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City’s Estate Group

Draft Report to the Audit and Risk Committee

Year ended 31 March 2025

Presented to the Audit and Risk Committee on 17 November 2025

Audit / Tax / Advisory / Risk

Strictly Private and Confidential

The Audit and Risk Committee
The City of London
PO Box 270
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29 October 2025

Dear Members of the Audit and Risk Committee

I have pleasure in submitting our draft audit findings report for the year ended 31 March 2025. The primary purpose of this report is to communicate to the Audit and Risk Committee Members (in the context of the Group), Directors (in the context of the Power Stations) and Trustees (in the context of the Natural Environment entities) the significant findings arising from our audit that we believe are relevant to those charged with governance.

I look forward to discussing our report with you, as well as any further matters you may wish to raise with us, and I shall be attending the Audit and Risk Committee meeting.

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

Yours sincerely

Tina Allison
Partner

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1. Executive summary

Our report to you

We were pleased to present our Draft Audit Findings Report to the members of the Audit and Risk Committee at your meeting on 17 November 2025.

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

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

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

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

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

Conclusions in relation to the areas of significant audit risk

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

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

The results of our audit work in these areas is set out below:

Significant risk	Control deficiency identified	Adjustment(s) identified	Other reported matters
Revenue Recognition – Investment Property income (A)	None noted	None noted	None noted
Revenue Recognition – Financial investments income (A)	None noted	None noted	None noted
Revenue Recognition – Education income (A)	None noted	1 Adjustment noted	None noted
Revenue Recognition – Market income (A)	None noted	None noted	None noted
Revenue Recognition – Charitable Activities income (B,D)	None noted	1 Adjustment noted	None noted
Revenue Recognition – Voluntary income	None noted	None noted	None noted
Financial Investment valuation (A,B,D)	None noted	None noted	None noted
Estimates & Judgements – Investment Property valuation (A)	None noted	1 Adjustment noted	None noted

Estimates and Judgements – Pension Liability (A)	None noted	None noted	None noted
Estimates and Judgements – Decommissioning Provision (A)	None noted	None noted	None noted
Related Parties (all entities)	None noted	None noted	Point noted
Consolidation (A,B,C,D)	None noted	1 Adjustment noted	None noted
Management override of controls (all entities)	None noted	None noted	None noted

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

Other audit findings

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

Fraud and irregularities

Section 4 sets out the Trustees and our responsibilities in respect of fraud and irregularities.

Audit materiality

The audit materiality for the financial statements set as part of our audit planning took account of the level of activity / funds held by City's Estate and was set at 2% of investments (overall) and 1.5% income (specific), as appropriate for the financial statements area concerned. We have used our overall materiality just for our testing on investments, investment properties, goodwill and pensions. Specific materiality has been applied to all other areas of testing.

We have reviewed this level of materiality based on the draft financial statements for the year ended 31 March 2025 and are satisfied that it continues to be appropriate being:

2% of Investments (overall) - £54,000k

1.5% of Income (specific materiality) - £3,400k

We set separate audit materiality levels for each of the group's subsidiary entities. Details of these separate materiality levels are set out in Appendix 4.

Unadjusted misstatements

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

We have listed in Appendix 1 the misstatements we have identified which have not been adjusted by management. The unadjusted errors would result in an increase of £16.1m in the total comprehensive income / (expenditure) recorded in the Statement of Comprehensive Income and management have concluded that this is not material. We will be requesting confirmation from the Trustees in our audit representation letter that you do not wish to adjust for these misstatements.

Audit completion and our Audit Reports

We have completed our audits in accordance with our Audit Planning Report which was sent to you and the senior management team on 23 April 2025, subject to the matters below.

- Completion of engagement quality control review by second audit partner.

Significant risk areas:

- Completion of journals sample review
- Completion of financial investment and investment property income testing
- Completion of consolidation adjustment review follow up queries on sample of adjustments.
- Completion of related party disclosure testing and receipt of outstanding RP declarations
- Conclusion on account treatment of payments made to tenants within the year in line with contract (vacant possession)
- Receipt of outstanding audit support and completion of audit testing on Natural Environment entities.

Other areas:

- Completion of going concern review upon receipt of management assessment.
- Completion of debtors & creditor sample follow up queries
- Completion of expenditure sample testing (including repairs & maintenance, grants and major project expenditure)
- Completion of testing on contractual capital commitments disclosure
- Completion of final payroll follow up queries on staff cost note.
- Finalisation of central work on payroll reconciliation and recharges
- Finalisation of IT controls review

External:

- Receipt of external bank confirmations (2 Banks - 5 accounts)
- Receipt of Cluttons investment property sample review reports

Standard points reviewed up to point of signing:

- Clearance of final audit partner and audit managers review notes.
- Completion of the going concern and post-Balance Sheet events reviews.
- Review of the final financial statements.
- Receipt of the signed letter of representation (Appendix 5).

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

On the satisfactory completion of these matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the 2025 financial statements.

Responsibilities and ethical standards

We have prepared this report taking account of the responsibilities of the Trustees and ourselves set out in Appendix 5 of this report.

The matters included in this report have been discussed with the charity's management during our audit and at our closing meeting on 21 October 2025. Sonia Virdee, Daniel Peattie and Iain Jenkins have seen a draft of this report and we have incorporated their comments and/or proposed actions where relevant.

2. Significant audit risks

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

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

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

We have commented below on the results of our work in these areas as well as on any additional significant risks, judgements or other matters in relation to the financial statements of City's Estate identified during our 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 £74.4m in 2025 (2024: £75.3m).

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 year end.

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 work on investment property income included the following:

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

Our conclusions and other comments

As noted in Section 1, at the time of writing this report we are finalising the year end cut-off testing and testing of reconciling items on investment property income.

No issues have been identified to date, though, final quality review checks are required once responses to our follow up queries have been received and processed.

2.2 Revenue Recognition – Financial investment income (A)

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 City Bridge Fund 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 work on financial investment income included the following:

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

Our conclusions and other comments

As noted in Section 1, at the time of writing this report we are finalising the testing on one sample of financial investment income to resolve a variance identified.

No issues have been identified to date, though, final quality review checks are required once responses to our follow up queries have been received and processed.

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 £114.6m in 2025 (2024: £104.1m). This income stream is generated from the four 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.

From January 2025, following the government decision to impose VAT on independent school fees which impacted the fee income of the City of London Schools.

The recognition of school fees net of VAT is considered highly predictable due to validating pupil numbers and termly fees to third party sources 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 work on education income included the following:

- Gaining an understanding of the systems and controls in place around education income, including controls over pupil management and invoicing at each school.
- Completed a proof-in-total over education fee income at each school using pupil data and fixed tuition fees lists for each school.
- Completed testing on the underlying inputs into this proof in total, including any discounts offered in the year.
- Reviewed a sample of tuition and other education fee income, agreeing it to support and receipt to the bank.
- Performed cut-off testing around the year end to ensure income has been recognised in the correct years and income has been deferred appropriately.
- Reviewed the treatment of VAT on fees including reviewing which elements of fees VAT has been applied to and agreeing that this has been correctly embedded into the VAT returns and workings.

Our conclusions and other comments

As part of our testing on school trip income, it was noted that income relating to school trips from April 2025 to September 2025 was recognised in the year to 31 March 2025. Although these trips take place in the 2024/25 academic year, because the financial year and academic year are not coterminous there is a timing difference and therefore the income relating to these trips should be deferred. An adjustment for this has been noted in Appendix 1.

Our testing of Education Income has not highlighted any material issues in relation to the recognition of this income stream. However, this area is subject to clearance of an engagement quality control review.

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 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, we consider there to be a significant risk over this revenue stream, primarily over cut-off and completeness.

Crowe response

Our work on market income included the following:

- Reviewed a sample of transactions and bank receipts either side of the year end date to ensure these have been recognised in the appropriate period;
- Obtained a breakdown of market income for the year and reconciled to the trial balance;
- Verified a sample of market income to supporting agreements, bank receipts and invoices; and
- Reviewed the year-end deferred income balances, testing a sample to support and re-calculating the split of any invoices as appropriate.

Our conclusions and other comments

Our testing of Market Income has not highlighted any material issues in relation to the recognition of this income stream. However, this area is subject to clearance of an engagement quality control review.

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 work on charitable activity income included the following:

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

Our conclusions and other comments

Work in this area is primarily focused on our audits of the Natural Environment entities.

In Hampstead Heath we have noted that one month of facilities income was not recorded for August 2024 and therefore income was understated by £122k. We have raised an adjustment for this in Appendix 1 of this report.

As noted in Section 1 our testing on this area is ongoing due to delays in delivery of audit deliverables. We have agreed a revised timetable with management of delivery of remaining items.

At the time of writing this report therefore, we are still finalising our work in this area. Following the completion of this we will provide an update to the conclusions of this work and communicate any controls findings we have identified.

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

Our work on voluntary income included the following:

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

Our conclusions and other comments

Work in this area is primarily focused on our audits of the Natural Environment entities.

As noted in Section 1 our testing on this area is ongoing due to delays in delivery of audit deliverables. We have agreed a revised timetable with management of delivery of remaining items.

At the time of writing this report therefore, we are still finalising our work in this area. Following the completion of this we will provide an update to the conclusions of this work and communicate any controls findings we have identified.

2.7 Financial Investment Valuation (A,B,D)

Key related judgements

The financial investments portfolio within City's Estate was £944.9m as at 31 March 2025 (2024: £988.5m). 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 internal 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).

Crowe response

Our work on financial investment valuation included the following:

- Selected a sample of individual funds within the portfolio and obtained 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 reconciled the valuation to records to confirm ownership and existence;
- For listed investments we agreed 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 obtained 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;
- Performed 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.

Our conclusions and other comments

As part of our testing, we have obtained direct confirmation from the respective investment managers for both listed and unlisted investments.

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

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

Where they have been prepared and have been available, we have also reviewed the internal controls reports, for the investment managers and custodians.

Impairment of investment in Barking Power Station

City Estate carries its investment in Barking PowerStation at £90m which represents its net asset value at the date of acquisition.

The current net asset value of the Power Station is approximately £60m which suggests a substantial impairment in this investment.

Though the balance is eliminated on consolidation and has no impact in net assets, we recommend that you update your internal records to ensure the investment is recorded at an appropriate value.

2.8 Estimates & Judgements – Investment property Valuation (A)

Key related judgements

Investment properties held by City's Estate totalled £1,780m as at 31 March 2025 (2024: £1,863m). As in previous years, 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.

