Crowe

Smart decisions. Lasting Value

City's Estate Group and Other Charities of the City of London

Audit Planning Report to the Audit and Risk Committee

Year ending 31 March 2024

Presented to the Audit and Risk Committee on 8 July 2024

Audit / Tax / Advisory / Risk

Strictly Private and Confidential

The Audit and Risk Committee
City of London
PO Box 270
Guildhall
London
EC2P 2EJ

28 June 2024

Dear Members of the Audit and Risk Committee

We have set out in this audit planning report various matters relating to our audits of the financial statements of City's Estate Group and Other Charities of the City of London for the year ended 31 March 2024 following our initial discussions with Caroline Al-Beyerty, Sonia Virdee, Nicholas Basye, Jade Coombes, Ian Jenkins, Daniel Peattie, Jenny Wong and Laura Yeo on 12 June 2024.

I have pleasure in submitting our audit planning report for the year ending 31 March 2024. The primary purpose of this report is to communicate to the Audit and Risk Committee and the Trustees relevant matters relating to our forthcoming audits.

I look forward to discussing our report with you, as well as any further matters you may wish to raise with us. My colleagues Vincent Marke (Partner) and Daniel Haines (Director) will be attending the Audit and Risk Committee meeting with on 8 July 2024.

We look forward to working with you on the completion of the audit of the annual report and financial statements of City's Estate Group and Other Charities of the City of London.

Yours sincerely

Tina Allison
Partner

Contents

1. Executive summary

Our report to you

We are pleased to present our Audit Planning Report to the Audit and Risk Committee and welcome the opportunity to discuss this with you at your meeting on 8 July 2024.

International Standards on Auditing (UK) require that we communicate formally with "those charged with the governance" of City's Estate Group and Other Charities of the City of London regarding relevant matters relating to our forthcoming audits. The objectives of this are to:

- ensure that there is a mutual understanding of the scope of the audit and the respective responsibilities of ourselves as auditor and those charged with governance;
- share information to assist both ourselves as auditor and those charged with governance to fulfil their respective responsibilities; and
- provide to those charged with governance constructive observations arising from the audit process.

The matters in this report include

• an overview of the planned scope and timing of the audit
• the significant risks of material misstatement, whether due to fraud or error, and our plans to address these
• our approach to internal control relevant to the audit
• the application of the concept of materiality in the context of an audit
• any other significant matters that, in our professional judgment, are relevant to the oversight of the financial reporting process

We have discussed the above matters in Section 2 to Section 5 of this report.

Responsibilities and ethical standards

We have prepared this report taking account of the responsibilities of the Trustees and ourselves set out in Appendix 1 of this report.

Operating environment and group structure

Our understanding of the operations and considerations in respect of the group structure are set out in Appendix 2.

Audit materiality

Our overall audit materiality for the financial statements as a whole will take account of the level of activity / funds held by each entity and will be set at approximately 2% of investments, 1.5% Income or 2% of Expenditure as appropriate for the entity concerned.

Further details of materiality levels, including those of components, are set out in Appendix 4.

The City Corporation's Report and Financial Statements

We have set out in Appendix 6 a number of considerations to be taken by the Trustees and management when preparing the financial statements for the year ending 31 March 2024.

Audit reports

Please note that, while the financial statements are in draft form, the draft audit reports should contain the words "This report has not yet been signed" in the space for our signature. We will agree with you when this wording can be removed.

Overcoming prior year audit difficulties

Appendix 5 of our report highlights the additional costs incurred by City's Estate and its related entities in finalising the 2023 audits. These costs occurred because of additional work arising from the late submission of audit deliverables and the volume and magnitude of errors identified in the draft information presented for audit.

Since the conclusion of our previous audit we have held discussions with the Chamberlain and wider finance team to explore root causes and potential changes to processes which can prevent recurrence in 2024.

Management have explained that extra resource has been secured within the finance team and additional checks and balances have been introduced to ensure the quality of information provided to audit.

Key to a successful outcome in 2024 will be clear communication on both sides regarding deliverables, progress and deadlines and we propose to set up regular touch-point meetings with management to communicate progress and issues. Should we begin to encounter delays in receiving information we will escalate this to the Chamberlain as requested.

An observation from our previous audits is that there are many individuals within the Corporation who are critical to providing timely information in order to achieve deadlines in your timetable. However, it has not always been clear who is accountable for ensuring that these individuals are all working with the same shared goal of delivering timely information to support a quality audit. We have therefore agreed that the following individuals will be responsible for coordinating their various teams to ensure timely provision of information for an effective audit:

Entity	**Responsible individual**
City’s Estate (Parent entity including schools, markets and central work)	Sonia Virdee
Natural environments	Pauline Mouskis
GSMD	Udhay Bhakoo
Sundry Trusts	Pauline Mouskis
Barking Power Limited	Sonia Virdee
Thames Power Limited	Sonia Virdee

2. Significant audit risks

ISA (UK) 315 (Revised) came into effect for periods starting in December 2021.

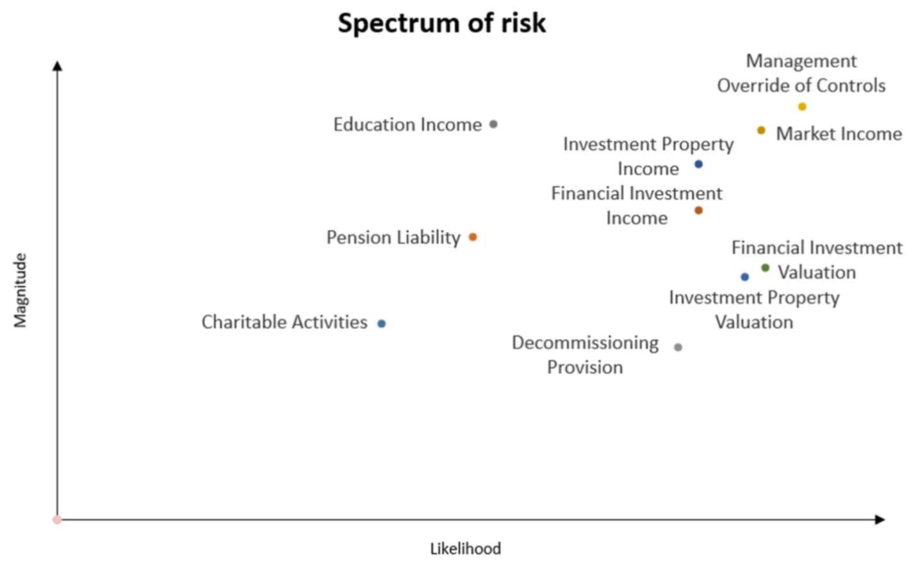
The revised ISA introduces the concept of a spectrum of inherent risk, considering both the likelihood and magnitude of a possible misstatement. A 'significant' risk is one close to the upper end of the spectrum of inherent risk, or one that has to be treated as such under other auditing standards.

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.

Our audit work will take account of our assessment of the risks of misstatement of transactions and balances in the financial statements. We identify a range of risks from our understanding of City's Estate Group and Other Charities of the City of London, its people and environment, and the system of internal control and plan our audit work so as to reduce the risk of material misstatement to an acceptable level.

In line with ISA (UK) 315 (Revised), we have considered the inherent risk including both the likelihood and magnitude of a potential misstatement, as shown in the chart opposite:

Our risk assessment process is tailored to each individual entity, and as such, the risks outlined below do not apply to all entities covered within this report.



We have included in the table below an indication as to which entities each risk applies to and noted this in each sub-heading of Section 2 to indicate the relevant entities for the identified risk.

Reference	***Entity***
A	City's Estate (Parent)
B	Natural Environments (previously known as open spaces)
C	Power station companies
D	Other charities within the Corporation subject to Audit

2.1 Revenue recognition – Investment property income (A)

Key related judgements

Investment property income is one of the largest revenue streams for City's Estate, totalling £66m in 2023 (2022: £65.4m).

Investment property income is comprising mostly of routinely invoiced income, there have been rent-free periods offered in the year and rent holidays requiring more complex accounting. In addition, the quarterly invoicing pattern usually followed leads to the need to partially defer invoiced income at yearend.

This revenue stream also includes revenue released from deferred lease premiums attached to long term leases where City's Estate 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

Our audit work will include the following:

- Reviewing the income recognition policy to ensure it is aligned with FRS 102 and is being appropriately applied and disclosed.
- Document and review the systems and controls in place over investment property income.
- This is a key area of control to ensure that you are recognising all income that is due and closely manage and monitor the debtor ledger.
- We will carry out analytical procedures and substantive testing on all income streams including reconciliations to the relevant systems and other records.
- Review a sample of transactions and bank receipts either side of the year end date to ensure these have been recognised in the appropriate period.
- Obtain a breakdown of investment property income for the year and reconcile to the trial balance.
- Verify a sample of property receipts to supporting tenancy agreements and invoices.
- Review the year-end deferred income balances, testing a sample to support and re-calculating the split of any invoices as appropriate.
- Reviewing the long-term lease premium accounting treatments to ensure they have been accounted for in accordance with the relevant accounting standards, and that they are being released correctly.

2.2 Revenue Recognition – Financial investments income (A, D)

Key related judgements

Investment income in City's Estate and the City of London Charities Pool is derived from the various investment holdings including listed investments, private equity, multi-asset and infrastructure fund holdings and bank deposits. City's Estate co- invests with the City of London Pension Fund and Bridge House Estates into a number of private equity holdings, with a portion of the value and investment income then apportioned to each entity from this central pool.

The Charities Pool entity acts as a pooled investment vehicle for the smaller charities within the City of London, responsible for managing their collective portfolios and dividing any income received in proportion to the units the other charities hold in the entity.

In addition, Hampstead Heath Trust holds a standalone portfolio along with Sir William Coxen Trust Fund which both also generate income through interest and dividends.

The primary risk for this revenue stream is over the accuracy of the central split of

(i) private equity allocated to City's Estate, and

(ii) income for the entities invested in the Charities Pool,

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

Our audit testing in this area will include:

- Agreeing the income reported in the investment managers' reports and bank interest to the nominal ledger and third party sources and reviewing cut off to check that the income has been appropriately recognised.

