully implemented or no longer relevant		These findings merit attention within an agreed timescale.
Recommendation partially implemented		These findings are of a less urgent nature, but still require reasonably prompt action.
These findings merit attention within an agreed timescale.		These findings are significant and require urgent action.

Observations and recommendations in 2022	**Priority**	**Status**	**Update 2023**
1. Related party declarations As part of normal processes at the City of London Corporation all members are expected to complete a declaration of interests each year. We noted from our audit work that 26 members did not complete a declaration this year. This is a control breakdown and limits the Corporation's ability to produce accurate information for the related parties disclosures. *Crowe recommendation* We recommend the importance of these declarations is stressed to Members and procedures put in place to ensure they are all completed and submitted on a timely basis.			*Crowe Update* Whilst the Corporation as a whole have worked to improve the return rate, we note that this remains an ongoing issue, with c.50 declarations outstanding as at the time of writing. It is expected this number will reduce, however any declarations not received increases the risk a related party transaction being missed. *Management Comment* Despite our best efforts to address the recommendations raised in the past, we have encountered a recurring challenge. The issue stems from the numerous changes in Members, which have led to lapses in ensuring that related party declarations are completed upon departure. To tackle this challenge head-on, we are actively working with Town Clerks to reinforce our controls and ensure that related party declarations are diligently completed in all cases. We are committed to learning from these experiences and strengthening our processes to prevent similar occurrences in the future.

Appendix 3 - Draft Representation Letter

This letter must be typed on your official letterhead. It should be considered by the Trustee, the Audit and Risk Management Committee and CBF Board at the same time as the Annual Report and Financial Statements and the Minutes should record the Committee and Board's approval of the letter.

The letter should be dated at the date of the approval of the financial statements.

Crowe U.K. LLP
55 Ludgate Hill
London
EC4M 7JW

Dear Crowe

We provide this letter in connection with your audit of the financial statements of Bridge House Estates (known as 'City Bridge Foundation' or 'CBF') for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the charity as at 31 March 2023 and of the results of its operations for the year then ended in accordance with UK Generally Accepted Accounting Practice ("UK GAAP").

We confirm that the following representations are made on the basis of sufficient enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation and that, to the best of our knowledge and belief, we can properly make each of these representations to you. If completion of the audit is delayed, we authorise Karen Atkinson to provide an update to all representations sought.

1. We have fulfilled our responsibility for the fair presentation of the financial statements in accordance with UK GAAP.
2. We acknowledge as representatives of the trustee our responsibility for making accurate representations to you.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and errors, and we believe we have appropriately fulfilled those responsibilities.
4. We have provided you with all accounting records and relevant information, and granted you unrestricted access to persons within the entity, for the purposes of your audit.
5. All the transactions undertaken by the charity have been properly reflected and recorded in the accounting records or other information provided to you.
6. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting standards.
7. We confirm that we consider the key assumptions used in the preparation of the valuations of the investment properties to be appropriate and that we have not withheld any information that may affect the valuation of these properties.
8. We have considered the adjustments in Appendix 1, proposed by you. In our judgement, these adjustments are appropriate given the information available to us. We further confirm that we have now made these adjustments to the financial statements.
9. We have disclosed to you any known, actual or possible litigation or claims against the company whose effects should be considered when preparing the financial statements and these have been reflected in the financial statements in accordance with applicable accounting standards where required.
10. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
11. We are not aware of any breaches of our charitable trusts and have advised you of the existence of all endowments and funds maintained by us.
12. There have been no events since the balance sheet date which require disclosure or which would materially affect the amounts in the financial statements other than those already disclosed or included in the financial

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statements. Should any material events occur which may necessitate revision of the figures in the financial statements, or inclusion in a note thereto, we will advise you accordingly. We specifically authorise Karen Atkinson, CBF & Charities Finance Director, or Nathan Omane, Head of Finance, to provide an update for you to cover the time period between the signing of this letter and the date of your audit report.