Crowe response

Our work on investment property valuation included the following:

- We reviewed the investment property valuation report with consideration to judgements and estimates used by the valuer with reference to market data. We have also tested the inputs provided to the valuer by the entity and the ownership status via land registry.
- We also considered management's assessment of indicators which might identify a reduction of fair value within the portfolio and review wider information to consider if there are other indicators which may impact valuation of properties at year end.
- We obtained additional assurance over property valuations from an independent external property expert (Cluttons) who reviewed a sample of properties to confirm if the valuation provided by surveyors in reasonable.
- We also reviewed the valuation adjustment and ensure any gains/losses on revaluation have been appropriately recognised in the Statement of Comprehensive Income.

Our conclusions and other comments

As with the prior year, we have engaged Cluttons as an auditor's expert to complete a review of the City's Estate valuation report prepared by JLL, consisting of a high-level review of the full report and a more detailed review of five selected properties. This has also included challenging the methodology and inputs used by JLL to determine their reasonableness.

The valuations prepared by JLL have been noted as being generally at the midpoint when compared to the range set by Cluttons. We have concluded with the aid of this review that the approach adopted by JLL is reasonable however, with satisfactory explanations obtained where a property's value has not moved in line with wider market trends.

For one of the properties selected (Blossom Street), it was noted that there was a historic error in the valuation noted in the 23/24 financial statements whereby capital receipts totalling c.£16.7m prior to the valuation had incorrectly been included in the valuation of this property resulting in them being double counted. This was corrected in the 24/25 valuation review and we are therefore satisfied that the valuation as at the year ended 31 March 2025 is correct, however in Appendix 2 we have noted this as a potential restatement for the prior year comparative as the amount is below the materiality threshold.

At the time of writing, the review process for this area with regards to the Barking Power Station site is currently ongoing. We will report any additional findings to you should these be identified as we finalise our testing.

2.9 Estimates and Judgements – Pension Liability (A)

Key related judgements

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.

Crowe response

Our work on pension scheme liability included the following:

- Benchmarked the assumptions used by the actuary in calculating the FRS102 pension liability.
- Assessed the difference in calculating the liability between IAS19 and FRS102 to determine whether it is material or otherwise significant.
- Verified scheme assets to third party documentation; and
- Verified (on a sample basis) the input data provided to the actuary to HR and payroll records.
- Verified the apportionment methodology of the pension liability across the 3 City of London funds.

Our conclusions and other comments

In comparing the assumptions from the actuarial report from Barnett Waddingham to those used by other actuaries for other clients, it was noted that all the assumptions were within the range of the other clients.

The assumptions used by the City Estate actuaries when compared to our benchmark data is set out in the below table.

Actuarial Assumptions	City Estate	Crowe clients			In range?
		Average	Min	Max	
Discount (%)	5.85	5.77	5.60	5.85	✓
RPI (%)	3.20	3.16	3.09	3.30	✓
CPI (%)	2.90	2.67	2.30	2.90	✓
Salary Growth (%)	3.90	3.19	2.15	3.90	✓
Retiring today - Males	20.70	21.22	19.30	22.40	✓
Retiring in 20 years time - Males	22.00	22.82	21.40	24.70	✓
Retiring today - Females	23.30	23.64	22.60	24.70	✓
Retiring in 20 years time - Females	24.70	25.32	24.50	26.10	✓

The assumptions surrounding the pension liability calculations can have a significant impact on the financial statements and it is therefore important that the members consider the appropriateness of the assumptions used and the sensitivity to these assumptions.

City Estate discloses the defined benefit scheme in accordance with IAS 19 in line with City Fund requirements rather than FRS102 and states that the difference is immaterial. We have compared the disclosure under FRS102 to the disclosure reported under IAS19 and confirmed that these are not materially different and the differences are below our reporting threshold.

No issues arose from our testing of the apportionment methodology of the pension liability across the 3 City of London funds.

2.10 Estimates and Judgements – Decommissioning 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

Our work on the decommissioning provision included the following:

- Obtained and reviewed management's estimation of the provision;
- Gained an understanding of the key inputs to the provision calculation, agreeing them to supporting documentation as appropriate; and
- Reviewed costs incurred post year-end to ensure that they are in line with management's forecast to corroborate the accuracy of the provision made.
- Challenged management assumptions / basis of estimation for reasonableness.

Our conclusions and other comments

As noted in the prior year, the majority of the capital works were completed during the 23/24 financial year, with the remaining provision at year end relating to residual balances, compensation costs and retentions with the provision at 31 March 2025 totalling £1.1m (2024: £2.5m).

The year end provision amounts at 31 March 2025 are made up of retention costs regarding gas works (£0.2m), retention costs regarding water works (£0.4m) and deeds of release (£0.5m).

In addition to the provision amounts, there is a contingent liability disclosed for a maximum of £2.5m in relation to off-site infrastructure remediation, subject to the intention to develop and granting of planning permission to the applicable landowners for which the timing and existence of payments is uncertain.

No issues were noted from our testing on the decommissioning provision.

2.11 Related Parties

Key related judgements

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 consider completeness of related party disclosures to be a significant area of risk as transactions of this type 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.

Crowe response

We have reviewed 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.

Our conclusions and other comments

As noted in Section 1 of this report, at the time of writing there are outstanding declarations of interest. Our work in this area remains ongoing whilst declarations continue to be received.

At the 3 November 2025, there were 18 member declarations outstanding, of which 13 are former members. We have agreed with management that declarations for all current members will be obtained, and management will prepare an assessment of the ex-member declarations not received by reviewing historical declarations of these members and forming an assessment on the risk of omitted related party declarations and transactions in relation to these former members. We have once again included an additional point in the letter of representation in Appendix 5 to confirm that the board are satisfied that this judgement does not have a material impact on the financial statements.

As in prior years, the Related party disclosure note states that 'Members and Chief Officers have been requested to disclose related party transactions of £10,000 or more'. This has been identified in Section 2.13 as a significant judgement and estimate. We have discussed this with the Crowe technical team and confirmed that this is a reasonable judgement to make on the basis of materiality, however we have once again included an additional point in the letter of representation in Appendix 5 to confirm that the board are satisfied that this judgement does not have a material impact on the financial statements.

2.12 Consolidation

Key related judgements

In 2023 we highlighted a significant deficiency surrounding the preparation of the consolidated group accounts which management were not initially able to balance.

Although there were no such issues in 2024, given the inherent complexity of the consolidation due to the multiple entities consolidated, and that it is a manual process with a high level of adjustments, this has been identified as a significant risk.

Crowe response

Our work on consolidation included the following:

- Agreed the inputs for the consolidated entities to the individual audited financial statements.
- Reviewed all manual adjustments made to the balance sheet and SOCI as part of consolidation.
- Reviewed intercompany balances and transactions identified in the course of audit testing to agree appropriately eliminated.
- Reviewed adjustments in the prior year to build expectation and identify any potentially omitted adjustments.

- Documented our understanding of the consolidation process to agree this is in line with expectations.

Our conclusions and other comments

We are pleased to report that as we reported last year in the 2024 audit, no such issues arose in 2025 and the additional checks introduced by management to review the accuracy of the consolidation model have been successful subject to some minor adjustments and recommendations noted below.

Through our reconciliation of the trial balance to the draft accounts for income and expenditure, we found £291k of income which was being netted off against governance costs in the SOFA. An unadjusted misstatement has been raised in respect of this within Appendix 2.

As noted in Section 1, at the time of writing this report we are finalising our work on a small number of the year end consolidation adjustments however our testing in this area is predominantly complete and there are no further issues arising to date.

Following the completion of this we will provide an update to the conclusions of this work and communicate any controls findings we have identified.

Intercompany matrix

As noted in FY24, as part of our testing on the consolidation process it was noted that an intercompany matrix is not prepared or maintained which would summarise the intercompany balances and transactions to be eliminated on consolidation. We have updated the prior year systems and controls recommendation in respect of this in Appendix 2.

2.13 Management override of controls

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

Significant accounting estimates and judgements

ISA (UK) 540 (Revised) Auditing Accounting Estimates and Related Disclosures requires additional audit focus over management's estimates, including undertaking separate risk assessments for both inherent and control risks. In respect of the former, consideration is given to the 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.

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

- Financial Investment Valuation [significant risk] *(Section 2.7)*
- Investment Property Valuation (including considerations of a potential contingent liability due to RAAC) [significant risk] *(Section 2.8)*
- Pension Liability [significant risk] *(Section 2.9)*
- Decommissioning Provision [significant risk] *(Section 2.10)*
- Related Parties – Members disclosure of transactions > £10k [significant risk] *(Section 2.11)*
- Assessment of impairment of assets. *(Section 3.2)*
- Assessment of impairment of goodwill (City's Estate) *(Section 3.2)*
- Assessment of the remaining useful life of assets. *(Section 3.2)*
- The classification of accounts between short term investments and cash and cash equivalents. *(Section 3.2)*
- The split of recharged expenditure between the various entities of the City of London Corporation. *(Section 3.2)*
- The Claims provision within City Re *(Section 3.2)*
- Deferred tax calculation within Barking Power Limited *(Section 3.2)*

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

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

Controls around journal entries and the financial reporting process

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

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

Whilst this threshold management deem satisfactory for City's Estate due to the level of materiality, this threshold for reviewing journals for the Natural Environment entities is not sufficient due to their lower level of materiality. We have included an update on the prior year recommendation in Appendix 2 to lower the threshold of journal review for the Natural Environment entities and include independent spot checks for journals under the £100k threshold for City's Estate as a two-tiered approach to journal reviews.

Significant transactions outside the normal course of business

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

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

2.14 Market closure compensation payments

In Section 2 of our audit planning report we detailed the areas of the audit which we identified as a significant risk, considering both the likelihood and magnitude of a possible misstatement. The 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

As part of our assessment at the time of our audit planning report we assessed the potential compensation payments in regards to the market closure as an above average risk however not a 'Significant' risk. We are required to review our assessment and update this accordingly where changes are identified throughout the course of the audit. Due to the complexity, subjectivity and uncertainty around the likelihood and magnitude of potential compensation payments we decided to elevate this to a significant risk area for our audit. This was communicated in writing to management on 15 August 2025.

Crowe response:

Our work on market closure compensation payments included the following:

- Evaluated the paper prepared by management outlining the full financial and legal impact of the market closures.
- Assessed the reasonableness of assumptions and conclusions, verifying against supporting documentation including signed contracts, legal correspondence, and publicly available information.
- Engaged directly with Field fisher (external legal advisors) to obtain independent confirmation of the completeness and accuracy of management's assessment of legal exposures and obligations.
- Ensured that all liabilities and provisions are recognised in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.
- Confirmed that any contingent liabilities are adequately disclosed in the notes to the financial statements, with appropriate narrative and quantification where possible.

Our conclusions and other comments

We have completed the procedures as stated above around the completeness of any liability or provision in relation to the market closure including reviewing management's assessment regarding the market compensation payments and agreed this is consistent with our discussions with Field Fisher. No issues arose from our work on this area.