- Reviewing the relevant AAF01/06 controls reports for the investment managers and custodians to gain assurance that income is being reported accurately to the Corporation and Charity.
- Reviewing the allocation of private equity investment income to City's Estate, ensuring it is in line with the proportion of the investment holdings allocated to each entity.
- Reviewing the split of investment income to the charities holding units in the Charities Pool, to ensure it has been calculated correctly and income for the full year has been allocated.

2.3 Revenue Recognition – Education income (A)

Key related judgements

Income through tuition and other related fees is one of the primary revenue streams in City's Estate, amounting to £97m in 2023. This income stream is generated from the three schools and one higher education body that the entity operates; City of London School, City of London Junior School, City of London School for Girls, City of London Freemen's School and Guildhall School of Music and Drama.

The recognition of school fees is considered highly predictable due certainty surrounding pupil numbers and termly fees which allow us to create a meaningful expectation of income from sources outside finance. As such this area is not considered a significant risk.

However, for wider educational income (including extras, trips, registrations etc) we consider the primary risks to lie over the completeness, existence and cut-off of this income to be a significant risk.

Crowe response

Our audit testing in this area will include:

- Gain an understanding of the systems and controls in place around education income, including controls over pupil management and invoicing at each school.
- Complete a proof-in-total over education fee income at each school using pupil data and fixed tuition fees lists for each school.
- Complete testing on the underlying inputs into this proof in total, including any discounts offered in the year.
- Review a sample of tuition and other education fee income, agreeing it to support and receipt to the bank.
- Perform cut-off testing around the year end to ensure income has been recognised in the correct years and income has been deferred appropriately.

2.4 Revenue Recognition – Market income (A)

Key related judgements

Market income consists of rental and similar income from the markets that City's Estate operates, being Billingsgate and Smithfield. Whilst comprising primarily of routinely invoiced income, the Covid-19 pandemic led to the introduction of rent-free periods and rent holidays requiring more complex accounting. In addition, the quarterly invoicing pattern usually followed leads to the need to partially defer invoiced income at year-end.

This revenue stream also includes revenue from related non-rental sources such as service charge and car parking income.

Given the relative size of this revenue stream and complexities surrounding rent-free periods and rent holidays we consider there to be a significant risk over this revenue stream, primarily over cut-off and completeness.

Crowe response

Our audit testing in this area will include:

- Review a sample of transactions and bank receipts either side of the year end date to ensure these have been recognised in the appropriate period.;
- Obtain a breakdown of market income for the year and reconcile to the trial balance;
- Verify a sample of market income receipts to supporting agreements and invoices; and

Review the year-end deferred income balances, testing a sample to support and re-calculating the split of any invoices as appropriate.

2.5 Revenue Recognition – Charitable activities income (B, D)

Key related judgements

In addition to the funding received from City's Estate, the various charities within the City's Estate group generate revenue through a variety of activities. This includes revenue generated from sources such as car parking, café sales, use of sports grounds and admission fees.

Due to the varying nature of these revenue streams each requiring different recognition criteria to be considered, we consider there to be a significant risk for this revenue stream.

Crowe response

Our audit approach over these revenue streams will include:

- Obtaining an understanding of systems and controls over all material revenue streams within this category;
- Reviewing the revenue recognition policy for each material revenue stream to ensure it is compliant with the applicable accounting standards;
- Testing a sample of charitable activity income substantively, agreeing it to supporting documentation and receipt to bank; and
- Performing cut-off testing by reviewing transactions around yearend.
- Confirming the recognition City's Estate grants to Open Spaces entities.

2.6 Revenue Recognition – Voluntary income

Key related judgements

Included within the Natural Environment entities and the City of London Girls Bursary Fund is voluntary income. Due to the varying nature of these revenue streams, each requiring different recognition criteria, we consider there to be a significant risk over this revenue stream, primarily over cut-off and completeness.

Crowe response

As part of our audit, we will:

- Obtain an understanding of systems and controls over all material revenue streams within this category.
- Review the revenue recognition policy for each material revenue stream to ensure it is compliant with the applicable accounting standards.
- Test a sample of voluntary income substantively from nominal and agreeing it to supporting documentation and receipt to bank.
- Test a sample of voluntary income from source documentation to nominal and receipt into the bank.
- Perform cut-off testing by reviewing transactions around year end.

2.7 Financial investment valuation (A, B, D)

The financial investments portfolio within City's Estate was £977.2m as at 31 March 2023. The key risks in this area are considered to be the existence and valuation of assets.

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

- the Entity 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.

Our focus will be 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 will obtain valuations directly from the investment managers.

We will review 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).

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Listed and unlisted investments

In relation to substantiating the valuation and existence of assets reported in the financial statements our work will include:

- Selecting a sample of individual funds within the portfolio and obtaining direct confirmation from the investment manager to confirm the valuation used by management within the financial statements;
- For each fund identified in our sample we will reconcile the valuation to records to confirm ownership and existence;
- For listed investments we will agree a sample of prices quoted by individual investment managers to publicly available market information to ensure valuations are reasonable;
- For unlisted investments including unquoted hedge funds and private equity we will obtain the latest available audited financial statements from each fund manager and confirm that an unmodified audit opinion has been issued and the valuation of assets had been prepared on a basis consistent with your accounting policy and FRS102;
- Agreement of a sample of investment movements reported during the year to supporting investment manager records to ensure these are accurately reported;
- Perform a check of the accuracy and completeness of investment disclosures within the financial statements to ensure these are appropriately stated and consistent with the requirements of FRS102 and the Charities SORP.

Review management's overall reconciliation of asset values to information reported by Cambridge Associates

2.8 Estimates and Judgements – Investment Property Valuation (A)

Investment properties held by City's Estate totalled £1,917.7m as at 31 March 2023. It is our understanding that these properties are valued independently by two firms registered as valuers 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.

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

We will also consider management's assessment of impairment within the portfolio and review wider information to consider if there are indicators of impairment which may impact valuation of properties at year end. We understand there is scope for properties within the portfolio to be affected by the ongoing nationwide issues with reinforced autoclaved aerated concrete (RAAC) which may be an indicator of impairment. We will seek an update on this issue and consider findings in our overall conclusions on valuation.

We will seek additional assurance over property valuations from an independent external property expert (Cluttons) who will review a sample of properties to confirm if the valuation provided by surveyors in reasonable.

We will also review the valuation adjustment and ensure any gains/losses on revaluation have been appropriately recognised in the Statement of Comprehensive Income.

2.9 Estimates and Judgements – Pension liability (A)

The assumptions surrounding the FRS102 pension liability 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 Estate and Bridge House Estates).

At present, City's Estate 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.

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

- 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; and
- Verifying (on a sample basis) the input data provided to the actuary to HR and payroll records.
- Verify the apportionment methodology of the pension liability across the 3 City of London funds.

2.10 Estimates and Judgements – Decomissioning provision (A)

Key related judgements

Included within the accounts of Barking Power Limited is a provision for the decommissioning of the site in preparation for future development. This provision has a number of key assumptions regarding expected costs and the time period over which they will be incurred.

Given the size of the provision and its reliance on judgemental inputs, we consider there to be a significant risk over the valuation of the provision.

Crowe response

As part of our audit work in this area, we will:

- Obtain and review management's estimation of the provision;
- Gain an understanding of the key inputs to the provision calculation, agreeing them to supporting documentation as appropriate; and
- Review costs incurred post year-end to ensure that they are in line with management's forecast to corroborate the accuracy of the provision made.
- Challenge management assumptions / basis of estimation for reasonableness.
- We understand at the time of writing that the provision is still being finalised for 2024. We will seek an update on events after the balance sheet date to assess if any assumptions or judgements included in the final provision remain appropriate.

2.11 Related parties

In line with the ISAs which directs our audit work (ISA (UK) 550) we are obliged to ensure that any related parties are identified and that any transactions involving these parties and the group are appropriately authorised and correctly disclosed in the financial statements.

We will therefore review City's Estate procedures for identifying potential related parties, ensuring all transactions are complete, including any annual declaration of interests completed by the Board and Senior Management team.

We consider completeness of related party disclosures to be a significant area of risk as transactions of this nature are always material by nature, coupled with the large volume of potential individuals which may be captured by the disclosure requirements. We understand that management have updated the process in the period to ensure the timely collection of information required to populate this disclosure.

2.12 Consolidation (A, B, C, D)

In 2023 we highlighted a significant deficiency surrounding the preparation of the consolidated group accounts which management were not initially able to balance. Significant resource was incurred by the City team and Crowe to resolve this matter and we concluded with several recommendations to management to prevent re-occurrence in 2024.

We understand that management have introduced additional resource within the Finance team during the year, alongside additional checks and balances to ensure that the consolidation properly balances prior to audit.

We understand that schedules used to prepare the consolidation have been updated based on the challenges encountered in the prior year audit. However, given the high level of adjustments and challenges encountered in the prior year audit, this has been identified as a significant risk.

2.13 Management override of controls (A, B, C, D)

Although the level of risk of management override of controls varies from entity to entity, Auditing Standards recognise that this risk is nevertheless present in all entities because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Due to the unpredictable way in which such override could occur, including to mask fraud, the override of controls is a significant risk for all audits.

The members of The City Corporation must satisfy themselves that the control environment present within the entity together with the trustee controls and controls over the posting of journals are adequate to deter any inappropriate override of controls from management.

We are required to design and perform audit procedures to respond to the risk of management's override of controls which will include:

- understanding and evaluating the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements and testing the appropriateness of a sample of such entries and adjustments;
- reviewing accounting estimates for biases that could result in material misstatement due to fraud. We have noted above that the following estimates and judgements are considered significant audit risks:
    - Financial investment valuation
    - Investment property valuation (including impact of RAAC)
    - Pension liability
    - Decomissioning provision

  Other estimates and judgement which are not considered significant audit risks are included in section 3.
- obtaining an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of City's Estate Group and Other Charities of the City of London and their environment.