13. We confirm that we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
14. We are not aware of any fraud or suspected fraud affecting the charity involving those charged with governance, management or other employees who have a significant role in internal control or who could have a material effect on the financial.
15. We are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, which would have an impact on the charity's financial statements.
16. We are not aware of any known or suspected instances of non-compliance with those laws and regulations which provide a legal framework within which the charity conducts its business.
17. We confirm that complete information has been provided to you regarding the identification of related parties and that we are not aware of any significant transactions with related parties other than matters that we consider have been appropriately and adequately disclosed.
18. We confirm we have appropriately accounted for and disclosed related party relationships and transactions in accordance with applicable accounting standards and with the recommendations of the applicable charity SORP.
19. In the event that we publish the trustee's report, independent auditor's report and financial statements electronically, we acknowledge our responsibility for ensuring that controls over the maintenance and integrity of the entity's web site are adequate for this purpose.
20. The charity has satisfactory title to all assets and there are no liens or encumbrances on the charity's assets, except for those that are disclosed in the financial statements.
21. We confirm that, having considered our expectations and intentions for the next twelve months and the availability of working capital, the charity is a going concern. We are unaware of any events, conditions, or related business risks beyond the period of assessment that may cast significant doubt on the charity's ability to continue as a going concern.

Yours faithfully

……………………………….……………

Chair of the Board
Signed on behalf of the Board and Trustee

Date ……………………………………….

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Appendix 4 - Responsibilities and ethical standards

Audit purpose and approach

Our audit work has been undertaken for the purposes of forming our audit opinion on the financial statements of the City Bridge Foundation prepared by management with the oversight of the trustee and has been carried out in accordance with International Standards on Auditing (UK) ('ISAs').

Our work combined substantive procedures (involving the direct verification of transactions and balances on a test basis and including obtaining confirmations from third parties where we considered this to be necessary) with a review of certain of your financial systems and controls where we considered that these were relevant to our audit.

Financial statements

The trustee and Board of CBF are responsible for the preparation of the financial statements on a going concern basis (unless this basis is inappropriate). The trustee and Board are also responsible for ensuring that the financial statements give a true and fair view, that the process your management go through to arrive at the necessary estimates or judgements is appropriate, and that any disclosure on going concern is clear, balanced and proportionate.

Legal and regulatory disclosure requirements

In undertaking our audit work we considered compliance with the following legal and regulatory disclosure requirements, where relevant.

- Companies Act 2006
- Charities Act 2011
- Financial Reporting Standard 102 (FRS 102)
- The Charities SORP (FRS 102)

Ethical Standard

We are required by the Ethical Standard for auditors issued by the Financial Reporting Council ('FRC') to inform you of all significant facts and matters that may bear upon the integrity, objectivity and independence of our firm.

Crowe U.K. LLP has procedures in place to ensure that its partners and professional staff comply with both the relevant Ethical Standard for auditors and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

As explained in our audit planning report, in our professional judgement there are no relationships between Crowe U.K. LLP and CBF or other matters that would compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention.

Independence

International Standards on Auditing (UK) require that we keep you informed of our assessment of our independence.

We confirm that we have not provided any non-audit services to the group / we have carried non-audit services as detailed below. We have not identified any other issues with regards to integrity, objectivity and independence and, accordingly, we remain independent for audit purposes.

In communicating with those charged with governance of the charity we consider those charged with governance of the subsidiary entities to be informed about matters relevant to them.

The matters in this report are as understood by us as at 12 October 2023. We will advise you of any changes in our understanding, if any, during our meeting prior to the financial statements being approved.

Use of this report

This report has been provided to the Audit and Risk Management Committee and the Board to consider and ratify on behalf of the Trustee, in line with your governance structure. 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. It should not be made available to any other parties without our prior written consent.

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Appendix 5 - Fraud risks

As part of our audit procedures we make enquiries of management to obtain their assessment of the risk that fraud may cause a significant account balance to contain a material misstatement. However, we emphasise that the responsibility to make and consider your own assessment rests with yourselves and that the trustee, Board, Audit and Risk Management Committee and management should ensure that these matters are considered and reviewed on a regular basis.

Usually fraud in the charity sector is not carried out by falsifying the financial statements. Falsifying statutory financial statements usually provides little financial benefit, as compared to say a plc where showing a higher profit could lead to artificial share prices or unearned bonuses. However, falsifying financial statements can be used to permit a fraud or to avoid detection. As a generality, charities represented by its management and its trustee do not actively try to falsify financial statements as there are not the same incentives to do so. In the charity world fraud is usually carried out through misappropriation or theft.

The trustee should be aware that the Charity Commission provides guidance (updated in September 2022) on how to protect your charity from fraud including information about fraud, how to spot it and what you can do to protect against it.