As noted in Section 1, our work on the accounting treatment of payments made to tenants within the year in line with contract (vacant possession) as a prepayment vs expenditure recognised in FY25 is outstanding. We are in discussion with management around the disclosure requirements regarding the market closures.

3. Other audit findings

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

3.1 Going concern

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

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

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

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

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

- Reviewed the period used by Members to assess the ability of City's Estate Group, Power Stations and Natural Environment entities to continue as a going concern,
- Examined budgets and forecasts prepared by management covering the period of the going concern assessment to ensure that these appropriately support the Board's conclusion,
- Reviewed the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year, and
- Reviewed any other information or documentation which the Members have used in their going concern assessment.

Our conclusions and other comments

As at 31 March 2025 City's Estate Group is reporting total reserves of £2,681m (2024: £2,762m). City's Estate Group's operating result for the year is a deficit of £99.3m (2024: £104.9m deficit).

The cash balance at year end is £29.7m (2024: £15.6m) and financial investments amounted to £944.9m (2023: £988.5m) and investment properties of £1,779.5m (2024: £1,862.9m).

The accounts state that City's Estate is a going concern on the basis that it annually receives considerable income from its property and non-property investments which is considered in the context of a rolling medium-term financial forecast.

For Barking Power Ltd it is noted that the accounts continue to be prepared on non-going concern basis. It has been agreed with management that a letter of support from City Estate is required to confirm that it intends to provide funding for the power station to finance its remaining commitments and will not recall intercompany loans / balances prior to the decommissioning being complete.

Other than the Barking Power letter of support, our work on going concern has not noted anything that would bring the going concern assumption into question however as noted in Section 1 we will continue reviewing going concern up to the date of signing.

We will be seeking representations that Members have considered the forecasts and are satisfied that the going concern basis is appropriate.

3.2 Estimates and judgements

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

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

- Assessment of impairment of assets.
- Assessment of 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.
- Claims for provision within City Re
- Deferred tax calculation within Barking Power

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.

Assessment of impairment of assets

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

Assessment of impairment of goodwill (City's Estate)

Total Goodwill is £15.6m in 2025 and is not considered material to the financial statements, therefore the risk of material overstatement of this balance is considered remote for the purpose of our audit.

Assessment of the remaining useful life of assets

We have discussed tangible assets below in Section 3.8.

The classification of accounts between short term investments and cash and cash equivalents

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

The split of recharged expenditure between the various entities of the City of London Corporation

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

Claims for provision within City Re

We have reviewed the working papers complete by the component auditor Moore Stephens and agreed that no issues have been noted as part of their testing on this area, and there was nothing to note on this.

Deferred tax calculation within Barking Power Limited

We have not identified any issues with the deferred tax balance. The movement for the year has been re-calculated and agreed in line with expectations.

3.3 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 in Section 2 to be significant, we do not consider other income streams to be significant due to their expected immaterial nature.

Across all income streams the key risks remain the same:

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

We have substantively tested the completeness and cut off for the non-significant income streams.

Suspense accounts

As part of our testing on creditors, it was identified that there is a suspense account (Cashiers suspense account) which is used to record unallocated receipts to the shared bank accounts.

The year end balance on this account is £4.5m (2024: £5.0m) and therefore continues to be a material amount of unallocated receipts at the year end.

As part of our testing on this account, we select a sample of transactions to agree that these have been recorded in the correct entity, as in prior years we have identified transactions which were subsequent to the year end allocated to other entities within the group. For one of the samples selected, the receipt totalled £686k and was dated December 2024 however at the time of writing this report this receipt has not yet been identified and allocated. We will obtain an update on this receipt as the amount is above our reporting threshold and therefore may require reporting as an unadjusted item if it is subsequently identified as relating to another entity within the group. No other issues were noted from our review of the cashiers suspense account.

We have provided an update to the prior year systems and control recommendation in Appendix 2 which recommends that the cashiers suspense account is reviewed regularly and that it is cleared out at year end to ensure that all receipts have been correctly allocated / recognised.

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

3.4 Payroll

Payroll is one of the largest single expenditure items for City's Estate totalling £112.6m in 2025 (2024: £110.2m). 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.

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

Crowe response

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

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

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

Our conclusions and other comments

As noted in Section 1, at the time of writing this report we are finalising the follow up queries on payroll reconciling items, and completing our testing on the disclosure note in the financial statements.

3.5 Grant expenditure

A number of grants are made through the Central Grants Programme across a wide range of charitable causes in London. The programme has four funding themes;

- Stronger Communities
- Enjoying Green Spaces and Natural Environments
- Inspiring London through Culture
- Education and employment support

Grant expenditure consist of multiple grants of c.£100k aimed to support businesses within the City of London. Total Grants expenditure in the year is £41.6m.

Crowe response

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

Our conclusions and other comments

As noted in Section 1, at the time of writing this report we are finalising the follow up queries on grant expenditure.

3.6 Natural Environment Entities

The City Corporation is Trustee of 8 charities which manage and run open spaces across 11 London Boroughs and 4 District Councils, and these charities are referred to as the 'Natural Environment Entities.

As noted in Section 2, income from Charitable activities was identified as a significant audit risk and our findings on this area have been documented in Section 2 of this report.

In addition to the findings on Charitable Activities, we have identified the following audit points with regards to non-significant risk areas as part of our audit testing on the Natural Environment entities.

Grant funding

As part of our work on the grant income received by the Natural Environment entities it was noted that there is no formal agreement in place between the individual entities and the City Fund who provide the funding.

We have raised a system and control recommendation in Appendix 2, recommending that formal agreements are put in place to formalise and underpin the arrangement between the group entities.

Capitalisation threshold

As noted in prior years, the City of London capitalisation threshold of £50k is also applied to the individual Natural Environment entities. Whilst this was deemed sufficient for assets in City's Estate due to their size, we deem this threshold to be too high for some of the Natural Environment entities due to their smaller level of materiality.

We have updated the prior year system and control recommendation in Appendix 2.

In Appendix 1 we have recorded the adjustments which are both immaterial and material for the transactions identified which would be capitalised if the capitalisation threshold was updated to a level appropriate to the entity size.

Cash receipt allocation

As part of our testing on cash receipts close to the year end to review for potential cut-off errors, it was noted that there were transactions where the amount was received pre-year end however due to the central cash allocation process, the amounts were not allocated until post year end leading to an understatement of the cash position in the Natural Environment entities as follows:

- Ashtead Common £223k
- Burnham Beeches £166k
- Epping Forrest £292k
- West Wickham and Spring Park Wood, Coulsdon and Other Commons £95k

We have noted these as unadjusted and adjusted items in Appendix 1 as appropriate.

As noted in Section 1 and Section 2.5 our testing on the Natural Environment entities is ongoing due to delays in delivery of audit deliverables. We have agreed a revised timetable with management of delivery of remaining items.

At the time of writing this report therefore, we are still finalising our work in this area. Following the completion of this we will provide an update to the conclusions of this work and communicate any controls findings we have identified.

3.7 Barking Power Limited

Barking Power Limited's primary objective is to decommission the power station on its site, as such no income has been generated in the year.

Expenditure

Expenditure in the year is made up of £Nil (2024: £15k) of cost of sales and £0.3m (2024: £0.3m) of administrative expenses.

Our audit work on cost of sales agreed the expenditure recognised to the movement in the cost book of the decommissioning provision (Section 2).

As noted in Section 1, at the time of writing this report we are finalising the follow up queries on administrative expenditure sample.

Deferred Taxation

As a result of the revaluation a deferred tax liability has arisen, as at the 31 March 2025 this amounts to £20.5m (2024: £19.8m).

As part of our audit work, we reviewed the calculation and agreed taxation rates used to relevant guidance.

Intercompany Balances

At year end, BPL owe £31.4m (2024: £30.2m) to associated undertakings. BPL are not income generating and do not have sufficient cash to meet these liabilities, they will therefore need to drawdown on their loan facility with the City of London to meet these as they fall due.

As part of our audit work, we have agreed the balance due to TPSL to their accounts, and the amounts owed to City of London to supporting calculations.

We have no further issues to report in our work completed.

3.8 Thames Power Limited

Thames Power Services Limited provide management services to BPL in connection with their operations.

Income

Income for the year ended 31 March 2025 is £154k (2024: £204k), this is primarily made up of fees due from BPL in relation to management charges for the services paid for by the City of London, plus an additional 5% charge added by TPSL.

As part of our audit work, we have agreed the income to the charges raised by City of London and recalculated the 5% uplift as per TPSL's service agreement.

Additionally, we reviewed the income accounts for the periods March 2025 and April 2025 to consider the risk of cut off, we noted there had been no activity in this time.

Expenditure

Cost of sales in the year amounted to £146k (2024: £192k), this is for charges by City of London for staff costs, utilities, legal support and consumables.

As part of our audit work, we agreed these costs to the annual invoice issued by City of London.

As noted in Section 1, at the time of writing this report we are finalising the follow up queries on the expenditure sample.

Intercompany Balances

As at 31 March 2025, TPSL have a debtor balance of £1.2m (2024: £1.1m) due from BPL and a creditor balance of £1.1m (2024: £0.9m) due to City of London. At the time of the audit, these balances remain outstanding.

TPSL do not have sufficient cash funds to settle the liability due to City of London, and will be unable to do this until BPL settle their debt. This has been discussed further above.

We have no further issues to report in our work completed.

3.9 Tangible assets

City's Estate Group hold £349.2m (2024: £338.5m) of Tangible Assets, of this £253.1m (2024: £245.2m) relates to Freehold and £38.5m (2024: £39.6m) to Plant & Machinery.

Crowe response

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

- Reconciled the fixed asset register to the trial balance and accounts.
- Recalculated the depreciation for all material classes of assets to ensure the correct amount had been included in the Statement of Comprehensive Income.
- Tested a sample of additions, disposals and assets under construction to ensure they had been added/removed from the fixed asset register.

Our conclusions and other comments

As part of our testing on the capital commitment disclosure note, the draft figure disclosed in note 20 states the contractual capital commitments total £1.0m, however the listing we have reviewed totals £11.5m. As noted in Section 1 our testing on capital commitments is ongoing however from our initial review this indicates that the capital commitments at year end is £11.5m and this disclosure should be updated to reflect the full commitments at year end.

From our review of the Investment Properties and Other Tangible Fixed Assets note, it was noted that the transfer row totals (£7.7m). As this row indicates the transfer of assets between asset classes we would expect this to net off to £Nil. We have reviewed the transactions included within this row and the £7.7m relates to assets under construction in connection to the market relocation project which is no longer proceeding. We have discussed this with management and agreed that this should be reclassified to either disposals or a derecognition row to reflect the transactions.

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

3.10 Other Balance sheet items

In addition to our focus on the areas detailed above we also carried out our standard audit procedures on the other material balance sheet amounts.