3. Other areas of audit focus and disclosure

We have also noted the following matters from our initial discussions and from our work in previous years as not having significant audit risk but being potentially relevant to the financial statements.

3.1 Other 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 the income streams detailed above to be significant (see Section 2) we do not consider other income streams to be significant due to their expected immaterial nature. If this does not transpire to be the case, we will perform a risk assessment of this revenue stream and report this to you within our findings report.

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?).
- Valuation (where income is owed at year end, is it likely to be received or should it be provided against?).

3.2 Judgements and Estimates

ISA (UK) 540 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 required of the estimation uncertainty, the subjectivity and the complexity of the estimate. We are also required to consider whether the disclosures made in the financial statements are reasonable.

We will pay careful attention to areas of the financial statements affected by management judgement and estimation. We have initially identified the following for specific review which are not outlined in the significant audit risks detailed in the previous section.

- Assessment of impairment of assets.
- Assessment of impairment of goodwill (City's Estate)
- 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.
- Valuation of insurance provision (City Re)

We will identify all areas where an accounting estimate or judgment is used and we will obtain an update from management on the basis of the estimates.

We will consider whether these have high or low estimation uncertainty. Where there is high estimation uncertainty (primarily, if there is a range of reasonable outcomes which exceeds our materiality) this indicates a "significant risk". We will compare the estimates and judgments made in the prior period with actual outcomes.

We will also review management's assessment of this and specifically consider whether the estimates and judgments arrived at by management indicate any "management bias". This means that management will also need to consider whether there is any bias in information received from other departments. 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.

3.3 Payroll

Payroll is the largest single expenditure item for City's Estate totalling £101.1m for the year ended 31 March 2023 which represented 32.8% of total expenditure. Other entities under the scope of this report also incur significant payroll costs, which are recharged from the central payroll function within the Corporation of London.

The key risks in this area are considered to be:

- Existence (does the expenditure relate to genuine employees?).
- Accuracy (are payments made at authorised amounts and are the correct deductions made?)
- Disclosure (have all required disclosures been made in the financial statements?)

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

We will also perform analytical procedures that consider gross pay, deductions and staff numbers year on year to ensure that all trends and relationships appear reasonable and that the totals agree with the ledger, and we will verify a sample of staff between the payroll and other HR records and agree their costs to supporting documentation on a sample basis.

3.4 Grant expenditure

Whilst grants are not expected to have any performance related conditions which might create significant judgement over the recognition of expenditure, the volume and total value of the grants awarded is material.

As part of our testing, we will agree a sample of grants to supporting documentation and payment and review the agreements to ensure they have been appropriately recognised. We will also perform cut-off testing around year-end in order to ensure that grants have been recognised within the correct financial period.

3.5 Going concern and our audit reporting

In preparing the financial statements to comply with Financial Reporting Standard 102 the Trustees/Members/Directors (as applicable) are required to make an assessment of the entity's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, those charged with governance are required to consider all available information about the future of the entity 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. In forming conclusions on going concern those charged with governance will need to evaluate which of three potential outcomes is appropriate to the specific circumstances of each entity, including the City's Estate group and parent. Those charged with governance may conclude:

- There are no material uncertainties that lead to significant doubt upon the entity's ability to continue as a going concern;
- There are material uncertainties that lead to significant doubt upon the entity's ability to continue as a going concern; or
- The use of the going concern basis is not appropriate.

A material uncertainty is defined as 'An uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern, where the magnitude of its potential impact and likelihood of occurrence is such that appropriate disclosure of the nature and implications of the uncertainty is necessary for the fair presentation of the financial statements.'

Under ISA (UK) 570, where a material uncertainty related to going concern exists, we are also required to determine whether the financial statements:

- Appropriately disclose the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and management's plans to deal with these events or conditions; and
- Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

We have discussed with management and explained that as part of our work on going concern for the year ending 31 March 2024 we will do the following.

- Review the period used by those charged with governance to assess the ability of each entity to continue as a going concern;
- Examine detailed budgets and forecasts prepared by management covering the period of the going concern assessment which adequately take account of the potential impacts of cost of living crisis, inflation and other economic factors on City's Estate or the other entities to ensure these appropriately support the conclusion of those charged with governance;

- Review the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year; and
- Review any other documentation which those charged with governance use in assessing the going concern status and make any necessary enquiries of management.

We will agree with management the preparation of a detailed paper setting out their assessment of each entity's ability to continue as a going concern for consideration alongside the draft financial statements by the Audit and Risk Committee.

4. Fraud and irregularities and our audit reporting

Obtaining an understanding of internal control relevant to the audit

Our audit tests will combine a review of City's Estate Group and Other Charities of the City of London's controls with tests of detail (substantive procedures) and analytical review procedures.

ISAs require us to document our understanding of your business and assess the risk of material misstatement. For controls considered to be 'relevant to the audit' we are required to evaluate the design of the controls and determine whether they have been implemented. The controls that are determined to be relevant to the audit are those:

- relating to identified risks (including the risk of fraud in revenue recognition) or other audit issues;
- where we are unable to obtain sufficient audit assurance through substantive tests alone; and/or
- where we consider it more efficient to obtain assurance through controls testing.

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of detailed audit testing required will be considered.

Our audit work is not designed to provide assurance as to the overall effectiveness of the controls operating within each entity, although we will report to management and the Audit and Risk Committee any recommendations on controls that we may have identified during the course of our work.

As we reported last year, the primary responsibility for the prevention and detection of fraud rests with management and "those charged with governance" (i.e. the Council Members, Trustees and/or Directors as appropriate for each entity), including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by irregularities including fraud, or error.

Corporate governance and fraud

As part of our audit procedures we make enquiries of management to obtain their assessment of the risk that the financial statements may be materially misstated due to fraud. However, we emphasise that the responsibility to make and consider your own assessment rests with yourselves and that the trustees, Audit and Risk Committee and management should ensure that these matters are considered and reviewed on a regular basis.

As auditors, we are required to document an understanding of how "those charged with governance" exercise oversight of management's processes for identifying and responding to the risks of fraud in City's Estate Group and Other Charities of the City of London and the internal controls that management has established to mitigate these risks. Specifically, we require a response to the following questions:

- What, in your view, are the risks of fraud in the entity? Both misappropriation of assets and fraud relating to financial reporting?
- What are the general risks of fraud in this business sector, and how does this entity mitigate them?
- How do you monitor and review management's process for identifying and responding to the risks of fraud in the entity?
- To what extent do you understand the controls management has put in place to mitigate those risks?
- Has there been any actual or suspected fraud during the year?
- Have there been any allegations of fraud during the year?

Trustees may find it helpful to prepare a fraud risk assessment alongside management. 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.

Any fraud risk assessment should not be seen as a standalone exercise but rather an ongoing process that is refreshed on a regular basis.

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.

Our responsibilities

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

As auditors, we are required to document an understanding of how "those charged with governance" exercise oversight of management's processes for identifying and responding to the risks of fraud in City's Estate Group and Other Charities of the City of London and the internal controls that management has established to mitigate these risks.

We note that City of London has a structured process for fraud reporting, through its risk management and the Audit and Risk Committee. We have not been made aware of any significant matters which would affect our assessment of audit risk at this stage, although this will need to be reviewed by us, and confirmed by the Members, up to the date of approval of the financial statements.

We will make enquiries of management and others within City's Estate Group and Other Charities of the City of London as appropriate, regarding their knowledge of any actual and suspected or alleged fraud affecting each entity. In addition, we will be required to ascertain the following from the Audit and Risk Committee, Trustees and Directors (As appropriate).

- Whether they have knowledge of any fraud or suspected fraud.
- The role that the Audit and Risk Committee / Trustees / Directors exercise in oversight of:
  - i) Each entity's assessment of the risks of fraud, and the design, implementation and maintenance of internal controls to prevent and detect fraud; and
  - ii) their assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We will seek representations from the Members / Trustees / Directors (as appropriate) on these matters and we will liaise with the finance team, in the first instance, to identify any specific risks or information relevant to these considerations.

5. Staffing, fees and timetable

Staffing

Tina Allison is your Audit Partner. She will be assisted by Daniel Haines as Audit Director who will be supported by James Badman (Audit Manager) and Jamie Smith (Audit Manager). The onsite team this year will be led by Nireekshna Ganesh.

Our audit fees

Please refer to Appendix 5 for a detailed breakdown of fees broken down by entity. All fees are stated exclusive of VAT and disbursements

As in previous years our proposed audit fee is based on two assumptions.

- First draft financial statements and detailed supporting schedules are available at the commencement of the audit. If this information is not available to us at the start of our audit we may seek to charge additional fees to cover any resulting delays or inefficiencies.
- We are required to check and review up to two further drafts of the financial statements prior to these being finalised for approval by the Trustees. If it is necessary for us to review additional drafts we may charge additional fees to cover any resulting extra staff time.

To assist you in providing the required information, we have provided a separate list of audit deliverables to the City of London finance team.

Timetable

The anticipated timetable and deadlines are as follows.

Key Events	**Date**
Initial planning meeting	12 June 2024
Audit and Risk Committee meeting to consider audit plan	8 July 2024
Deadline for delivery of all fieldwork deliverables **and** financial statements.	w/c 2 August (Sundry Trusts including NE entities) Friday 30 August (City's Estate excl. NE entities)
Audit fieldwork	w/c 12 August (Sundry Trusts including NE entities) w/c 2 September (City's Estate excl. NE entities)
Clearance meeting with finance team	October 2024
Audit and Risk Committee meeting to consider accounts and report from the auditors	4 November 2024
Accounts signed by Members	TBC

Our deliverables to you

In addition to carrying out the necessary audit procedures in accordance with International Standards on Auditing we will provide to you the following.

- Statutory audit reports on the financial statements of each entity.
- This Audit Planning Report to confirm the details of the planned timing of our audit and related year-end meetings, to confirm the key members of your audit team and their independence, and to summarise our audit approach and any specific issues relevant to our audit which we have identified from our initial discussions with City of London's finance team or elsewhere.
- An Audit Findings Report to summarise any key issues or adjustments identified during our audit which have impacted on the

disclosures in, or required adjustment to, the draft financial statements together with comments on any weaknesses in City of London’s systems and controls which come to our attention during our audit work on the annual statutory financial statements.