The Charity Commission's first guiding principle recognises that fraud will always happen. It is therefore important that, as part of setting their overall risk appetite, the trustee consider fraud within their tolerance for the risks associated with the management of the organisation's (and group's) funds. The development and continued assurance of a robust counter fraud control framework should then contribute to the organisation matching the risk appetite and tolerance agreed by the trustee and Board.

We have shared with management our guidance and a framework on conducting fraud risk assessments / A copy of our guidance and a framework on conducting fraud risk assessments can be obtained from our website here: https://www.crowe.com/uk/insights/fraud-risk-assessment-non-profit.

A fraud risk assessment is an objective review of the fraud risks facing an organisation to ensure they are fully identified and understood. This includes ensuring:

- fit for purpose counter fraud controls are in place to prevent and deter fraud and minimise opportunity, and
- action plans are in place to deliver an effective and proportionate response when suspected fraud occurs including the recovery of losses and lessons learnt.

Good practice suggests that to be most effective the risk assessment should be undertaken at a number of levels within the organisation:

- Organisational – to assess the key policy, awareness raising and behavioural (including leadership commitment) requirements that need to be in place to build organisational resilience to counter fraud.
- Operational – a detailed analysis of the fraud risk and counter fraud control framework at the operational level – by function (activity) or individual business unit (including programmes and projects).

Any fraud risk assessment should not be seen as a standalone exercise but rather an ongoing process that is refreshed on a regular basis. Carrying out the fraud risk assessment may reveal instances of actual or suspected fraud. Should this happen next steps will be determined on circumstances, the existing control framework (including any response plan(s)), and in consultation with the key members of the organisation's management team.

Considering risks of fraud

There is evidence that during times of economic instability there is an increased risk of fraud. This may be because resource constraints can reduce internal controls and over sight and also because individuals facing hardship may be more likely to consider fraudulent practices.

The following provides further information on the three kinds of fraud that charities such as CBF should consider.

a) Frauds of extraction

This is where funds or assets in possession of the charity are misappropriated. Such frauds can involve own staff, intermediaries or partner organisations since they require assets that are already in the possession of the entity being

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extracted fraudulently. This could be by false invoices, overcharging or making unauthorised grant payments.

Essentially such frauds are carried out due to weaknesses in physical controls over assets and system weaknesses in the purchases, creditors and payments cycle. The cycle can be evaluated by considering questions such as who authorises incurring a liability and making a payment. On what evidence? Who records liabilities and payments? Who pays them and who checks them?

The close monitoring of management accounts, ledger entries and strict budgetary controls are also generally seen as an effective way of detecting and deterring frauds in this area.

Staff should be made aware of the increasing use of mandate fraud. This is where when the fraudster gets the organisation to change a direct debit, standing order or bank transfer mandate by purporting to be a supplier or organisation to which the charity makes regular payments.

Insufficient due diligence around requests to amend supplier or payroll details has led to payments to unauthorised individuals so sufficient checks in these areas is of increasing importance. All employees should exercise real scepticism and not make any payments which are not properly supported and / or outside the normal payment mechanisms.

The Fraud Advisory Panel latest research shows the following as the fraud risks on the horizon:

- *Staff fraud. As people feel the effects of the cost-of-living crisis on their finances.*
- *Ransomware, particularly targeting network-attached storage. There has been a recent increase in these types of attack.*
- *E-commerce / online shopping fraud. In the lead-up to Black Friday (25 November), Cyber Monday (28 November), and the busy Christmas shopping period.*
- *Supply chain fraud. As some businesses and individuals find themselves in financial difficulty. To boost resilience, government is looking to create standard templates for supply chain contracts.*

A new survey has found that 12% of charities had experienced cybercrime in the previous 12 months, prompting the Charity Commission to highlighting this issue to charities recently and warning them against the risk of online fraud. Furthermore, the survey also pointed to a potential lack of awareness of the risks facing charities online and note that just over 24% have a formal policy in place to manage the risk and only around 55% of charities reported that cyber security was a fairly or very high priority in their organisation. The Commission's discussion of this can be found here: https://www.gov.uk/government/news/charities-at-risk-of-underestimating-online-fraud-as-one-in-eight-experienced-cybercrime-last-year

b) Backhanders and inducements

There is also an inherent risk that individuals who are able to authorise expenditure or influence the selection of suppliers can receive inducements to select one supplier over the other. This risk can be mitigated by robust supplier selection and tendering procedures.

c) Frauds of diversion

This is where income or other assets due to CBF are diverted before they are entered into the accounting records or control data. Essentially, it is easy to check what is there but very difficult to establish that it is all there. Therefore, ensuring the completeness of income provided to a charity becomes difficult.