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

- Testing of key control accounts reconciliations;
- Testing of bank reconciliations;
- Review of post year end transactions where these help to confirm the year end position;
- Verification of ownership of land and buildings; and
- Confirmation of assets held (e.g. cash at bank) to third party confirmations.

From our review of creditors, it was noted that the largest row in the creditors falling due within one year note related to Sundry Creditors which totalled £54.3m for the year ended 31 March 2025 (2024: £57.8m). We obtained a breakdown of Sundry creditors and identified that there were material categories within Sundry creditors such as rent deposits (c.£14m), school fee deposits (c.£6m) and accruals (c.£5m). This was discussed with management at the audit clearance meeting as to the appropriateness of grouping these all under the sundry heading and whether it would be more transparent to strip out the material elements, and it was agreed management would review this balance and identify any material amounts which could be recorded separately within the creditors note.

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

As noted in Section 1, at the time of writing this report there are external bank confirmations outstanding in relation to 2 banks (6 bank accounts).

3.11 Report and Financial Statements

As noted in the Responsibilities of the City of London Corporation statement, the Corporation are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

We would expect management to prepare monthly management accounts which include comparisons to budgets and year to date progress. As part of the audit process we noted that City's Estates Group, Power Stations and Natural environment entities do not prepare management accounts. We have provided an update on the prior year systems and controls recommendation in Appendix 2.

We have reviewed the annual report and financial statements and provided comments to management and we have agreed that these have been updated in the final Annual Report and financial statements as appropriate.

4. Fraud and irregularities and our audit reporting

Audit reporting on detecting irregularities, including fraud

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

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

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

City's Estate Group, Natural Environment entities and Power Stations have systems in place for the review and authorisation of expenditure and journals by management, including dual authorisation and segregation of duties between those posting transactions and those approving payments up to £100k.

We obtained an understanding of the legal and regulatory frameworks within which the group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context for the Group were FRS 102, Companies Act and Charities SORP where applicable. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

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

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

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

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

We have also included in Appendix 7 some fraud risks that Trustees and management should be aware of.

Members responsibilities

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

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

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

We draw your attention to bullet point 2 above which presupposes that an assessment has been made. We have not been made aware of any actual or potential frauds which could affect the 2025 financial statements, or in the period since the previous year end.

Appendix 1 - Reporting audit adjustments

Unadjusted misstatements

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

The following misstatements were identified during our audit work and up to the date of this report have not been adjusted in the draft financial statements. We have summarised below the potential overall impact of these items on the financial statements.

Adjustment description	Increase / (decrease) in net income £k	Increase / (decrease) in assets £k	Increase / (decrease) in liabilities £k	Increase / (decrease) in funds £k
1. City's Estate Dr Income - £195k Cr Creditors - £195k Included within school trip income is £195k relating to trips Apr-25 to Sept-25 which are therefore post year end and should be deferred.	(195)		195	(195)
2. City's Estate Dr Expenditure - £205k Cr Creditors - £205k Posting of Holiday pay accrual which has not been included in accounts	(205)		205	(205)
3. City's Estate Dr Capital and Reserves - £16.7m Cr 2024 (Loss) / Gain in fair value of property investments in SOCI – £16.7m Capital receipts received in advance of property valuation at 31 March 2024 which should have been removed from the valuation amount in the 31 March 2024 year-end balance sheet.	16,700			(16,700)
4. City's Estate Dr Expenditure - £291k Cr Income - £291k Income netted off against governance costs in the SOCI which should be grossed up	(291) 291			(291) 291

5. Burnham Beeches Dr Fixed Assets - £24k Cr Expenditure - £24k From review of repairs and maintenance expenditure it was identified transactions which are capital in nature but not capitalised due to the capitalisation policy of £50k which as noted in Appendix 2 is not deemed appropriate to the entity.	24	24		24
6. Epping Forrest Dr Expenditure – 74k Cr Fixed Assets - £74k Unexplained variance between fixed asset register and accounts of fixed asset infrastructure costs.	(74)	(74)		(74)
7. Hamstead Heath Dr Income - £14k Cr Debtors - £14k Duplicated debtor balance	(14)	(14)		(14)
8. Hamstead Heath Dr Income - £122k Cr Cash - £122k Unrecorded facilities income for one month, and variance between accounting records and supporting agreement.	(122)	(122)		(122)
Total Impact	**16,114**	**(186)**	**400**	**(17,286)**

Adjusted misstatements

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

The following misstatements were identified during our audit work. Management have agreed that these will all be adjusted in the final accounts. Subject to the final amendments, where we are awaiting updated draft financial statements to check the amendments below through, at the time of writing there are no further remaining unadjusted items identified from our audit in excess of the above trivial limit. This may change depending on the conclusion of outstanding audit work as noted in Section 1 of this report.

We have summarised below the overall impact of these items identified to date on the financial statements.

Adjustment description	Increase / (decrease) in net income £k	Increase / (decrease) in assets £k	Increase / (decrease) in liabilities £k	Increase / (decrease) in funds £k
1. Ashtead Common Dr Fixed Assets - £70k Cr Expenditure - £70k From review of repairs and maintenance expenditure it was identified transactions which are capital in nature but not capitalised due to the capitalisation policy of £50k which as noted in Appendix 2 is not deemed appropriate to the entity.	70	70		70
2. Ashtead Common Dr Cash - £223k Cr Debtors - £223k Cash receipt received pre-year end however not allocated to the individual entity until post year end.		223 (223)		
3. Burnham Beeches Dr Cash - £166k Cr Debtors - £166k Cash receipt received pre-year end however not allocated to the individual entity until post year end.		166 (166)		
4. Epping Forrest				

Dr Fixed Assets - £218k Cr Expenditure - £218k From review of repairs and maintenance expenditure it was identified transactions which are capital in nature but not capitalised due to the capitalisation policy of £50k which as noted in Appendix 2 is not deemed appropriate to the entity.	218	218		218
5. Epping Forrest Dr Cash - £292k Cr Debtors - £292k Cash receipt received pre-year end however not allocated to the individual entity until post year end.		292 (292)		
6. West Wickham and Spring Park Wood, Coulsdon and Other Commons Dr Cash - £95k Cr Debtors - £95k Cash receipt received pre-year end however not allocated to the individual entity until post year end.		95 (95)		
Total impact	288	288	-	218

Appendix 2 - Systems and controls

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

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

In order to provide you with a clearer picture of the significance of issues raised, we have graded the issues raised by significance/priority before any corrective actions are taken: We have also included below a brief update on the matters we raised last year.

High	These findings are significant and require urgent action.	(0 comments in this category)
Medium	These findings are of a less urgent nature, but still require reasonably prompt action.	(0 comments in this category)
Low	These findings merit attention within an agreed timescale.	(1 comments in this category)

Audit finding and recommendation	Priority	Management response
1. Natural Environment grant funding From our review of the grant funding received by the Natural Environment entities it was noted that there is no formal agreement in place between Natural Environment entities and City Fund which underpins the agreement. We recommend that formal agreements between City Fund and the Natural Environment entities are implemented to ensure that there is sufficient supporting documentation and a legal agreement between the entities to underpin the funding arrangements.		A formal grant funding agreement is currently in draft form (as part of the ongoing Natural Environment Charities Review work) and will summarise the principles and arrangements underpinning the Grant Funding Model. This framework document sets out the organisational arrangements that are proposed to apply from 1 April 2026 to all NE Charities regarding the provision of grant funding by the City Corporation as grant funder (from City's Estate) to the NE Charities as grant recipient(s). It summarises core responsibilities and how the day-to-day relationship works in practice, in particular regarding the payment of grant funding and associated financial matters. The Framework Document reflects the agreed arrangements between: • the City Corporation acting in its general corporate capacity as grant funder; and • the City Corporation acting in its capacity as sole trustee of each of the eight NE Charities in receipt of grant funding. Please note that the deficit funding model applied to all NE Charities for the audit period 2024/25 and therefore an agreement was not required. Two NE Charities, West Ham Park and Epping Forest, moved to a grant funding model from 1 April 2025 and the arrangements were covered more simply in an update to the City Corporation's Financial Regulations while the NECR review is underway. Please also note that the funding is received from City's Estate rather than City Fund.

We have set out below the systems and control issues on which we reported after our audit last year together with an update on how the points raised have been addressed including information on the progress made at the time of the audit of the 2025 financial statements.

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

Observations and recommendations in 2024	Priority	Status	Update 2025
1. Cashier's suspense account As part of our testing on creditors, we reviewed the cashier's suspense account balance. Our understanding is that this account relates to unallocated receipts which are then subsequently reviewed and allocated. There is therefore a risk that balances in this account at year end either do not relate to City's Estate, or are not accounted for correctly. We recommend that the cashier's suspense account is reviewed regularly and that as part of the year end accounts preparation this account is reviewed and cleared out to ensure that all receipts are allocated to the correct entities and income that the entities are entitled to is appropriately recognised.	Medium	Partially implemented	**Management update:** The Cashier's suspense is reviewed daily by the team, interrogating historical records and email correspondence to ascertain the correct allocation of funds received with little or no meaningful references. Debtor accounts are also interrogated for possible invoiced income. Where possible the payers are contacted to request further details to assist in identifying the income. Current lists of outstanding items in suspense are sent to Finance teams weekly for review and once items are identified they are allocated to the correct Oracle GL codes or debtor account/invoices numbers. In the lead up to the end of the end of financial year lists are sent even more regularly, emphasising the importance of timely information being provided to enable the Cashiers team to allocate the income to the correct entities and ensure the financial statements include all relevant items. We will continue to put significant emphasis on this process and continue to prioritise allocating these items both across the year and also at year end. **Crowe response:** Management update consistent with audit testing. Recommendation partially implemented.

2. Intercompany matrix As part of our consolidation testing we agreed that intercompany balances were removed however it was noted that for market income the recharges between committee and within funds were not eliminated (See Adjustment 6 in Appendix 1). There is therefore a risk that intercompany balances and inter fund recharges are not identified and eliminated as part of consolidation. We therefore recommend that an intercompany matrix is prepared and maintained to identify and capture these transactions and balances and ensure they are eliminated on consolidation.	Medium	No progress	**Management update:** As noted on point 5 the consolidation process has improved again this year preventing the issues experienced two years ago. A matrix is yet to be implemented as a control sheet and will be considered if it can further consolidate the improvements made. **Crowe response:** Management update consistent with audit testing. No progress noted during the year with audit recommendation.
3. Power stations bank reconciliations As part of our testing on the Barking Power and Thames Power Services cash at bank it was noted that the amount used in the bank reconciliation did not agree to the year end bank statement as the account was reconciled to a cashbook. There is therefore a risk that cash at bank is not correctly reconciled and materially misstated. We therefore recommend that the bank reconciliations are completed to reconcile the bank balance per the bank statement to the nominal ledger.	Medium	Fully implemented	**Management update:** For 24/25 accounts the bank reconciliation did agree to the year-end bank statement. It is therefore proposed this recommendation is marked as closed. **Crowe response:** Management update consistent with audit testing. Recommendation fully implemented.