- Draft of the Representations Letters which we are required to obtain from the Members / Trustees / Directors (as applicable) to confirm certain specific matters relevant to the completion of the statutory financial statements.

Appendix 1 - Responsibilities and ethical standards

Scope of our audits

Our audits are a statutory requirement to ensure that Those Charged with Governance have properly discharged their legal responsibilities to prepare their annual reports and the financial statements in accordance with the applicable legislation and financial reporting requirements.

As your auditor we are required to obtain sufficient evidence to enable us to report as to whether the financial statements of each entity give a true and fair view of the financial performance of the entities, are free from material misstatements and are compliant with the requirements of relevant legislation and applicable Financial Reporting Standards.

Your financial statements

The financial statements on which we are to report are your responsibility; our audit of the financial statements does not relieve management or the Trustees / directors of their responsibilities for the financial statements and the Trustees / directors must be satisfied that the financial statements give a true and fair view before approving them. Further details of your and our respective responsibilities are set out in our engagement letters dated 18 July 2022.

Our audit approach

We will carry out our audit in accordance with International Standards on Auditing (UK) (‘ISA’s (UK)’). Overall, we seek to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, in order that we can report to the Trustees / members of each entity.

Our work will include such tests of transactions and of existence, ownership, valuation and completeness of assets and liabilities that we consider necessary for this purpose.

We will update our understanding of each entity including objectives, strategies, operations, governance structures, sources of incoming resources and related risks. We will also update our understanding of the classes of transactions, account balances, and disclosures to be expected in the financial statements. We will consider your selection and application of accounting policies and whether they remain appropriate, and your reasons for any changes thereto.

We will review your systems for the purpose of our audit and we will 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 after discussing them with management. Our audit should not, however, be relied upon to identify all systems deficiencies, which are your responsibility, and we shall only draw your attention to matters we have encountered as a part of our audit work.

We will also read the Trustees’ / Directors’ / Strategic Reports and any other information that will be included with the financial statements to ensure this is consistent with the financial statements.

We are required to confirm during our audit whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting each entity. We have not been made aware of any such issues from our initial discussions but will be requesting confirmation of this as part of the audit completion process.

Legal and regulatory disclosure requirements

In undertaking our audit work we will consider compliance with the following legal and regulatory disclosure requirements, where relevant:

- Charities Act 2011
- Companies Act 2006
- The Charities (Accounts and Reports) Regulations 2008
- The Charities SORP (FRS102)
- Financial Reporting Standard 102

We are not aware that any limitations will be placed on the planned scope of our audits.

Directors' responsibilities (power station entities only)

Under the provisions of the Companies Act, the Directors' Report is required to include a statement confirming for each director who was a director at the time of the approval of the financial statements that:

- they have each taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information; and
- so far as they are aware there is no relevant audit information of which the company's auditor is unaware.

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 FRC's Ethical Standard for auditors and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

In our professional judgement there are no relationships between Crowe U.K. LLP and each entity 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 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 parent charity and group 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 the date of this report. We will advise you of any changes in our understanding, if any, during our meeting prior to the financial statements being approved.

Non-audit services

We have considered the non-audit services we have provided in the period and have concluded that there are no facts or matters that bear upon the integrity, objectivity and independence of our firm or of the audit partner and audit staff related to the provision of such services which we should bring to your attention. Our fees for non-audit services in the year have been as follows.

GSMD Grant Audit	£6,000

Use of this report

This report has been provided to the Audit and Risk Committee to consider and ratify on behalf of the Those Charged with Governance, 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.

Appendix 2 - Entities

Entities	Type	Main objectives	Audit / Independent Examination
Ashtead Common	Charity	The objective of the charity is the preservation in perpetuity of the common at Ashtead as an open space for the recreation and enjoyment of the public.	IE
Burnham Beeches	Charity	The objectives of the charity are the preservation and maintenance of Burnham Beeches and Stoke common, as Open Spaces for the recreation and enjoyment of the public and to maintain their natural aspect.	Audit
Epping Forest	Charity	The objective of the charity is the preservation of Epping Forest in perpetuity, as an open space for the recreation and enjoyment of the public. The open space consists of the lands known as Epping Forest including Wanstead Park and Highams Park in Essex. Various buffer lands have been acquired by the City Corporation around the edges of Epping Forest.	Audit
Hampstead Heath / Hampstead Heath Trust	Charity	The objective of the charity is the preservation and maintenance of Hampstead Heath in perpetuity, as an open space for the recreation and enjoyment of the public.	Audit
Highgate Wood and Queen's Park Kilburn	Charity	The objective of the charity is the maintenance and preservation in perpetuity of the open spaces known as Highgate Wood and Queen's Park Kilburn, as public parks or open spaces for use by the public for exercise and recreation.	Audit
West Ham Park	Charity	The objectives of the charity are to hold West Ham Park on trust forever "as open public grounds and gardens for the resort and recreation for adults and as playground for children and youth". The City of London Corporation agreed to maintain and preserve the Park for this purpose at its own cost.	Audit
West Wickham and Spring Park Wood, Coulsdon and Other Commons	Charity	The objectives of the charities are the preservation and maintenance of West Wickham Common and Spring Park Wood Coulsdon, as Open Spaces for the recreation and enjoyment of the public.	Audit
Sir Thomas Gresham	Charity	The objectives of the charity are the provision of eight Almshouses known as the Gresham Almshouses; the annual payment of an allowance to the almsfolk; and the annual payment to the four Gresham college lecturers as detailed below.	IE
Barking Power Limited	Company	Decommissioning of the power station is the principal business of the Company and, because if receives minimal external revenue, this is financed by a loan from the City of London Corporation.	Audit
Thames Power Services Limited	Company	To provide management services to Barking Power Limited in connection with operation and decommissioning of Barking Power Station.	Audit
Other Entities			
Corporation of London Charities Pool	Charity	The key objective of the charity is to provide small charities linked with the City of London the opportunity to obtain better returns than could generally be achieved if investments were made individually.	Audit
City Education Trust Fund	Charity	The purposes for which the City Educational Trust Fund was established under section 25 of the City of London Various Powers Act 1967 declared that the capital and interest of the fund shall be applied by the City of London Corporation as it thinks fit.	IE
City of London School Bursary and Awards Fund	Charity	The objective of the charity is the promotion of education.	IE

City of London School for Girls Bursary Fund and City of London School for Girls Scholarships and Prizes Fund	Charity	The objective of the charity is the promotion of education (including physical training) by the provision of bursaries and other forms of financial assistance for fees and/or other costs incurred through attendance at the School to enable pupils to further their education at the School.	Audit
City of London Freemen's School Bursary Fund	Charity	The objective of the charity is the promotion of education (including physical training) by the provision of bursaries and other forms of financial assistance for fees and / or other costs incurred through attendance at the School to enable pupils to further their education at the School	IE
The City of London Corporation Combined Education Charity	Charity	The objects of the charity are to further the education of persons (including persons born or resident in the City of London and those attending educational institutions in the City of London or the other London boroughs) attending or proposing to attend secondary, further or higher educational institutions by the provision of grants or financial assistance and by arranging or supporting education and training to extend or complement courses provided by such institutions.	IE
Emanuel Hospital	Charity	From 22 October 2019, the objectives were amended to become for the public benefit, the relief of need by reason of age, ill-health, disability, financial hardship or other disadvantage of persons who are resident or have been resident in Greater London	IE
Sir William Coxen Trust Fund	Charity	The object of the charity is to apply income for the benefit of all or any of the Orthopedic Hospitals of England or other hospitals or charitable institutions carrying out similar work (preference should be to the Royal National Orthopedic Hospital Charity of Great Portland Street, London). Assistance is granted to eligible organisations (usually registered charities) in the form of donations and grants.	IE
Samuel Wilson's Loan Trust	Charity	The objective of the charity is the relief of young people in need by reason of ill-health, disability, financial hardship or other disadvantage for the public benefit by: a) the provision of loans to individuals, partnerships and companies preparing for or engaged in any trade, manufacture, business or profession in the area comprising greater London and the counties of Buckinghamshire, Essex, Hertfordshire, Kent, Surrey, East Sussex and West Sussex; b) investing in shares of companies preparing for or engaged in any trade, manufacture, business or profession in the area comprising greater London and the counties of Buckinghamshire, Essex, Hertfordshire, Kent, Surrey, East Sussex and West Sussex.	IE
City of London Almshouses	Charity	The objective of the charity is the provision of Almshouses for poor or aged persons, giving preference to freemen of the City of London, their wives, widows, sons and daughters and where practicable to married couples.	Audit
Keats House	Charity	The objective of the charity is to preserve and maintain and restore for the education and benefit of the public the land with the buildings known as Keats House as a museum and live memorial to John Keats and as a literary meeting place and centre.	IE

Appendix 3 - Significant and non-significant components (group entities only)

Significant and non-significant components

Defining the components

ISA (UK) 600 clarifies how the risk model underpinning the ISAs applies in a group context. It explains that:

"The structure of a group affects how components are identified. For example, the group financial reporting system may be based on an organisational structure that provides for financial information to be prepared by a parent and one or more subsidiaries, joint ventures, or investees accounted for by the equity or cost methods of accounting; by a head office and one or more divisions or branches; or by a combination of both.'

This means that City's Estate and its individual subsidiaries are all potential components for the purposes of the ISA. Furthermore, for each component of the City's Estate we have to assess whether they are a 'significant component' – whether because of their individual financial significance to the group or because of its specific nature or circumstances, they are likely to include significant risks of material misstatement of the group financial statements.

We are required to audit each significant component to a "component materiality". The level of materiality to be used is a matter of judgement but it will always be lower than group materiality.

Our audit approach requires us to consider the structure of the group each year and classify each component as 'significant and material', 'material but not significant' or 'not significant and not material' in terms of the group financial statements and plan our audit work accordingly.

