

<b>Committees:</b> Audit and Risk Management	<b>Date:</b> 6 November 2023
<b>Subject:</b> Sundry Trusts Annual Report and Financial Statements 2022/23	<b>Public</b>
<b>Report of:</b> CBF & Charities Finance Director (representing the Chamberlain)	<b>For decision</b>
<b>Report author:</b> Julia Megone, Charities Technical and Strategic Finance Manager, CBF & Charities Finance Team	

### Summary

This report seeks approval of the annual reports and financial statements for the 14 Sundry Trust charities listed at **Appendix 1** for the year ended 31 March 2023.

Of the 14 charities, 3 annual reports and financial statements are audited by Crowe U.K. LLP, 7 are subject to an independent examination by Crowe U.K. LLP (“Crowe”), and 4 are below the threshold for an audit or independent examination.

Where the Corporation is Trustee, the Finance Committee approves the annual reports; if charities have individual trustees, or the Trustee is acting through the Court of Aldermen (as indicated in **Appendix 1**), the reports are approved by the respective trustees or the Aldermen following recommendation by this Committee.

The draft annual report and financial statements for each charity for the year ended 31 March 2023 are attached at **Appendix 2** for approval.

Crowe’s work on the audits and independent examinations of the charities remains in progress at the date this report was submitted (October 2023). To date although a number of control points and adjustments have been identified in respect of and on this basis we understand that Crowe currently intend to issue an unqualified opinion (audit) or unmodified report (independent examination) for each annual report.

### Recommendations

The Audit and Risk Management Committee are asked to:

- (i) Consider the contents of the audit management report issued by Crowe U.K. LLP (comments related to these charities are included within the paper covering City’s Cash);
- (ii) Note that the external auditor Crowe is anticipating giving an unqualified audit opinion on 3 audited charity annual reports;
- (iii) Note that the independent examiner Crowe is anticipating giving an unmodified report for the 8 independently examined charity annual reports;
- (iv) Note for information the 3 sets of annual reports which are not subject to audit and independent examination; and
- (v) Recommend approval of the annual reports of the 14 charities presented for the year ended 31 March 2023, to the Finance Committee for those charities where the Corporation is Trustee; to the Aldermen for the Emmanuel Hospital charity where the Corporation is acting by the Court of Aldermen as the named corporate trustee; and to the individual trustees of

the Sir William Coxen Trust Fund and the Samuel Wilson Loan Charity (see **Appendix 1** for charity registration numbers).

### **Main Report**

1. The 2022/23 Annual Report and Financial Statements for 14 Sundry Trust charities for the year ended 31 March 2023 are presented for review.
2. The annual reports of the Sundry Trusts have been prepared in accordance with the Charities Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (second edition effective 1 January 2019) and the Charities Act 2011.
3. The Charity Commission requires charities to submit their annual report within 10 months of their financial year-end, that is by 31 January 2024. A failure to meet deadlines is recorded on the charity's entry on the Charity Commission website. There are no financial penalties incurred. In addition, the City of London Almshouses charity is regulated by the Regulator for Social Housing with a submission deadline of 6 months from the financial year end, that is 30 September 2023. Due to the timing of the audit across the various City Corporation, this deadline has not been met but the regulator has been informed and no financial penalties are issued.
4. 14 annual reports and financial statements are presented for the Sundry Trusts of which the City Corporation is Trustee, or otherwise has rights of nomination or appointment of the majority of trustees. A summary of the required form of assurance provided by Crowe is provided in the table below:

<b>Type of review</b>	<b>Number of sundry trust charities</b>
Audit	3
Independent examination	7
No review required	4

### **Audit Opinion / Independent Examiner's Report**

5. The external auditor (Crowe) is expected to give an unqualified opinion on the annual reports and financial statements of each of the 3 Sundry Trust charities subject to an audit.
6. For the 7 sets of annual reports and financial statements which are subject to an independent examination, the independent examiner (Crowe) is not expected to modify their report. An independent examination offers negative assurance, that no evidence has been found that the accounts have not been prepared properly, as opposed to an audit opinion that confirms that the accounts show a "true and fair" view.
7. With work still in progress, initial audit findings for the audited charities have been included in the report to this Committee covering City's Cash and Other Charities of the City of London. A number of findings were identified as part of Appendix 2 "Systems and Controls":