4. General Management oversight of the numbers (2023) The accumulation of the issues outlined in section 13.2 of this report, the significance of the audit journals identified throughout the audit, lack of routine checks of the numbers and lack of monthly management accounts gives rise to concern over managements monitoring and ownership of the numbers in the financial statements as a whole. We would recommend that CC management is completing regular routine checks of the management accounts (this should be on a monthly basis as a minimum). This will help highlight any monthly movements which are clearly not aligned with management expectation and therefore isolate material errors to the month they occurred and aid prompt investigation. We recommend that a separate review is completed by management of the schools' financial information (see further information in point 2 below). Furthermore, we would recommend that there are accounting policy / procedure documents put in place for the team to follow which are management led and reviewed. In the instance of unexpected significant changes to key team members this will mean the new team members will have a clear understanding of what is required.	High	Fully implemented	**Crowe update:** As detailed in Appendix 1, we have again noted a small number of adjustments, however there has been a significant improvement in the general management and oversight of the numbers. Recommendation therefore cleared as fully implemented.

5. Oversight at Schools level (2023) As referenced in section 3.12 of this report, we note that there appears to be a lack of CC management oversight, review & compliance checks around the financial information being to the CC team by the schools. Given the significance of the schools numbers, and the issues found in FY23 in section 3.12 this is an area of concern. We recommend that the CC team are completing regular routine checks of the schools' financial information, transactions, and balances (at least monthly) which is then reviewed and signed off by CC management. The way the schools' carry out their postings needs to be revisited, transactions should be posted from the outset with the correct double entry, rather than posting one sidedly with the use of reserves codes. In addition to this, we recommend that CC management carry out a detailed review of adequacy the control environment at the schools (to include onsite visits) and following this, clearly communicate findings and improvements required. Policy and procedure guidance in relation to controls and regulatory compliance should also be in place for the schools and monitored routinely by CC management to identify any control failings. Furthermore, we have included a school sector update in Appendix 7 to this report, this further emphasises the need for improved oversight – particularly around forecasting and the possible charging of VAT on school fees in future.	High	Fully implemented	**Crowe update:** As detailed in Point 4 above, we have again noted a significant improvement as reflected by the lower number of adjustments which reflects improvement in the general management and oversight of the numbers. Recommendation cleared and noted as fully implemented.

6. Consolidation methodology / working (2023) As referenced in prior year section 3.12, the current methodology for preparing the City's Estate consolidation (i.e separate preparation of the Statement of Financial Position & I&E and use of reserves codes) means there is lack of clear double entry audit trail. Additionally, the posting of manual adjustments and hard coding numbers in to Excel cells means the methodology is prone to error. We would recommend the following: - In the accounting system, for all components including the schools – transactions should be posted from the outset with the correct double entry, rather than posting one sidedly with the use of reserves codes and then reconciliations performed between the movement on the SoFP and the Profit in the I&E. This was the root cause of the imbalance issue & revisiting this process will significantly reduce the need for manual entry at the consolidation level. - The consolidation workings should then be prepared as a complete trial balances (covering all of all entries) rather than separate SoFP and I&E workings. This will immediately flag any imbalance issues on the import of all TBs from the accounting system and force any eliminations to be posted using the correct double entry from the outset. - Furthermore, in the consolidation TB, there should be no manual postings other than elimination journals and no manual input into the TB numbers within Excel. All non-eliminating entries should be posted within the accounting system to the TB of the entity to which they relate. - In the Consolidated TB, this should be prepared in an extended trial balance format with each eliminating journal adjusted in a separate column & cross referenced to a description of what the elimination relates to. Further recommendations going forward: - Given the size of the entity, we would expect management to explore the use of an appropriate consolidation software instead of the use of Excel.	High	Partially implemented	**Management update:** Management acknowledged the concerns raised by the external auditors in the PY regarding the consolidation methodology and workings and has implemented various controls. The process has significantly improved in 2024 and 2025 and our feeling is this item should be marked as complete. Posting Transactions with Correct Double Entry: In the FY 24/25, the recommendation was implemented. Preparation of Consolidation Workings from Complete Trial Balances: Historically, the Statement of Financial Position (SoFP) from a single trial balance report, a separate report is required to produce the Statement of Comprehensive Income. Looking ahead, we recognise the potential for further improvements and efficiencies, particularly in the context of the upcoming ERP implementation, with better consolidation functionality. Elimination of Manual Postings in Consolidation Trial Balance (TB) & Preparation of Consolidated TB in Extended Trial Balance Format: In the FY 24/25 there were only elimination journals within the consolidation TB. Exploration of Consolidation Software: In terms of wider software that could be used, the Corporation is about to embark on an ERP programme and the chart of accounts will be a key aspect of that work to support consolidation. The potential for other systems will therefore be considered as part of that work. **Crowe response:** Management update consistent with audit testing. Recommendation partially implemented.

7. Journals review (2023) We note that only Chamberlain (finance) staff, whether they work in the corporate team or one of the units, are able to post journals and whilst journals under £100k are not subject to management review or spot checks, they should be accompanied by relevant supporting documentation. All journals over £100k are reviewed in the form of managers' reviewing regular reports detailing these journals and approving them on the Oracle system. Whilst this threshold is deemed satisfactory for City's Estate due to the level of materiality, this threshold for reviewing journals for some the Natural Environment entities is not sufficient due to their lower level of materiality. Our recommendation is to lower the threshold of journal review for the Natural Environment entities and include independent spot checks for journals under the £100k threshold for City's Estate as a two-tiered approach to journal reviews.	Medium	No progress	**Management update:** We appreciate the auditors' recommendation regarding the threshold for journal reviews. We have carefully considered this suggestion, we believe that lowering the threshold across the board using the existing systems would be excessively time-consuming, given the scale of our operations. We want to assure the auditors that despite the threshold, robust controls are in place. All journals, regardless of the amount, are posted only by Chamberlain (finance) staff and the CBF & Charities Finance Team. Furthermore, for journals exceeding £100k, detailed supporting documentation is mandatory, and these journals are rigorously reviewed and approved by managers using the Oracle system. For the 25/26 financial year Work is underway to create a centralised log of all journals has been implemented incorporating which will incorporate the approval workflow. This requires will demonstrate that journals that are >100k will require review and approval when posting on the ledger. Additionally, evidence and other relevant documents can be attached to the log to ensure that all journals have supporting documents. Training on how to use the log and approval has been provided will be rolled out to all finance teams. Moving forward the new ERP system will also provide a solution that enables all journals to pass through a workflow process within the system, irrespective of value. This will mean that journals are approved before positing into the ledger. This is due to be implemented during the 26/27 financial year. **Crowe response:** No change from process noted in prior year.

8. Capitalisation policy (2023) When reviewing the capitalisation policy, we noted that it is £50k for all entities with the City of London and whilst this was deemed sufficient for assets in City's Estate due to their size, we deem this threshold to be too high for some of the Natural Environment entities due to their smaller level of materiality. We recommend that the capitalisation policy for the Natural Environment entities is reviewed.	Medium	No progress	**Management update:** We appreciate the auditors' diligence in reviewing our capitalisation policy. The current threshold of £50k has been applied uniformly across all entities within the City of London to best represent the best approach across all entities. However, we value the auditors' perspective and acknowledge the unique nature of some of our Sundry Trusts and Natural Environment entities. We are currently undergoing a charity review of our Sundry Trusts and Natural Environment and will therefore consider this recommendation as part of this review. This particular policy is under consideration as part of the phase 2 work of the review due to take place in 26/27. **We will continue to ensure that our capitalisation policy is periodically revisited and adjusted if necessary to align with best practices and the unique needs of our diverse entities.** **Crowe response:** As noted in the Natural Environment entity accounts, the capitalisation threshold has remained at £50,000 for the year to 31 March 2025.

9. Management accounts (2023) We would expect management to prepare monthly management accounts which include comparisons to budgets and year to date progress. As part of the audit process we noted that City's Estate Group, Power Stations and Natural Environment entities do not prepare management accounts. We recommend that management accounts be prepared and reviewed each month.	High	No progress	**Management update:** Management reporting is currently being reviewed as part of the National Environment Charity Review Grant Funding Model workstream, including a rationalisation of coding, and planned move to a charity-style (statement of financial activities) rather than local authority style to support monitoring and decision-making and bring clarity and consistency of approach across the charities. The Power Stations receive quarterly management reports to their Board. The new ERP system will provide a further opportunity to consider how best to provide management reporting in a timely manner across all entities when implemented next year. **Crowe response:** As noted in prior year, management accounts are not prepared on a regular basis.

10. Year-end procedures (2022) As part of our audit testing we have noted a number of adjustments (see Appendix 1) which relate to year end adjustments such as unallocated cash balances at year end and rental debtor credit notes which had not been considered by management in the preparation of the financial statements. We also note a large number of manual adjustments occur in the preparation of the financial statements. We would expect management to have a robust year end process in place to ensure the financial statements presented for audit have considered and reviewed any year end adjustments performed or required. *Crowe recommendation* We therefore recommend City's Estate review year end procedures and ensure that each account is appropriately reviewed and considered in the preparation of the financial statements. *Management update 2024* Recognising the importance of this process we are seizing the opportunity to enhance our procedures comprehensively in the coming year. We plan to meticulously review all existing processes, meticulously documenting them to ensure they are easily transferable to new staff members. Our goal is to create standardised operating procedures (SOPs) and develop training materials, such as videos and manuals, to facilitate the seamless onboarding of new officers. Additionally, we are actively engaging with our auditors to ensure that the quality of our working papers meets the highest standards and aligns with their expectations.	Medium	Fully implemented	**Management update:** Recognising the importance of this process we are seizing the opportunity to enhance our procedures comprehensively in the coming year. We plan to meticulously review all existing processes, meticulously documenting them to ensure they are easily transferable to new staff members. Our goal is to create standardised operating procedures (SOPs) and develop training materials, such as videos and manuals, to facilitate the seamless onboarding of new officers. Additionally, we are actively engaging with our auditors to ensure that the quality of our working papers meets the highest standards and aligns with their expectations. **Crowe response:** As detailed in Appendix 1, there are a lower number of adjustments compared to prior years. There has therefore been significant improvements compared to prior year therefore recommendation noted as fully implemented.
11. Related party declarations (2022) As part of normal processes at the City of London Corporation all members are expected to complete a declaration of interests each year. We noted from our audit work that 26 members did not complete a declaration this year. This is a control breakdown and limits the Corporation's ability to produce accurate information for the related parties' disclosures. *Crowe recommendation*	Medium	Partially implemented	**Management update:** Progress has continued on obtaining related party disclosures, with the improvements highlighted in previous years continued again for 24/25. This year was more challenging as it included elections and therefore some members left the Corporation during the year, meaning following up for their declaration was more difficult.