Significant and material components

From our assessment of the risks and controls of each individual component, we have determined that the following will be treated as 'significant':

- The parent which co-ordinates the operations of the Group; and

Material but not significant

We have assessed Barking Power Limited, Epping Forest and Hampstead Heath as being material but not significant to the group financial statements (based on the prior year figures, this statement will need to be reassessed once FY24 figures have been received).

However Barking Power is subject to audit under the Companies Act 2006 and Hampstead Heath is subject to audit under Charities Act 2011, we will therefore perform a full scope audit on each entity.

Not significant and not material

We have assessed all other entities as being not significant and not material to the group financial statements.

However, these will be subject to audit or independent examination as agreed.

Appendix 4 - Audit materiality

Audit materiality and communication of errors and adjustments

We do not seek to certify that the financial statements are 100% correct; rather we use the concept of "materiality" to plan our sample sizes and also to decide whether any errors or misstatements discovered during the audit (by you or us) require adjustment.

The assessment of materiality is a matter of professional judgment but consideration will be given to the highest cumulative error which would not threaten the validity of the financial statements. A matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

Whether adjustments are material to the "true and fair" view can only be judged in the particular circumstances of the items and their impact on the financial statements to which they relate. Materiality will be considered having regard to the overall financial statement totals, the relevant individual balance, the type of transaction and the disclosures.

As mentioned in Section 1, our overall audit materiality for the financial statements as a whole will take account of the level of funds held by City's Estate and will be set at approximately 2% of Investments, this measure will be applied to the audit of investments (including Goodwill) and pension liability.

In addition, we will determine whether a materiality amount lower than this materiality level is applicable for any particular classes of transactions, account balances or disclosures.

We also set a level of materiality ('performance materiality') below the amount set for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality also refers to amounts set at less than the materiality level or levels for particular classes of transactions, account balances or disclosures (see table below for specific details of how this applies to each entity and balance within the financial statements).

We will, of course, discuss with your finance team all errors, other than those that are "clearly trivial", that we discover during the course of our audit work. Where such errors would have an impact upon the numbers reported in the statutory financial statements, but are not significant in terms of our audit, we will ask management if they wish to adjust the financial statements.

We will bring to your attention all significant potential adjustments to the financial statements. We will not, however, bring to your attention matters that we consider to be "clearly trivial" and we therefore propose to only identify amounts greater than 5% of our audit materiality.

The following is a summary of the overall materiality levels we apply to the separate entities within the group. These are based on prior year signed accounts unless stated otherwise. These will be updated once the FY24 figures have been received.

Entity	Materiality calculation	Materiality £'000	Reporting threshold £'000
City's Estate	2% of investments (Overall materiality) 1.5% of income (Specific materiality – used for all areas of testing except investments, investment property, Goodwill & Pensions which will be audited at overall materiality)	59,110 2,785	2,955 139
Consolidated entities			
Burnham Beeches	2% of Expenditure	30	2
Epping Forrest	2% of Expenditure	152	8
Hampstead Heath / Hampstead Health Trust	2% of Expenditure	191	10
Highgate Wood and Queen's Park Kilburn	2% of Expenditure	30	2
West Ham Park	2% of Expenditure	29	1
West Wickham and Spring Park Wood, Coulsdon and Other Commons	2% of Expenditure	28	1
Barking Power Limited	2% of Fixed assets 2% of Expenditure	2,500 147	127 7.3
Thames Power Services Limited	2% of Expenditure	4	1

Appendix 5 - Schedule of Fees

Entity	Assessed scope at planning stage	2023			2024			
		Original Fee 2023	Agreed Overrun 2023	**Total Fee 2023**	**Original fee 2023**	**Rebase 2023 fee (60% of PY overrun)***	**5% inflationary increase (capped)**	**Total fee 2024**
City's Estates	Audit	104,100	265,000	**369,100**	104,100	159,000	13,155	**276,255**
City's Estates Trusts and Companies								
Ashtead Common (Charity no: 1051510)	IE	1,850	920	**2,770**	1,850	550	120	**2,520**
Burnham Beeches (Charity no: 232987)	Audit	6,600	3,280	**9,880**	6,600	1,970	430	**9,000**
Epping Forest (Charity no: 232990)	Audit	6,600	3,280	**9,880**	6,600	7,970	430	**15,000**
Hampstead Heath (Charity no: 803392)	Audit	6,600	3,280	**9,880**	6,600	7,970	430	**15,000**
Highgate Wood and Queen's Park Kilburn (Charity no: 232986)	Audit	6,600	3,280	**9,880**	6,600	1,970	430	**9,000**
West Ham Park (Charity no: 206948)	Audit	6,600	3,280	**9,880**	6,600	1,970	430	**9,000**
West Wickham Common and Spring Park Wood, Coulsdon and Other Commons (232988 & 232989)	Audit	6,600	3,280	**9,880**	6,600	1,970	430	**9,000**
Sir Thomas Gresham Charity (Charity no: 221892)	IE	1,850	920	**2,770**	1,850	550	120	**2,520**
Barking Power Limited (BPL) (Company no: 2354681)	Audit	28,050	-	**28,050**	28,050	-	1,400	**29,450**
Thames Power Services Limited (TPSL) (Company no: 2624730)	Audit	6,600	-	**6,600**	6,600	-	330	**6,930**
Sundry Trusts and other accounts								
Corporation of London Charities Pool (Charity no: 1021138)	Audit	6,600	3,280	**9,880**	6,600	1,970	430	**9,000**
Hampstead Heath Trust (Charity no: 803392-1)	Audit	6,600	3,280	**9,880**	6,600	- 2,030	430	**5,000**
City Educational Trust Fund (Charity no: 290840)	IE	1,850	920	**2,770**	1,850	550	120	**2,520**
City of London School Bursary and Awards Fund (Charity no: 276654)	IE	1,850	920	**2,770**	1,850	550	120	**2,520**
City of London School for Girls Bursary and Awards Bursary Fund & London School for Girls Scholarships and Prizes Fund (Charity no. 276251 & 276654)	Audit	6,600	3,280	**9,880**	6,600	1,970	430	**9,000**
City of London Freemen's School Bursary Fund (Charity no. 284769)	IE	1,850	920	**2,770**	1,850	550	120	**2,520**
The City of London Corporation Combined Education Charity (Charity no: 284769)	IE	1,850	920	**2,770**	1,850	550	120	**2,520**
Other Trust Funds								
Emmanuel Hospital (Charity no: 206952)	IE	1,850	920	**2,770**	1,850	550	120	**2,520**
Sir William Coxen Trust Fund (Charity no: 206936)	IE	1,850	920	**2,770**	1,850	550	120	**2,520**
Samuel Wilson's Loan Trust (Charity no: 206964)	IE	1,850	920	**2,770**	1,850	550	120	**2,520**
City of London Almshouses (Charity no: 1005857)	Audit	6,600	3,280	**9,880**	6,600	1,970	430	**9,000**
Keats House (Charity no: 1053381)	IE	1,850	920	**2,770**	1,850	550	120	**2,520**
Other Assurance								
Guildhall School of Music and Drama (GSMD)	Inc/Exp Certification	8,900	4,000	**12,900**	8,900	5,390	710	**15,000**
Total		**232,150**	**311,000**	**543,150**	**232,150**	**197,590**	**21,095**	**450,835**

*Following conclusion of the 2023 audit we agreed with the Chamberlain that fees for City Estates would be rebased at 60% of the agreed overrun incurred in the prior year.

Fees for GSMD, Hampstead Heath and Epping Forest have been increased in excess of this amount to reflect the actual time required to complete our audit and assurance work following analysis of time spent over the previous two engagements.

Fees highlighted blue are still to be confirmed with management at the time of writing.

Appendix 6 - The City Corporation's Report and Financial Statements

Financial Statements and our audit

The preparation and presentation of the financial statements remains the responsibility of those charged with governance. However, our audit work will include reviewing the statements to ensure that they properly reflect the underlying financial records of each entity and also that they continue to be appropriately prepared in line with the requirements of the Charities SORP (FRS 102) and the requirements of the Charities / Companies Act (as applicable).

As part of our audit we will:

- ensure there is a full audit trail from the trial balance to the financial statements;
- review the financial statements against legal, regulatory and the SORP requirements and sector best practice;
- review the processes operated by each entity for identifying any related party transactions that might require disclosure; and
- review the latest copy of the risk register and ensure any key issues for the financial statements have been considered in the context of our audits, and appropriately managed in the context of each entity's governance.

The City Corporation's Report

We expect that you're the City Corporation's Report will include discussions of risks, outcomes, outputs and impacts and information on financial and non-financial KPIs.

Whilst we are required to review the report for any inconsistencies with the information included in the financial statements and to ensure that it reflects the SORP and other requirements, we do not audit the City Corporation's Report. The responsibility for preparing the report rests with the entity's The City Corporation.

Although The City Corporation may seek the assistance of the charity's staff in drafting the report, The Charity Corporation must approve the final text of the report. It is therefore important that The City Corporation have some assurance over the process which management have adopted in the collection and verification of the data included in the City Corporation's Report.

It will also be important that each entity continues to ensure consistency between the statutory City Corporation's Report information and any information that is included elsewhere including on its website.

Appendix 7 - 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 or 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/industries/webinars#nonprofit).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.

Governance

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 that came into force on 14 June 2023

- Sections 9-14 and 35a: Permanent endowment
- Sections 17, 19-22: Charity land
- 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 on 7 March 2024

- Section 1-3: Charity constitutions
- Sections 18* and 23: Charity land
- Section 24 and Schedule 1: Amendments of the Universities and College Estates Act 1925**
- Section 29: Powers relating to appointments of trustees
- Section 31: Remuneration etc of charity trustees etc
- Sections 33, 34 and 35(b): Charity mergers
- Section 37: For remaining purposes
- Section 40 and Schedule 2: For remaining purposes

* Section 18(1) (in part), (2)(a), (2)(c) and (3)(a) will come into force on 7 March 2024. Due to the provisions being linked to section 24 and Schedule 1, section 18(1) (for remaining purposes), (2)(b) and (3)(b) will come into force on 19 May 2025.