It is important to consider the different income streams and when and how they are received. So income received directly into the charity's bank account will be a lower risk than income being received by home based fundraisers.

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Appendix 6 - External developments

We have summarised below some of the developments and changes in the charity sector over the recent period which we believe may be of interest and relevant to you. Please note that this information is provided as a summary only and that you should seek further advice if you believe that you have any specific related issues or intend to take or not take action based on any of the comments below.

We believe it is important to keep our clients up to date on the issues that affect them and, as a part of our ongoing communication, we regularly hold webinars and therefore encourage you to visit our website (https://www.crowe.com/uk/croweuk/industries/webinars).or register to our mailing list (nonprofits@crowe.co.uk) to stay updated on these. Any webinars which you have missed remain available on demand on our website.

We have included below items which were not previously reported as part of our audit planning report, or where an update has since been released.

The Charities Act 2022: Implementation

The Charities Act 2022 (the Act) received Royal Assent on 24 February 2022 and brings into force a number of key changes to the Charities Act 2011, aimed at simplifying a number of processes.

The Charity Commission are currently working through implementing the various changes brought about by the legislation, and have set out an indicative timetable here: https://www.gov.uk/guidance/charities-act-2022-implementation-plan

Other provisions of the Act in force from 31 October 2022

- Section 5: Orders under section 73 of the Charities Act 2011
- Section 8: Power of the court and the Commission to make schemes
- Section 32: Trustee of charitable trust: status as trust corporation
- Section 36: Costs incurred in relation to Tribunal proceedings etc
- Part of Section 37: Public notice as regards Commission orders etc.
- Part of Section 40 and Schedule 2: Minor and consequential amendments

Provisions of the Act expected to come into force Spring 2023

- Sections 9-14 and 35a: Permanent endowment
- Sections 17-23: Charity land
- Section 24 and Schedule 1: Amendments of the Universities and College Estates Act 1925
- Sections 25-28: Charity names
- Section 38 and 39: Connected persons
- Part of Section 40 and Schedule 2: Minor and consequential amendments

Provisions of the Act expected to come into force Autumn 2023

- Section 1-3: Charity constitutions
- Section 29: Powers relating to appointments of trustees
- Section 31: Remuneration etc of charity trustees etc
- Sections 33-35: Charity mergers
- Section 37: For remaining purposes
- Section 40 and Schedule 2: For remaining purposes

The key provisions of the Act that have been implemented to date are set out below, and further information can be found here: https://www.gov.uk/guidance/charities-act-2022-guidance-for-charities

Failed appeals

The Act introduces new rules granting the power for trustees to apply cy-près, allowing charities more flexibility in response to a charity appeal that has

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failed, allowing *donations* to be applied for another charitable purposes rather than having to be returned to donors under certain conditions:

i) The donation is a single gift of £120 or less; and the Trustees reasonably believe that during the financial year the total amount received from the donor for the specific charitable purpose is £120 or less (unless the donor states in writing that the gift must be returned if the charitable purposes fail); or
ii) The donor, after all agreed actions have been taken, cannot be identified or found; or
iii) The donor cannot be identified (for example cash collections)

The Charity Commission published guidance in relation to failed appeals on 31 October 2022, which can be found here: https://www.gov.uk/government/publications/charity-fundraising-appeals-for-specific-purposes

The Charity Commission has also updated its guidance CC20 'Charity fundraising: a guide to trustee duties' to reflect these changes.

The Fundraising Regulator has also published guidance, further details of which are provided below.

Payments to Trustees for providing goods to the charity

The Charities Act 2011 provided a statutory power for charities, in certain circumstances, to pay trustees for providing a service to a charity beyond usual trustee duties.

The Act extends this power to allow, in certain circumstances for payments to trustees for providing goods to the charity.

Updated guidance can be found here: https://www.gov.uk/guidance/payments-to-charity-trustees-what-the-rules-are

The Charity Commission has also updated its guidance CC29 'Conflicts of interest: a guide for charity trustees' and CC11 'Trustee expenses and payments' to reflect these changes.

Power to amend Royal Charters

Royal Charter charities are able to use a new statutory power to change sections in their Royal Charter which they cannot currently change, if that change is approved by the Privy Council.

Updated guidance can be found here: https://www.gov.uk/guidance/royal-charter-charities

Responsible investments guidance

The Charity Commission ran a public consultation in April 2021 in respect of updated guidance for responsible investments. Previous Charity Commission guidance was based on the outdated Bishop of Oxford case in 1992.