We recommend the importance of these declarations is stressed to Members and procedures put in place to ensure they are all completed and submitted on a timely basis. *Crowe update 2023* Whilst the Corporation as a whole have worked to improve the return rate, we note that this remains an ongoing issue, with declarations outstanding as at the time of writing. It is expected this number will reduce, however any declarations not received increases the risk a related party transaction being missed. *Management update 2024* 2023/24 has seen significant improvement in processing the declarations this year. Related Parties' emails to Members and Chief Officers were sent out a lot earlier than usual, with several reminders following the original email. As part of the follow ups, hard copies of declarations were handed out to Members at the Policy Resources Committee and Court of Common Council meetings by the Chamberlain and Financial Services Director. This has contributed to a year-on-year increase in the rate of returns. In terms of the processing of declarations, checks were carried out on Companies House website for all Members and Chief Officers and rigorous peer reviews and checks were undertaken on the working papers. It is acknowledged that not all declarations were returned with 8 declarations outstanding as at the time of issuing this report (95% response rate in 2023-24). However, Companies House checks have been undertaken on all Members and Chief officers.			Despite this however only 17 declarations were not returned by the conclusion of the audit. Of these 12 were from members that had left the Corporation following the elections. For those that were outstanding the Companies House checks were again undertaken, along with a review of their previous 3 years of returns to understand the stability of their declarations. For the coming year, an online form is being developed to improve response rate and tracking of returns, this is intended to be used for the 25/26 financial year. **Crowe response:** For the year ended 31 March 2025, there has been further improvements in the completion of conflict of interest declarations. At the time of writing this report, there are 18 declarations outstanding of which 13 relate to former members. Recommendation partially implemented.

General IT Controls findings and Recommendation

Draft Current Year Findings

Finding	Recommendation	Management Comments
1. Excessive Administrative Privileges Granted to Business Users *Priority: High* Restricting application administrative access to only those who require it for technical or system management purposes minimises the risk of unintentional or malicious data modification, configuration errors, and potential security breaches • Our review of **Salesforce** access controls revealed that eight (8) business users have been granted administrative privileges. • Our review of **Raisers Edge** access controls revealed that ten (10) business users have been granted administrative privileges Granting administrative privileges to business users increases the risk of unauthorised data access, unintentional system configuration changes, potential data loss or corruption, and non-compliance with data security and privacy regulations	It is recommended to: - immediately review and revoke unnecessary administrative privileges from business users in Salesforce and Raiser's Edge, implement a role-based access control model.	Management Comment: Due By: Person Responsible:
2. **Unsupported Oracle Application Version** *Priority: High* Regularly updating core application versions is vital to maintain security through patches, ensure compatibility with other systems, gain access to new features and performance enhancements, and to remain within the vendor's supported lifecycle to avoid increased operational risks.	It is recommended to: - immediately develop and execute a plan to upgrade or migrate from the unsupported Oracle Application version 12.1.3 to a currently supported version to mitigate the identified risks and ensure continued system security and stability.	Management Comment: Due By: Person Responsible:

Finding	Recommendation	Management Comments
During our review of the Oracle system information, we identified that the currently running Oracle Application version 12.1.3 is no longer supported, its extended support having ended in December 2021. The continued use of unsupported Oracle Application version 12.1.3, which has been without support since December 2021, exposes the organisation to significant security vulnerabilities, increased compliance risks, and potential system instability due to the absence of critical security updates and vendor support.		
3. Inadequate Termination Procedures *Priority: Medium* Timely removal of access for terminated employees, coupled with maintaining records of termination requests and approvals, is crucial to prevent unauthorised access to sensitive data, mitigate the risk of data breaches or misuse, and ensure compliance with security policies and regulations. During our review, we noted that documentation termination request and approval was not provided for 14 out of 25 sampled terminated employees. Additionally, an active user account belonging to a terminated employee was identified on the domain, with login activity recorded 400 days after their official leave date. The lack of timely access removal processes and supporting documentation for terminated employees, as evidenced by missing records and an active leaver account, creates a significant risk of unauthorised access to confidential information, potential data breaches, and non-compliance with internal security policies and regulatory requirements.	It is recommended to: - immediately implement and enforce a standardised process for the timely removal of access for all terminated employees, maintain complete documentation of termination requests and approvals, and performing regular reviews of user accounts to identify and disable any remaining active accounts of former employees.	Management Comment: Due By: Person Responsible:

Finding	Recommendation	Management Comments
4. Inactive Salesforce User Accounts *Priority: Medium* Periodic review of system accounts to identify long-unused accounts is essential for reducing the attack surface, minimising the risk of unauthorised access through compromised or orphaned accounts, and improving overall security posture Our review of **Salesforce** user accounts identified 15 accounts that have not logged in for a period ranging from 3 months to 2 years. Additionally, 11 accounts have never logged in despite being created over one year ago. The presence of inactive Salesforce accounts, including those never used, poses a significant security risk due to the potential for unauthorised access through compromised accounts, increased attack surface, and possible non-compliance with data security policies.	It is recommended to: - immediately implement a policy for regular review and deactivation of inactive Salesforce user accounts, including a process for identifying and addressing accounts that have never been used, to mitigate the risk of unauthorised access and improve overall security	Management Comment: Due By: Person Responsible:
5. No User Access Reviews *Priority: Low* User access reviews are crucial to verify that individuals have appropriate and necessary access to systems and data, identify and remediate excessive or inappropriate privileges, and ensure ongoing compliance with security policies and regulatory requirements. We found that formal user access reviews are not being conducted for the Civica CX system. The absence of formal user access reviews for Civica CX exposes the organisation to significant risks, including unauthorised data access, potential fraud, regulatory non-compliance, and an increased likelihood of insider threats due to the lack of ongoing verification of user privileges.	It is recommended to: - immediately implement a documented process for conducting regular user access reviews for Civica CX, including verification of job roles, access needs, and adherence to the principle of least privilege, to mitigate the identified risks and ensure compliance	Management Comment: Due By: Person Responsible:

Finding	Recommendation	Management Comments
6. Civica to Oracle Interface *Priority: Low* Restricting access to critical servers, Windows batches, and scripts to only key, appropriately trained personnel is essential to prevent unauthorised modifications, data breaches, system instability, and the unintentional or malicious disruption of critical business processes. We observed that all employees within the firm have access to batch file configuration, even though not all employees would necessarily know the content or how to access it. Similarly, we noted that the Cashier team has access to the mid-point Civica server. Unrestricted access to sensitive folders/files and critical servers, such as the mid-point Civica server, increases the risk of unauthorised data access, accidental or malicious data alteration, system compromise, and potential disruption of essential business operations, potentially leading to financial loss and reputational damage	It is recommended to: - immediately review and restrict access to the batch file and the mid-point server to only those individuals who require it for their job responsibilities, based on the principle of least privilege, and providing appropriate training to authorised users on secure access practices and data handling procedures	Management Comment: Due By: Person Responsible:

FY2024 Findings Update.

Finding	Recommendation	Management Comments	Status as of FY 2025
1. Leavers Processes *Priority: High* On identification, leavers should be raised to all relevant system administrators via formalised tickets, with end dates included. These tickets should be remediated on end date of the leaver. Oracle: On sampling 12 leavers, we noted all retained active access to CBIS; however, none logged in post leave date. We then performed a 100% test of HR leaver listing to CBIS access, and we noted 83 leavers with active access to CBIS (including the above). It was found that: - 24 never logged into CBIS - 57 last logged in on or before their leave dates - 2 had logged in post leave date (36 days and 342 days post leave date respectively). We confirmed none have current active domain access. Domain: We performed a 100% check of HR leaver listing to the domain active accounts and found 15 leavers with active domain accounts, of which one logged in 28 days post leave date. We additionally identified two currently disabled leavers who had logged in post leave date (30 days and 433 days respectively); however, due to the fact they are now disabled, we consider these two accounts remediated in the period. ***Refer to Appendix 1 for list of leavers.***	It is recommended to: - Review both Oracle and Domain for obsolete accounts and remove any noted.	**Management Comment:** **Due by:** **Person Responsible:**	CLOSED

Finding	Recommendation	Management Comments	Status as of FY 2025
Where leavers are not disabled in a timely manner, there is increased risk of unauthorised access via these accounts, which may not be being directly monitored, leading to data breach and unauthorised actions.			
2. Administrator Access *Priority: High* Administrator access should be segregated from financial or direct business process users, to limit the ability for one user to circumvent embedded system controls and perform end-to-end functions without oversight. Oracle: On review of the SA User Admin listing, we noted five users who are not part of the Oracle Support Team, with administrator access. This refers to an AP/R Officer, two Payment & Data Officers, one Transactional Finance Project & Data Manager, and a Data & Systems Analyst. Where administrator access is not segregated to independent personnel, there is an increased risk of unauthorised actions, including fraud, due to the ability of personnel to override standard system controls.	It is recommended to: - Review the administrator listing for Oracle to confirm all users are required to have this level of access - If access is required, document authorisation for those outside of the Oracle Support Team - Implement additional heightened monitoring procedures, if administrator access is retained (such as monitoring of audit logs and user access reviews).	**Management Comment:** **Due by:** **Person Responsible:**	OPEN
3. Key Person Risk: Horizon *Priority: Medium* For all key roles, there should be a backup/ deputy in place in the event the main individual is unavailable for any reason. During enquiry it was noted that the Horizon Consultants are short term and will not remain in the team indefinitely. This would leave Gary Lees (Performance and Services Team) as the only administrator of the system, and as such, a key person risk.	It is recommended to: - Review the proposed administrator setup for Horizon on the basis of use of consultants ceasing in the future.	**Management Comment:** **Due by:** **Person Responsible:**	CLOSED

Finding	Recommendation	Management Comments	Status as of FY 2025
Having only one system administrator available for key systems increases the risk of issues being unable to be resolved in a timely manner, in the event this user is unavailable. In a worst-case scenario, this can lead to business processing issues. We have indicated a medium risk due to the fact that Consultants are currently in use and therefore this is a future risk to the organisation.			
4. Joiner Process *Priority: Medium* All new starters should be supported by formalised joiner requests which indicate the required accesses and authorisation for these. For a sample of 12 new starters to Salesforce, 11 had no retained approval documentation which could be evidenced. Out of a sample of 25 joiners to the Domain, 22 did not have joiner ticket evidence available. We understand this is due to the changeover from the third party Agilisys, who previously managed this process, to the in house team, who do not have access to the Agilisys tickets. Where new starters or access modifications are not supported by formalised authorisations, there is an inability to forensically review in the event of access issues, and there is an increased risk of unauthorised access levels where a formalised process is not required to be applied.	It is recommended to: - Retain all joiner or access request tickets for all systems - Review the current process for Salesforce to ensure that documentation can be retained.	**Management Comment:** **Due by:** **Person Responsible:**	**OPEN –** *reopened in current year.*
5. User Access Reviews (UARs) *Priority: Low* Periodic User Access Reviews (UARs) should be performed to support the joiner, mover, leaver processes, and to identify any obsolete accounts or accesses and remove these in a timely manner.	It is recommended to: - Formally document the Domain UARs in place - Implement periodic full Domain reviews and document these formally.	**Management Comment:** **Due by:**	**CLOSED**