** Section 24 and Schedule 1 will come into force on 19 May 2025.

Provisions of the Act expected to come into force later in 2024

- Sections 15 and 16: Ex gratia payments

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

Making changes to governing documents

The Act introduces a new statutory power to allows trusts and unincorporated associations to make changes to their governing documents.

Charities will still however need to get the Commission's authority to make certain 'regulated alterations' in the same way as companies and Charitable Incorporated Organisations (CIO).

Other related changes include:

- how unincorporated charities must pass trustee and (where they have members) member resolutions when using the new power
- that the Commission will apply the same legal test when deciding whether to give authority to charitable companies, CIOs, and unincorporated charities changing their charitable purposes
- a power for the Commission to give public notice to, or to direct charities to give notice to, regulated alterations they make

The Commission have updated CC36 to reflect these changes, which can be found here: https://www.gov.uk/government/publications/changing-your-charitys-governing-document-cc36

Selling, leasing or otherwise disposing of charity land

The following provisions are now in force:

- provisions relating to disposals by liquidators, provisional liquidators, receivers, mortgagees or administrators
- provisions relating to the taking out of mortgages by liquidators, provisional liquidators, receivers, mortgagees or administrators
- changes about what must be included in statements and certificates for both disposals and mortgages

The Commission have updated CC28 to reflect these changes, which can be found here: https://www.gov.uk/government/publications/sales-leases-transfers-or-mortgages-what-trustees-need-to-know-about-disposing-of-charity-land-cc28

Charity mergers

For certain mergers, new rules are now in force that will allow most gifts to charities that merge to take effect as gifts to the charity they have merged with.

Updated guidance on charity mergers can be found here: https://www.gov.uk/government/publications/making-mergers-work-helping-you-succeed/how-to-merge-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 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

Selling, leasing or otherwise disposing of charity land

Charities must comply with certain legal requirements before they dispose of charity land. Disposal can include selling, transferring or leasing charity land. The Act simplifies some of these legal requirements. The changes include:

- widening the category of designated advisers who can provide charities with advice on certain disposals
- confirming that a trustee, officer or employee can provide advice on a disposal if they meet the relevant requirements
- giving trustees discretion to decide how to advertise a proposed disposal of charity land
- removing the requirement for charities to get Commission authority to grant a residential lease to a charity employee for a short periodic or fixed term tenancy

Updated guidance can be found here: https://www.gov.uk/government/publications/sales-leases-transfers-or-mortgages-what-trustees-need-to-know-about-disposing-of-charity-land-cc28.

Using permanent endowment

The Act introduces new statutory powers to enable:

- charities to spend, in certain circumstances, from a 'smaller value' permanent endowment fund of £25,000 or less without Commission authority
- certain charities to borrow up to 25% of the value of their permanent endowment fund without Commission authority

Charities that cannot use the statutory powers will require Charity Commission authority.

In addition, a new statutory power enables charities that have opted into a total return approach to investment to use permanent endowment to make social investments with a negative or uncertain financial return, provided any losses are offset by other gains.

Updated guidance can be found here: https://www.gov.uk/guidance/permanent-endowment-rules-for-charities

https://www.gov.uk/government/publications/total-return-investment-for-permanently-endowed-charities

Changes to Scottish charity law

The Scottish Parliament have laid legislation impacting the Charities (Regulation and Administration) (Scotland) Act 2023, taking effect from 1 April 2024.

The Act is intended to strengthen and update current law by increasing the powers available to the Office of the Scottish Charity Regulator ('OSCR') and provide consistency with certain elements of charity regulation in England, Wales and Ireland.

The key changes include:

- OSCR will refuse an application to be registered as a charity from organisations that have no or a negligible connection to Scotland
- a widening of OSCR's inquiry powers, including:
    - power to direct charities to particular actions
    - power to appoint interim trustees
    - power to inquire former charities and former trustees
    - changes to OSCR's powers to require charities and others to provide information
- OSCR will have the power to remove charities from the Register that have failed to submit timely accounts and failed to engage with OSCR about putting this breach of trustee duties right

Additional changes expected on 1 October 2024, including the generation of a record of all individuals barred from acting as trustees.

Further details on the changes can be found on the OSCR website here: https://www.oscr.org.uk/news/what-do-the-changes-to-scottish-charity-law-mean-for-you/

Legislation for land and property in Scotland

The Register of persons with a controlled interest in land (RCI) is a new public register managed by the Registers of Scotland (ROS) and aims to improve transparency of land ownership in Scotland.

If a charity is an unincorporated association or trust and land or property is held on its behalf by the committee or trustees, the charity may be required to register its land or property on the RCI.

For guidance on whether registration on land held for Trusts or Unincorporated Associations is required follow OSCR guidance: https://kb.ros.gov.uk/rci/categories-of-ownership-or-tenancy

Investing Charity Money

CC14 has been updated, it is now called Investing Charity Money, and takes account of the High Court Judgement on the Butler Sloss case.

CC14 states that all charities should have a written investment policy if their governing document requires they have one or if the charity is a trust, and where it gives an investment manager powers to make decisions on its behalf. It includes:

- Examples of various issues which may be relevant for trustees to consider when making investment decisions, such as the potential for an investment to conflict with the purposes of the charity, or the reputational impact of an investment decision.
- Steps trustees 'must' take to be compliant with the law and those trustees 'should' do as best practice but not legally required.
- Explanations on acting in the best interests of a charity, ensuring that above all else any decision furthers its purposes.
- Guidance on social investment and no longer uses terminology that could get in the way of trustees' understanding, such as 'ethical investment', 'mixed motive investment' and 'programme related investment'. It should be noted that whilst the guidance has simplified the terminology, this distinction is still important from a financial reporting perspective, as the Charity SORP requires different accounting treatment for mixed motive and programme related investments.

It also provides example approaches to financial returns including avoiding those investments which can reduce support for a charity and harm its reputation, and is more specific on ESG factors:

- aiming only for the best financial return you can achieve, within the level of risk that you have decided is acceptable for your charity
- alongside the financial return you are aiming for, avoiding investments that conflict with your charity's purposes.
- alongside the financial return you are aiming for, avoiding investments that could reduce support for your charity or harm its reputation, particularly amongst its supporters or beneficiaries.
- alongside the financial return you are aiming for, avoiding or making investments in companies because of their practice on environmental, social and governance (ESG) factors
- alongside the financial return you are aiming for, using your shareholder vote, or other opportunities that come with your investment, to influence practice at companies that your charity is invested in.

The revised guidance can be found here: Investing charity money: guidance for trustees (CC14) - GOV.UK (www.gov.uk)

The Future Charity Chair

Crowe are pleased to have been involved in a research project looking at the essential attributes that charity Chairs of the future will need to embrace. This research explored the topic through roundtable discussions and in-depth interviews, with the final thought leadership report published in June 2024.

The research aimed to:

- Contribute ideas that will help to shape the future development and recruitment of charity Chairs.
- Enhance the future sustainability of the charity sector by highlighting longer term considerations for Board discussion.
- Provide fresh thinking to positively influence regulation and best practice guidance for the sector.
- Emphasise the value of good charity governance and the need for it to continually evolve to remain relevant.

The research highlighted a number of key findings, including challenges from a lack of diversity within charities (including trustees, staff and volunteers), and the need to recruit individuals who represent the charity's beneficiaries.

Recommendations raised within the report include developing a leadership development programme for current Chairs, succession planning and a need to promote the role as one of ambition and aspiration.

The full report can be found here: The future charity chair | Bayes Business School (city.ac.uk)

Public trust in charities 2023

The Charity Commission has published the latest annual report into public trust in charities, the report shows that although public trust has risen the increase is small though the situation appears more stable than previous years.

There is still a divide in the perception of charities when it comes to size, with smaller charities faring better than larger organisations. The research includes interviews with members of the public from various demographics and reveals that half of the population are aware of the Charity Commission.

The full report can be found here Public trust in charities 2023 - GOV.UK (www.gov.uk)

Defined Benefit Funding Code of Practice

The Department for Work and Pensions published its revised DB Funding and Investment Strategy Regulations in January 2024 and will apply to actuarial valuations of defined benefit pension schemes from 22 September 2024. The Regulations are closely tied to the Pensions Regulator's new DB Funding Code of Practice.

The Pensions Regulator (TPR) is analysing responses to its second consultation on the new Defined Benefit (DB) funding code of practice. The new Code includes a requirement for a 'funding and investment strategy' (FIS) where trustees will be required to articulate their approach and decisions on funding and investments. Trustees must prepare a written statement of strategy which records the FIS and supplementary details, is signed on the trustees' behalf by their chairperson, and submitted to TPR with each triennial valuation.

Under the proposals, TPR sets out a "twin-track" model where trustees will be able to choose either a prescriptive "Fast Track" option or a more flexible "Bespoke" approach to completing and submitting an actuarial valuation for TPRs assessment. The proposed requirements for the fast track route include a number of areas such as suitable long-term objectives for schemes to achieve low dependency by the time a scheme is significantly mature (measured as 12-year duration) and discount rates of gilts plus 0.5% p.a. The fast track does not explicitly take account of covenant strength. TPR plans to consult separately on proposed changes to covenant guidance.

The revised Code is expected to be published in the Summer.

https://www.thepensionsregulator.gov.uk/en/document-library/consultations/draft-defined-benefit-funding-code-of-practice-and-regulatory-approach-consultation

Charity Commission: Charity Use of Social Media

On 18 September 2023 the Charity Commission published guidance for charities on their use of social media, following a consultation carried out earlier in 2023.

A knowledge gap was identified through the Charity Commission's casework where trustees were not always aware of the risks that may arise from the use of social media, meaning that some do not have sufficient oversight of their charity's activity, leaving them and their charity vulnerable.

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

The new guidance is clear that charities using social media should have a social media policy in place, explaining how it will help deliver the charity's purpose, include guidelines for expected conduct and should ensure the policy is followed.

The guidance contains a checklist to help trustees and senior employees have informed conversations on what the right policy for them looks like.

https://www.gov.uk/government/publications/charities-and-social-media/charities-and-social-media

Charity Commission: Charities and Artificial Intelligence

On 2 April 2024 the Charity Commission published a blog explaining that charities may need to consider having an internal artificial intelligence (AI) policy, and that Trustees should be aware of the risks and opportunities arising from AI whether they are currently using AI or planning to do so.