- a. A recommendation that the threshold for journals review is lowered for the charities in proportion to the scale of the transactions reported in the charity accounts. Management note other compensating controls and confirm that the current review and authorisation limits are adopted to ensure a consistent approach across all activities of the City Corporation that all staff can follow and implement effectively. Due to the range of entities covered by this framework, introducing local variances to the process would be confusing and would increase the risk of the control framework not being appropriately implemented.
  - b. A recommendation that the capitalisation policy is amended and lowered for the charities to reflect their size. Management response, in line with the above, is that the charities' capitalisation policies are consistent with the wider City of London Corporation approach. This ensures clarity, consistency and reduces the risk of confusion which could undermine the wider control framework if localised/individual policies were applied to each of the large number of different entities encompassed within City Corporation systems and processes.
  - c. A recommendation that management prepare and review monthly management accounts. Management note that in light of the charities' size and operations, monthly reporting would be excessive, but confirm that a review of management information provided is underway, including (where reporting is in place already) consideration of the format and content of these reports.
8. In addition to the above, as highlighted in paragraph 3.10 of the findings report there is ongoing work relating to the COL Almshouses which has resulted in the identification of an accounting adjustment and prior year adjustment in respect of capital works on the almshouses, as well as proposed additional narrative disclosures as an entity regulated by the RSH. The attached financial statements will be updated for these changes before signing but finalised changes have not yet been agreed with Crowe and therefore the version attached represent the original draft accounts.
  9. We are not aware of any other significant accounting adjustments, changes to the financial statements, or deficiencies in internal control that have been identified in relation to these charities.

### **Summary of the financial statements**

10. The Sundry Trust charities are listed at **Appendix 1**. Notable activities in the year included:
  - a. A wide-ranging distribution of grants and charitable funds, including the CLSG Bursary Fund which awarded over £1m in bursaries; Emanuel Hospital charity which committed over £655k in grants for the benefit of the elderly in London; the City of London Combined Education Charity which distributed two new grants totalling £500k for bursary schemes for London students; and the Combined Relief of Poverty charity which made an £83k grant to provide a food pantry service in the City of London. The Samuel Wilson's Loan Charity issued 11 new loans totalling £327k to support young

entrepreneurs in London and surrounding counties to further their businesses.

- b. For those charities which hold investments, all of which are managed through the City of London Charities Pool (with the exception of the investments of the Sir William Coxen Trust Fund), valuations had reduced at 31 March 2023 compared to at 31 March 2022, resulting in unrealised losses being recognised across these charities. Investment income also declined slightly compared to 2021/22 across these charities.

### **Progress and Submission of Signed Annual Reports and Financial Statements**

11. Crowe's work remains in progress, with review of the annual reports and some areas of audit/IE work ongoing. It is anticipated that the audits will be concluded satisfactorily to enable Crowe to issue unqualified opinions/unmodified reports as stated within paragraph 5 of this report.
12. Crowe representatives will attend 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.
13. Each set of signed annual reports will be submitted to the Charity Commission and will be available to download from its website. The final management report from Crowe on its audit will be presented to the Court of Common Council for information.

### **Conclusion**

14. The draft annual reports and financial statements of 14 Sundry Trust charities are presented for recommendation to Finance Committee, the Aldermen or the individual charity Trustees as applicable. At the date of this report, no modifications to audit or independent examiner reports are expected, with Crowe still needing to complete work on all charities subject to audit or independent examination. Four of the 14 annual reports do not require independent review due to their size and are presented for information.

**Contact:** Julia Megone, Charities Technical and Strategic Finance Manager

**T:** 020 4558 2535

**E:** [julia.megone@cityoflondon.gov.uk](mailto:julia.megone@cityoflondon.gov.uk)

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

**Appendix 2:** Annual Reports and Financial Statements of the Sundry Trust charities