Finding	Recommendation	Management Comments	Status as of FY 2025
We noted that there were: - No formal UARs performed for the full set of Domain users. While UARs are performed over administrators, this is not documented. - No formal UARs performed over Salesforce; however, we note this is partially mitigated due to the low current number of users. Where UARs are not performed, or are not documented and therefore cannot be evidenced, there is increased risk of unauthorised access due to changes in access levels or staff turnover, which may not have been identified and remediated in a timely manner.	- Implement periodic Salesforce UARs, and document these formally.	**Person Responsible:**	
6. Paris to Oracle Interface: Midpoint Folder Access *Priority: Low* Any midpoint folders in use for interfaces should have access appropriately restricted and limited to only those that require this access. We reviewed access to the midpoint folder where one generic account was noted (Intranetcashiers) which the client could not identify. Note at point of testing, this interface is no longer in use. Obsolete access to midpoint folders increases the risk of unauthorised access and therefore manipulation of data mid-process. We have classified this as low due to the interface no longer being in place; however, access to the folder should still be reviewed for the security of any other data being stored there.	It is recommended to: - Review the user access list to the midpoint folder for Paris to Oracle and remove any obsolete accounts.	**Management Comment:** **Due by:** **Person Responsible:**	**CLOSED –** *due to Paris being decommissioned*
7. Change Management Policy *Priority: Low*	It is recommended to: - Review the Change Management Policy for any required updates and	**Management Comment:**	**OPEN**

Finding	Recommendation	Management Comments	Status as of FY 2025
All key policy documents should be periodically formally reviewed and updated as required, with the date of review and approval documented in version control. A standard period is usually considered annual. We obtained the Change Management Policy and noted it had not been updated in two years. Where policies are not periodically reviewed, there is an increased risk that they are out of date and not reflective of the current organisational requirements and governance setup. This can lead to unauthorised processes being followed, which can lead to unauthorised change and data breach.	instigate a formal review period for the document. - Maintain version control for all review and approval periods.	**Due by:** **Person Responsible:**	

FY2022 FINDINGS FOR AREAS NOT TESTED (due to above scope limitations or lack of change in the year):

Finding 2022	Recommendation 2022	Management Comments 2023	2024 Status Update
1. Disaster Recovery *Priority: Medium* The Disaster Recovery Plan (DRP) should be annually reviewed and tested to ensure that the processes documented continue to provide the required speed of recovery and only acceptable data loss. Disaster recovery tests should be fully documented to allow for lessons learnt to feedback to the DRP. We note that: • DR Policy was last reviewed in 2019. • Last DR test undertaken in March 2020. Without an annual review of the policy, and an at least annual test of this policy, there is an increased risk that the policy is no longer reflective of the IT environment (or changes in risk assessment over acceptable time to recovery and data loss), and that the plan will not work effectively or efficiently in practice.	It is recommended to: - Review the DR policy annually, formally. - Test the DR policy on an annual basis and document this testing.	**Management Comment:** This policy is currently under review. Fundamental changes are required to this policy, which requires further engagement with the business. **Due by:** 31/12/24 **Person Responsible:** Chris Rawding	**OPEN** Understood to currently be no change in this finding, although understood to be under review.

Appendix 3 - Entities

Entities	Type	Main objectives	Audit/Independent Examination (IE)
Consolidated Entities			
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
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
City Re Limited	Company	A wholly-owned subsidiary of the City Corporation whose principal activity is to provide re-insurance protection and is included as part of management and administration activities in City's Estate	Audit

Appendix 4 - Materiality

Materiality and identified misstatements

As we explained in our Audit Planning Report, 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 judgement but overall a matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

Our overall audit materiality for the financial statements as a whole took account of the level of activity of / funds held by each entity and was set at 2% of investments, 1.5% of income or 2% of Expenditure as appropriate for each entity.

We reassessed materiality based on the draft financial statements, and the following is a summary of the overall materiality levels we applied to the separate entities within the group.

Entity	Materiality calculation	Planning Materiality £’000	Final Materiality £’000	Reporting threshold £’000
City’s Estate	2% of investments (Overall materiality)	57,028	54,000	2,700
	1.5% of income (Specific materiality – used for all areas of testing except investments, investment property, Goodwill & Pensions)	3,137	3,400	170
Consolidated Audited Entities				
Ashtead Common	2% of expenditure	13.5	15.4	0.8
Burnham Beeches	2% of expenditure	30	34.1	1.7
Epping Forrest	2% of expenditure	167	204	10.2
Hampstead Heath / Hampstead Heath Trust	2% of expenditure	205	228	11.4

Highgate Wood and Queen's Park Kilburn	2% of expenditure	30	55.2	2.8
West Ham Park	2% of expenditure	30	36	1.8
West Wickham and Spring Park Wood, Coulsdon and Other Commons	2% of expenditure	20	38.5	1.9
Barking Power Limited	2% of fixed assets 2% of expenditure	2,288 5	2,340 5.6	117 0.3
Thames Power Services Limited	2% of expenditure	4.3	2.9	0.2

Appendix 5 - Draft Representation Letter

This letter must be typed on your official letterhead. It should be considered by the Court of Common Council at the same time as the as the Consolidated Annual Report and Financial Statements; and the Minutes should record the Court of Common Council's approval of the letter.

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

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

Dear Crowe,

We provide this letter in connection with your audit of the financial statements of City's Estate for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the group as at 31 March 2025 and of the results of the group's operations for the year then ended in accordance with UK Generally Accepted Accounting Practice ("UK GAAP").

We confirm that the following representations are made in respect of the group on the basis of sufficient enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation and that, to the best of our knowledge and belief, we can properly make each of these representations to you. If completion of the audit is delayed we authorise Caroline Al-Beyerty (Chamberlain and Chief Financial Officer) to provide an update to all representations sought.

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

financial statements, or inclusion in a note thereto, we will advise you accordingly. We specifically authorise Caroline Al-Beyerty, Chamberlain and Chief Financial Officer, to provide an update for you to cover the time period between the signing of this letter and the date of your audit report.

13. We have assessed that the impact of members and chief officers disclosing related party transactions of £10,000 or more and we consider that the undisclosed related party transactions below this threshold are immaterial to the financial statements.
14. We have assessed the impact of the 13 related party declarations relating to former members not updated in the financial year and that the undisclosed related party transactions for these 13 individuals is immaterial to the financial statements and that we are not aware of any significant transactions with related parties other than matters that we consider have been appropriately and adequately disclosed.
15. We confirm that we are not aware of a date of completion for Crossrail which would crystalise the £50.0m contribution under the executory contract between City's Estate and Crossrail and are therefore satisfied this remains a contingent liability as disclosed in the financial statements.
16. We confirm we have appropriately accounted for and disclosed related party relationships and transactions in accordance with applicable accounting standards and with the recommendations of the applicable FRS 102.
17. We have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
18. We are not aware of any fraud or suspected fraud affecting the group involving those charged with governance, management or other employees who have a significant role in internal control or who could have a material effect on the financial statements.
19. We are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, which would have an impact on the financial statements.
20. We are not aware of any frauds that have not been included in the fraud log/ register provided to you.
21. We are not aware of any known or suspected instances of non-compliance with those laws and regulations which provide a legal framework within which the group conducts its business.
22. We have no plans or intentions that might materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
23. The group have satisfactory title to all assets and there are no liens or encumbrances on the parent's assets, except for those that are disclosed in the financial statements.
24. There are no liabilities or contingent liabilities or guarantees that we have given to third parties other than those disclosed in the financial statements.
25. In the event that we publish the members' report, independent auditor's report and financial statements electronically, we acknowledge our responsibility for ensuring that controls over the maintenance and integrity of the entity's web site are adequate for this purpose.
26. We confirm that, having considered our expectations and intentions for the next twelve months and the availability of working capital, the group are a going concern. We are unaware of any events, conditions, or related business risks beyond the period of assessment that may cast significant doubt on their ability to continue as a going concern.

Yours faithfully

…………………………………..…………

Signed on behalf of the [board]

Date ………………………………………

Note: Ensure appendix 1 of this report is attached as an appendix to this letter at the date of signing

Appendix 6 - Responsibilities and ethical standards

Audit purpose and approach

Our audit work has been undertaken for the purposes of forming our audit opinions on the financial statements of the City's Estate Group, Power stations and Natural Environment entities prepared by management with the oversight of the Members and has been carried out in accordance with International Standards on Auditing (UK) ('ISAs').

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

Financial statements

The Members of City's Estate Group, Power stations and Natural Environment are responsible for the preparation of the consolidated financial statements on a going concern basis (unless this basis is inappropriate). The Members are also responsible for ensuring that the financial statements give a true and fair view, that the process your management go through to arrive at the necessary estimates or judgements is appropriate, and that any disclosure on going concern is clear, balanced and proportionate.

Legal and regulatory disclosure requirements

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

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

Directors' responsibilities (TPSL and BPL 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 relevant Ethical Standard for auditors and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

As explained in our audit planning report, in our professional judgement there are no relationships between Crowe U.K. LLP and City's Estate Group, Power stations and Natural Environment entities 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 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 Agreed upon procedure review	£6,600
Teachers Pension Audit	£13,200

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 7 - Fraud risks

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

Annual surveys of fraud in the charity sector show that roughly 40% of charities surveyed reported a fraud or attempted fraud over the prior 12 months. Furthermore, reports of charity fraud indicate a rising trend over the last few years. Whilst charities are rightly concerned about cyber fraud, the top four most common perpetrators (staff members, volunteers and trustees; beneficiaries; those with no connection to the charity; and suppliers) remain consistent year-on-year. The 2024 survey carried out by BDO and the Fraud Advisory Panel indicates that 50% of detected frauds were perpetrated by staff members, volunteers, or trustees, demonstrating that the internal risk is still the most prevalent, whilst only 23% of frauds were perpetrated by a person with no connection to the charity.

Importantly in 67% of cases fraud was detected by internal controls including management review. 13% by internal whistleblower, 8% by other external, 4% by external whistleblower, 4% by data matching/data analytics, 2% other employee and 2% by internal fraud team.

Therefore a continuing focus on internal controls and the basic controls around segregation of duties, monitoring controls, authorisations and approvals remain key.