The Commission is not anticipating issuing specific guidance but encourages trustees to apply existing guidance to new technologies as they emerge.

The key consideration is that AI should be used responsibly in a way that furthers the charity's purposes. Before utilising AI, consider the advantages and risks – and how these will be managed – in the context of the trustee's duties and charity's objectives.

That could involve looking at what gaps can be filled, or insights generated by an AI tool, what skills are needed to use these tools to the charity's advantage and if people within the charity's trustees, staff or volunteers have those skills. This could also consider how staff or volunteers may already be using AI.

As the use of AI develops and more applications become available, the Commission recommends charities consider whether having an internal AI policy would be beneficial so it is clear how and when it can be used in governance, by employees in their work, or in delivering services to beneficiaries.

However, Trustees remain responsible for decision making and it is vital processes are not delegated to AI alone as there are risks inherent to the way AI is built, operates, and continues to learn. Trustees and others in charities must ensure that human oversight is in place to prevent material errors, and a human touch is key to the way many charities operate and interact with their beneficiaries.

Trustees should consider external risks and reputational damage arising from the misuse and recircularization of AI, such as fake news or deep fakes.

Whilst this evolving technology may seem daunting to many, there are more opportunities for charities to engage with the technology now it is more widely available.

The full blog can be obtained here:

https://charitycommission.blog.gov.uk/2024/04/02/charities-and-artificial-intelligence/

Compliance

Holiday Entitlement – where are we now?

In March 2023 the government opened a consultation exercise to review the legislation governing holiday entitlement and holiday pay, which had over time become complex, and in some cases, difficult for employers to follow.

The consultation exercise ended on 7 July 2023, and the government's response was published on 8 November 2023. The response indicates that the following actions will be taken:

- *Introduce an accrual method for calculating holiday*

  Entitlement will be calculated as 12.07% of hours worked in a pay period for irregular hours and part year workers. All other workers will accrue leave at 1/12th of their entitlement on the first day of each month during their first year of employment.

- *Sanction rolled-up holiday pay (RHP)*

  Legislation will be introduced to allow RHP for irregular hours workers and part-year workers only.

- *Introduce a definition of irregular hour workers & part-year workers*

  Legislation will be updated to define what is meant by irregular hours workers and part-year workers.

The Government has laid out revisions in respect of the above as part of The Employment Rights (Amendment, Revocation and Transitional Provision) Regulations 2023, effective from 1 January 2024.

Irregular hours and part-year workers

To the relief of many employers the revised Working Time Regulations ('WTR') will include provisions aimed squarely at addressing the flaws laid bare in the Harper Trust v Brazel case in which it was held part year workers on permanent contracts were entitled to a full year's holiday entitlement, regardless of the number of weeks worked.

For holiday years from 1 April 2024 individuals who work irregular hours or part-year (such as term time or casual workers) will accrue holiday on the last day of each pay period at a rate of 12.07% of the number of hours worked during the pay period. This will ensure that their entitlement will remain in proportion to the hours that have been worked and differs from other employees who receive their full entitlement at the start of a holiday year. It is open to employers to allow the employee to take more holiday than they have accrued – in such cases its essential that employment contracts reserve the right for the employer to deduct over usage from final salaries.

For the same group of workers the revised WTR sees a welcome return of rolled-up holiday pay. Rolled-up holiday pay is where the accrual in a pay period is paid to the employee with their basic salary rather than when they actually take their holiday. The practice was outlawed because in the opinion of the European Court of Justice it discouraged workers from taking time off. However, for many casual work arrangements rolled up holiday pay is the only logical approach and many employers have continued to apply it.

From 1 April 2024 rolled up holiday pay will be permitted on condition that:

- the individual is a part-year or irregular hours worker
- the holiday pay is calculated using 12.07% of all pay for work done
- the holiday pay (12.07%) is paid at the same time as the pay for work done
- the holiday pay is separately itemised on the payslip.

It's worth noting that the 12.07% formula does not account for the different holiday pots that we covered at the start of this article and therefore in some cases it could result in higher rates of holiday pay.

It is also the case that an employer has a legal duty to ensure that an individual takes their 5.6 weeks of holiday per year and this duty applies even when they are paid using rolled-up holiday pay and not when they actually take their holiday – which could make it difficult to monitor.

Record Keeping

Following a 2019 decision by the European Court of Justice employers have been required to record the daily hours worked by their employees.

Under the revised WTR employers will be required to keep records that evidence compliance with the 48-hour week, opt-out agreements, length of night work and health assessments for night workers, and therefore an employer is not required to record daily hours if they can evidence compliance by other means.

Key Takeways

The revisions to the WTR should be welcome news for most employers, although in some areas they lack detail – such as a lack of definition around normal earnings for the calculation of holiday pay.

Employers of irregular and part year workers will be eager to adapt their processes to accommodate 'accrue as you go' and rolled up holiday pay.

For some employers it will be the much-needed spur to start and correctly calculate holiday pay and for others a need to evaluate the true status of their self-employed contractors.

However, for almost all employers there will be a need to look at policies and procedures to ensure that they align with the new rules on holiday carry over and ensure that 'use it or lose it' prompts are timetabled before the end of the holiday year.

The full article can be obtained here:
https://www.crowe.com/uk/insights/holiday-entitlements

Duty on employers to prevent sexual harassment at work

The Worker Protection (Amendment of Equality Act 2010) Act 2023 received Royal Assent on 26 October 2023, and came into force on 27 October 2023, and introduces a new duty on employers to take reasonable steps to prevent sexual harassment of their employees in the course of their employment. 'In the course of their employment' covers activities outside of the workplace, for example work social events.

This new duty to prevent sexual harassment will be enforceable by an employment tribunal, where it has first upheld a claim for sexual harassment. A tribunal will have the discretion to award a 'compensation uplift' by increasing any compensation it awards for sexual harassment by up to 25% where there has been a breach of the employer's duty in sexual harassment cases.

The Equality and Human Rights Commission's guidance on sexual harassment and harassment at work contains steps employers should consider taking in order to prevent and deal with harassment at work. These steps include having an effective and well communicated anti-harassment policy in place and maintaining a reporting register of complaints for all forms of harassment.

A copy of the guidance can be found here: https://www.equalityhumanrights.com/sites/default/files/sexual_harassment_and_harassment_at_work.pdf

Charities and terrorism

The Charity Commission guidance on 'Charities and Terrorism', first published in December 2012, has been updated in November 2022.

The guidance forms Chapter 1 of the Charity Commissions compliance toolkit, which provides advice and information on key aspects of the UK's counter-terrorism legislation, highlights how particular provisions are likely to affect charities and their work, explains the various 'terrorism lists' that exist and advises trustees what to do if they discover their charity may be working with or connected to people or organisations on terrorism lists.

The updated toolkit signposts to new guidance from the Crown Prosecution Service on proscription offences and terrorist financing offences and cases involving humanitarian, development and peacebuilding work overseas.

The updated toolkit can be found here:

https://www.gov.uk/government/publications/charities-and-terrorism

Fundraising Regulator: Annual complaints report

In November 2023 the Fundraising Regulator has published its latest Annual Complaints Report which covers the period 1 April 2022 to 31 March 2023. The report analyses complaints received by the Fundraising Regulator and complaints reported to 58 of the UK's largest fundraising charities.

The number of complaints to the sample charities rose proportionally for most methods in line with increased fundraising activity – with 13 of the 23 fundraising methods having increased complaint numbers in 2021/22 compared to 2020/21. The overall number of complaints had increased since 2021/22 which is reflective of increases in fundraising activity since the pandemic.

Over the same period, complaints about fundraising methods including door to door fundraising (60), charity bags (57) and addressed mail (51) accounted for the majority of the 270 complaints within the Fundraising Regulator's scope. A common theme was that of misleading information, highlighting the importance of clarity in fundraising materials.

You can see the full report here.

Charities and campaigning

With the UK due to hold a general election by January 2025 at the latest, there presents an opportunity for charities to raise awareness and shape policy decisions.

The majority of charity campaigning does not fall under election law rules, however, care must be taken when campaigning that the charity does not stray into election campaigning and remains independent from party politics.

Various guidance is available from the Charity Commission to charities to assist in assessing the risks to the charity:

- Campaigning and political activity guidance for charities (CC9)
- Charities, Elections and Referendums guidance
- Charities and political donations guidance

The guidance emphasises the need for any campaigning to be carefully considered by the Trustees, particularly in respect to the risks, costs and benefits of any such activity.

Charities will be required to register with the Electoral Commission as non-party campaigners if they spend more than £10,000 on regulated campaign activities and may be required to provide financial returns after the election.

The Electoral Commission has produced guidance to support organisations which can be found here.

The Charity Commission have urged charities to ensure that they have read and understood the Code of Practice for non-party campaigners which has also been produced and can be found here.

General Election: New Charity Commission Guidance on Lessons Learned

Following the recent election date announcement, the Charity Commission for England and Wales has issued further guidance for charities. Lessons Learned is based on cases opened during the 2017 General Election.

The guidance highlights key issues and questions for charities to consider regarding campaigning and political activity during the election period.

The main areas are as follows:

- Supporting or criticising particular policies
- Supporting or criticising a political party or a political candidate
- Political activity and campaigning by a charity trustee or employees
- Use of charity premises
- Visits to charities by prospective candidates
- Mis/disinformation
- Links with associated non-charitable organisations carrying our political activities and campaigning
- Political candidates using information on charities in their campaigns

In addition to this recent guidance charities should also consider the previous Charity Commission guidance Charities, Elections and Referendums - GOV.UK (www.gov.uk).

Trustees must ensure that any activities do not cause harm to their charities, and that appropriate decision making processes are followed. For a quick overview Trustees can read the Political activity and campaigning by charities - GOV.UK (www.gov.uk) guidance.

Gender pay reporting

Any employer with 250 or more employees on a specific date each year (the ‘snapshot date’) must report their gender pay gap data. For most entities the snapshot date is the 5 April of each year.