The outcome of this case recognised that there were times when a charity may wish to pursue an ethical approach to its investments, but that this was a secondary consideration to maximising investment income. The results of the Charity Commission consultation were published on 18 August 2021.

During the consultation two charities were granted permission to bring a case relating to responsible investment to the High Court, The Ashden Trust and the Mark Leonard Trust.

Their investment policies, approved by the High Court, were based on scientific evidence of climate change and excluded, as far as practically possible, investments not aligned with the goals of the Paris Agreement. The charities were seeking clarification of the law. Previous case law in the 1992 Bishop of Oxford case established the principle that charity trustees should maximise return on their investments and ought not to take into account ethical or moral considerations that could cause financial detriment to the charity. There were exceptions to these where an investment directly conflicted with the charity's purposes or indirectly conflicts with its work.

The new High Court ruling charities are able to exclude specific investments from their portfolio should they not align with their charitable purpose, as long as it can be demonstrated that appropriate decision-making processes have been followed. The below extract of paragraph 78 of the judgement clarifies the relevant law that should be referred to when considering responsible investment policies:

1. *"Trustees' powers of investment derive from the trust deeds or governing instruments (if any) and the Trustee Act 2000.*
2. *Charity trustees' primary and overarching duty is to further the purposes of the trust. The power to invest must therefore be exercised to further the charitable purposes.*
3. *That is normally achieved by maximising the financial returns on the investments that are made; the standard investment criteria set out in*

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s.4 of the Trustee Act 2000 requires trustees to consider the suitability of the investment and the need for diversification; applying those criteria and taking appropriate advice is so as to produce the best financial return at an appropriate level of risk for the benefit of the charity and its purposes.

4. *Social investments or impact or programme-related investments are made using separate powers than the pure power of investment.*
5. *Where specific investments are prohibited from being made by the trustees under the trust deed or governing instrument, they cannot be made.*
6. *But where trustees are of the reasonable view that particular investments or classes of investments potentially conflict with the charitable purposes, the trustees have a discretion as to whether to exclude such investments and they should exercise that discretion by reasonably balancing all relevant factors including, in particular, the likelihood and seriousness of the potential conflict and the likelihood and seriousness of any potential financial effect from the exclusion of such investments.*
7. *In considering the financial effect of making or excluding certain investments, the trustees can take into account the risk of losing support from donors and damage to the reputation of the charity generally and in particular among its beneficiaries.*
8. *However, trustees need to be careful in relation to making decisions as to investments on purely moral grounds, recognising that among the charity's supporters and beneficiaries there may be differing legitimate moral views on certain issues.*
9. *Essentially, trustees are required to act honestly, reasonably (with all due care and skill) and responsibly in formulating an appropriate investment policy for the charity that is in the best interests of the charity and its purposes. Where there are difficult decisions to be made involving potential conflicts or reputational damage, the trustees need to exercise good judgment by balancing all relevant factors in particular the extent of the potential conflict against the risk of financial detriment.*
10. *If that balancing exercise is properly done and a reasonable and proportionate investment policy is thereby adopted, the trustees have complied with their legal duties in such respect and cannot be criticised, even if the court or other trustees might have come to a different conclusion."*

A full copy of the judgement can be found here: https://www.bailii.org/ew/cases/EWHC/Ch/2022/974.html

The Charity Commission published its updated CC14 guidance on 1 August 2023.

Charity Commission: Consultation on Charity Use of Social Media

On 17 January 2023 the Charity Commission published a consultation on draft guidance for charities on their use of social media.

The aim of the guidance is to help trustees improve their understanding in this area, and to encourage charities to adopt a policy on social media as a way to set their charity's approach. The guidance does not introduce new trustee duties but seeks to make clear how existing duties are relevant to a charity's use of social media.

The guidance sets out that social media use can raise issues and risks for charities, relating to problematic content:

- posted or shared by the charity on its own social media channels
- posted by the public or third parties on a charity's social media channel
- posted on a personal social media account that can be reasonably associated with the charity

It is important that charities have their say and engage with the consultation, to ensure that the relevant considerations can impact decision making.

The consultation closed on 14 March 2023, and an analysis of the responses and the final guidance was released on 18 September 2023. The consultation can be found here: **https://www.gov.uk/government/consultations/draft-guidance-charities-use-of-social-media**

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