You must report and publish your gender pay gap information within a year of your snapshot date. You must do this for every year that you have 250 or more employees on your snapshot date.

Guidance on what and how to report can be found here: https://www.gov.uk/government/publications/gender-pay-gap-reporting-guidance-for-employers

Failure to prevent fraud and other economic crimes

A new failure to prevent fraud offence has been introduced by the Economic Crime and Transparency Act 2023. It will apply to all large corporate entities, including charitable companies and CIOs.

An offence is committed where an employee or agent commits fraud. The penalty is an unlimited fine for the organisation, and no personal liability will be introduced for trustees or management failure to prevent fraud.

The legislation is far reaching, and where an organisation operates or is based overseas, if an employee commits fraud under UK law or affecting UK victims, the company can be prosecuted.

There is a defence to the failure to prevent economic crimes if the organisation can prove that it had reasonable prevention measures in place, or that it was not reasonable in all the circumstances to expect it to have had any procedures in place.

The offence will come into force when the government publishes statutory guidance on the reasonable procedures organisations should consider putting in place.

Full details of the legislation can be found here.

New free digital service from National Cyber Security Centre

The National Cyber Security Centre have launched a new free digital service, MyNCSC, which aims to enhance charities’ cyber security approach.

MyNCSC combines Active Cyber Deference (ACD) digital services, offering a unified experience tailored to each user’s needs, including content, vulnerabilities, and alerts.

The MyNCSC platform is a free service for UK registered charities, enabling organisations to access various ACD services, such as:

- early warning
- mail check, assessing email security compliance
- web check, finding and fixing common security vulnerabilities in the charity’s website

There are plans to gradually increase the number of ACD services integrated with MyNCSC.

MyNCSC offers a unified user interface for accessing multiple services promoting collaboration within organisations when managing digital assets and viewing findings.

For further information and guidance on how MyNCSC works, visit:

https://www.ncsc.gov.uk/information/myncsc

Financial and other reporting

FRC Amendments to FRS 102

The Financial Reporting Council (FRC) issued amendments to financial reporting standards on 27 March 2024, the changes are mostly effective for accounting periods beginning or after 1 January 2026. This follows the consultation impact assessment during 2023.

The amendments include:

- a new model of revenue recognition in FRS 102 and FRS 105 based on the IFRS 15 five-step model for revenue recognition with appropriate simplifications
- a new model of lease accounting in FRS 102 based on IFRS 16 on-balance sheet model (again with appropriate simplifications)
- various other incremental improvements and clarifications

The FRC intends to publish new editions of the standards and updated staff factsheets with guidance during 2024.

The SORP committee are reflecting on these amendments and exploring how they will impact the remaining stages of the SORP development process with updates to follow.

The full amendment documents can be obtained here: https://www.frc.org.uk/news-and-events/news/2024/03/frc-revises-uk-and-ireland-accounting-standards/

Dispelling common myths about charities

ICAEW, with input from Crowe, has published guidance exploring ten myths surrounding charities and their operations, with a view to encourage transparent communication in areas where these misconceptions are prevalent. The ten myths considered are:

- Charities spend too much on fundraising.
- They should not make a surplus or build up cash reserves.
- Too much is spent on highly paid executives.
- They should not undertake commercial activities.
- Charities should be run and staffed [for free] by volunteers.
- Too much is spent on overheads.
- Charities don't pay taxes, so need less money.
- Professional qualifications are needed to become a charity trustee.
- Charities are less vulnerable to fraud than other organisations.
- Charities should not engage in campaigning and political activity.

The guidance includes access to a webinar discussing some of the key myths with voices from the sector.

The Guidance can be found here: Dispelling common myths about charities | ICAEW

Charity Digital Skills report

The Charity Digital Skills annual report has been running since 2017 and tracks the sector during a time of significant change due to the impact of the pandemic. As we continue to navigate the cost of living crisis and the impact on the sector, this report aims to shed some light on how the digital capabilities of charities have evolved and highlighting key trends.

The report highlights that:

- Three quarters (78%) of charities say that digital is more of a priority for their organisations
- 1 in 5 charities say their IT provision is poor
- 8 out of 10 (79%) of charities see improving their website, digital presence or social media as the greatest priority for the next year
- Improving data security, privacy and GDPR compliance has become more of a priority since 2022.
- Almost half (46%) of charities say they do not have anyone with digital expertise on their board

The gaps seen in previous years persist, these include funding and leadership. With the rapid growth in AI development charities must ensure that digital skills remain a priority to avoid being left behind.

Digital Skills Report for the Charity Sector - Introduction (charitydigitalskills.co.uk)

NCSC publishes "Cyber Threat Report: UK Charity Sector"

The National Cyber Security Centre has published a report outlining the cyber threats currently facing charities of all sizes.

The 2023 DCMS Cyber Security Breaches Survey, which measures the policies and processes organisations have for cyber security, as well as the impact of breaches and attacks, highlighted 24% of UK charities had identified a cyber-attack in the last 12 months, a decrease from 30% in 2022. The drop is driven by smaller organisations – the results for medium and large businesses, and high-income charities, remain at similar levels to last year.

The report notes that the charity sector is particularly vulnerable as they can hold significant amounts of sensitive or valuable data, making them attractive targets, alongside a perception that charities have fewer resources to commit to cyber security.

The report provides details of the commonly perpetrated cyber-attacks, as well as a number of recommendations and links to guidance to assist charities strengthen their defences.

A copy of the report can be obtained here: https://www.gov.uk/government/statistics/cyber-security-breaches-survey-2023/cyber-security-breaches-survey-2023#summary

Charity Commission: Guidance on accepting donations

In March 2024, the Charity Commission published new guidance to help charities when deciding whether to accept, refuse or return a donation.

The guidance explains when donations must be refused or returned and when these might likely need to be refused or returned. The guidance makes clear that trustees should start from a position of accepting donations, but from time to time a charity may face a difficult decision as whether to refuse or return a donation. The guidance sets out an approach for trustees to take on these occasions, advising they:

- consider the risks involved in refusing or returning the donation, and how likely and serious these are. These include negative financial impact, ability to deliver services and ability to attract donations in future
- consider the risks involved in accepting or keeping the donation, and how likely and serious these are. These include the likelihood of reduced support or reputational harm, particularly among supporters or beneficiaries
- determine how any decision aligns with their charity’s purposes
- determine what steps they can take to mitigate the risks. These include negotiating the terms of a conditional donation with the donor or developing a public explanation for a decision

It explains that if a charity is considering refusing or returning a donation, the charity must have the legal power to refuse or return a donation. In some situations, there are additional legal rules to consider e.g. disposal or land or properties of a special trust.

The charity should also consider whether it needs to make a SIR when it refuses or returns a donation.

Ultimately, as the guidance states: “Deciding whether to accept, refuse or return a donation is likely to involve a careful balancing exercise. There may be no right or wrong answer, but your decision must be rational and reasonable, and supported by clear evidence.”

The full guidance can be obtained here: https://www.gov.uk/guidance/accepting-refusing-and-returning-donations-to-your-charity

Taxation

Consultation: Charity tax compliance

The Government has launched a consultation into several aspects of tax compliance by charities to consider how to reform some of the tax relief rules that are not working as intended.

The consultation seeks views on a number of areas, including:

- preventing donors from obtaining a financial benefit from their donation
- preventing abuse of the charitable investment rules
- closing a gap in non-charitable expenditure rules
- sanctioning charities that do not meet their Filing and Payment Obligations

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 20 July 2023, and HMRC are analysing the feedback received.

The consultation can be found here:
https://www.gov.uk/government/consultations/charities-tax-compliance/consultation-charities-tax-compliance

HMRC Guidance: Detailed guidance notes on how the tax system operates for charities

HMRC have updated their guidance for charities in recent months. The key changes to the guidance are:

- Sections 3.4.1 and 3.13.1 of Chapter 3 'Gift Aid' have been updated to explain that cryptoassets must be converted to money before donations are eligible for gift aid.
- Section 8.1 has been updated to clarify that top-up payments on chip and pin donations can be claimed.
- Section 8.3 has been updated to explain that a Community Amateur Sports Club must keep records of chip and pin donations made through bank accounts and terminals for their claims.
- Update to correct an error in section 22.2 of Chapter 3: Gift Aid. Figures have been adjusted in the calculations to make sure the aggregate value test produces the same pass or fail outcomes as before.
- Section 3.45 of Chapter 3 has been updated to provide examples of Gift Aid on waived funds and loan repayments for individuals and companies.

The updated guidance can be found here:
https://www.gov.uk/government/publications/charities-detailed-guidance-notes

Potential claims for overpaid VAT on fundraising events

In 2023, the Yorkshire Agricultural Society (YAS) won a First Tier Tribunal, which could impact charities' approach to fundraising events where there is more than one purpose. The decision resolves a dispute with HMRC over whether a dual-purpose event could be treated as VAT exempt.

According to HMRC's interpretation of the VAT legislation, fundraising events could only be VAT exempt if, among other conditions, the primary purpose is fundraising, and it is clearly held as a fundraiser.

HMRC tried to argue that there was a dual purpose to the events and therefore fundraising was not the primary purpose. The Tribunal rejected HMRC's arguments and agreed that there can be more than one purpose, without removing the ability to apply the VAT exemption.

What does this mean for charities:

- this case pushes back the boundaries of HMRC's restrictive approach to charities qualifying for the fundraising exemption. As a result, events including ticketed charity events, which were previously treated as taxable for VAT purposes, may not qualify for VAT exemption. It should be noted that all income from the event can qualify for exemption.

- charities should review any fundraising events that have taken place or are due to be run where they have not taken advantage of the exemption as this could be applicable.

- it may be possible to claim for over-declared output tax on events that have taken place during the last four years where the exemption's conditions have been met.

- there may also be opportunities for charities that have been assessed for output tax on these events by HMRC to revisit and challenge the assessment.

It should be noted that charities looking to make a claim will also need to consider the input tax restriction and partial exemption position from the change of previously taxable income to exempt.