A new failure to prevent fraud offence has been introduced by the **Economic Crime and Transparency Act 2023** which will apply to all large corporate entities, including charitable companies, Royal Charters and CIOs. Whilst unincorporated charitable trusts may not be included, this legislation is considered as being best practice. The Act aims to hold large organisations accountable if they benefit, or there is an intention to benefit, from fraudulent activities conducted by their employees, agents, subsidiaries, or other associated persons.

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 guidance sets out six principles that should inform fraud prevention frameworks put in place by organisations in order to comply with the law – top-level commitment, risk assessment, proportionate risk-based prevention procedures, due diligence, communication (including training), and ongoing monitoring and reviews.

Risk assessments must fully consider the potential for relevant economic crimes to be committed. These include but are not limited to fraud. Onboarding of employees and 'associates' must be reviewed and mitigation measures put in place. Sufficiency of training which is properly tailored to the particular employees involved is increasingly an area of regulatory focus and must also be part of the policies and procedures put in place here.

The trustees should be aware that the **Charity Commission** provides guidance (updated in January 2023) on how to protect your charity from fraud including information about fraud, how to spot it and what you can do to protect against it.

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

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

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

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

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

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

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

Considering risks of fraud

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

The following provides further information on the three kinds of fraud that charities such as City's Estate Group and Natural Environment entities should consider.

a) Frauds of extraction

This is where funds or assets in possession of the charity are misappropriated. Such frauds can involve own staff, intermediaries or partner organisations since they require assets that are already in the possession of the entity being extracted fraudulently. This could be by false invoices, overcharging or making unauthorised grant payments.

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

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

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

It is also important to consider other policies and procedures, such as conflict of interest and whistleblowing policies, and carrying out fraud awareness training.

b) Backhanders and inducements

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

There is also the risk that once a donation of money or aid has been authorised and released in the UK, this could be diverted, probably into the underground economy, as a result of inducements paid in the destination country. Charities should be aware of the requirements and extent of the UK Bribery Act 2010, as this extends their liability to actions beyond the shores of the UK and to cover the actions of their intermediaries and agents. Organisations are required to put in place proportionate measures to prevent backhanders and inducements from being paid, either by their workers, agents or intermediaries or to their workers, agents or intermediaries.

c) Frauds of diversion

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

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

Appendix 8 - School Sector Update

The introduction of VAT on independent school fees from January 2025, alongside the removal of business rates relief and rising employer National Insurance contributions, has created a seismic shift in the financial landscape for independent schools. These changes are already having profound effects on pupil numbers, and strategic planning across the sector.

This briefing outlines the key impacts, sector responses, and strategic considerations for governors navigating this new environment.

Affordability, fee increases and cost pressures

The Independent Schools Council (ISC) reports in its 2025 census that pupil numbers in its member schools fell by 11,000 (2%) in the year with the main intake years of reception, year 3 and year 7 hardest hit with record decreases of over 5%. The number of new pupils starting ISC schools has also fallen by 5.2%. There is regional variation across the country with declining pupil numbers across all regions: London (-1.5%), South East (-2.3%), Scotland (-2.3%), South Central (-2.6%), East (-2.6%), South West (-2.7%), Yorkshire and Humber (-2.9%), North West (-3.1%), West Midlands (-3.1%), East Midlands (-3.2%) and Wales (-5.1%).

The imposition of 20% VAT on school fees has led to a variable approach to fee increases across the sector. Affordability concerns and pupil withdrawals have been seen across the sector though the impact has been mixed with those in areas with higher levels of competing schools (including those from the state sector) and a less affluent parent base seeing a bigger impact on pupil retention.

The ISC reports that the average fee increase (excluding VAT) between January 2024 and January 2025 was 1.8% made up of an average 6.7% increase in September 2024 and a net 5% reduction in January 2025. A total of 67.7% of schools reduced their underlying day fees in January 2025 to prevent passing on the full rate to parents.

In addition to VAT, schools have suffered a loss of business rates relief from April 2025, rising teachers pension contribution to 28.68%, national insurance increases and continued inflationary pressures on energy, food, estate and labour costs. Combined with pressures on fees, these cumulative costs are forcing schools to reassess their financial models and long-term viability.

It is imperative that schools make sure they are covering costs through an appropriate fee. Missed fee increases cannot be caught up through subsequent rises, and resulting deficits on operating activities are not sustainable in the long-term for most schools.

Whilst there is an element of expectation from parents that fees in the year ahead will be higher to accommodate rising costs and the introduction of VAT, schools continue to face a difficult balancing act as parents are increasingly re-considering entry points for independent education, many waiting until year 7 and taking the cheaper option of tutoring their children for entrance exams through state junior education. This is creating new pressures on prep schools and junior schools as traditional entry points are no longer predictable. Schools are therefore working hard to set fees at a level to address the current challenges and to continue investing in the future.

Strategic response from schools

Knowing your local market

Knowing your local market is critical to getting the strategic planning right for your school. Some essential questions for the Board and senior leadership team to consider include:

- Where is the local competition?
- What is everyone else charging?,
- What are others offering in terms of education and extras?

Whilst these circumstances are challenging, schools are taking the opportunity to examine catchment areas, local demographics and even bus routes to ensure offers to pupils continue to appeal within a changing marketplace.

Budgeting and scenario planning

Financial planning is more critical than ever. Independent schools are increasingly adopting more robust budgeting and forecasting cycles, alongside multi-scenario forecasting to navigate uncertainty and maintain operational sustainability. Many are moving away from traditional incremental budgeting where figures are simply adjusted for inflation or known changes and are instead, adopting more sophisticated zero-based models which examine every line item from scratch, prioritising spending around strategic goals and identifying cost saving opportunities. This approach gives greater agility and transparency when responding to fluctuating pupil numbers and fee income.

Likewise, scenario planning is increasingly looking to form a realistic worst-case position which includes changing assumptions around fee income, staffing, estate management, fundraising, capital expenditure and cash reserves. It remains critical for governors to ensure proper oversight of this process to challenge forecasts and ensure mitigating actions are realistic and achievable. By focusing on these areas, governors can ensure that financial planning is not only reactive but also strategic, supporting the school's mission while safeguarding its future.

Operational Adjustments – adapting to a new financial reality

Schools are undertaking a range of operational adjustments to ensure financial sustainability and strategic resilience. These changes go beyond budgeting and forecasting, affecting day-to-day operations, long-term planning, and organisational structure.

1. Structural and strategic reorganisation

To remain viable, many schools are re-evaluating their organisational structures and long-term strategies:

- ***Mergers and Partnerships***: Smaller schools or those with declining enrolment are exploring mergers with nearby institutions or joining school groups to benefit from shared resources, centralised services, and economies of scale. When approached with clear strategic intent, we have seen these to be a powerful mechanism to help secure long-term sustainability, improving not just financial sustainability but also creating opportunities for growth, investment and innovation. Improved efficiencies through shared estate teams, joint procurement, streamlined governance or IT integration, centralised marketing, admissions and finance functions all present opportunities to enhance processes, reduce costs and remove duplication. Further benefits of acquisition or consolidation can arise from expanded provision, enhancement of curriculum breadth and strengthening competitive positioning in the market.

Though the benefits are many, this is not without risk. Schools are complex communities with unique traditions and identities, meaning a merger that makes perfect sense on a spreadsheet can still be unsuccessful if the stakeholders don't feel heard or respected. Communication, transparency and alignment of values play an important role in a successful merger.

Another key consideration is reputational risk. Even the rumour of a merger can unsettle parents and staff, making timing, messaging, and transparency an essential part of the process. On a technical level, due diligence must be thorough. Hidden liabilities, pension exposures, compliance issues and underfunded capital needs can complicate or derail a deal. Charitable governance and regulatory oversight, such as the Charity Commission, must also be carefully managed. Finally, financial projections must be realistic. Overestimating savings or underestimating the complexity of integrating systems and teams can lead to challenges. If the success of a merger relies on record pupil growth, ambitious fee increases or idealised synergy savings prevailing, very careful thought must be given to the likely success of these key economic drivers. The strategic rationale and long-term economic viability should sit at the forefront of a decision to undertake a merger. A good M&A deal should show tangible benefits within a few years – it is rarely a quick fix.

- ***Co-education Transitions***: Some single-sex schools are moving to co-educational models to broaden their appeal and increase enrolment potential, particularly in regions with demographic decline.

- ***Reshaping the school***. Schools are actively looking at their structure, with multi-site schools looking at physical structure to best suit changing demands, for example moving years 7 and 8 onto senior school sites leading to efficiencies on staff costs for specialist teachers already employed at the senior school. Senior schools that have traditionally started at year 9 are now looking to offer years 7 & 8 partly to increase their pupil numbers and secure the feed, but also to address the changing behaviour of parents who are now looking to invest later in their child's education, and therefore don't want to be attending traditional prep school for two years only. These changes in parent behaviour mean schools should be actively reviewing the impact of this on their own business, where there are both opportunities and threats.

- ***Curriculum and Staffing Reviews***: Schools are reviewing curriculum delivery models to identify efficiencies, including combining classes, reducing subject options, or restructuring teaching teams. Non-essential roles may be consolidated or phased out.

Governors should support leadership teams in evaluating strategic options and ensure that any structural changes align with the school's ethos and long-term mission.

Income diversification and asset optimisation

With fee income under pressure, schools are actively seeking alternative revenue streams and better utilisation of existing assets:

- ***Facility Hire and Commercial Use***: Schools are expanding lettings of sports facilities, theatres, and classrooms to external organisations, including holiday camps, corporate events, and community groups.
- ***International Partnerships***: Some schools are developing overseas campuses, exchange programmes, or consultancy services to generate income and enhance brand visibility.
- ***Alumni Engagement and Fundraising***: Development offices are being strengthened to cultivate alumni networks, launch capital campaigns, and secure legacy gifts. These efforts are increasingly focused on bursary funding and infrastructure investment.
- ***Estate Rationalisation***: Schools are reviewing their property portfolios to identify underused buildings or land that could be sold, leased, or repurposed. This includes exploring residential development opportunities or joint ventures.

Governors should ensure that income diversification strategies are realistic, legally sound, and aligned with the school's values and risk appetite. There can be unintended tax consequences with any income diversification option, and it is important that schools take appropriate advice to understand the risks and opportunities these activities can present.

3. *Fee assistance*

To support parents, many schools have continued to extend the level of assistance offered to pupils, to minimise the financial burden for those who require additional financial support.

The ISC census noted that total fee assistance of £1.5bn was provided by independent schools in 2025, an increase of 11.4% from 2024. This includes increasing the value of the average means-tested bursary by 7.4% (2024: 9.3%) across the period.

Settling on a sustainable assistance programme continues to be a critical success factor for many independent schools, as they consider the financial cost of maintaining expensive concessions against the risk of pricing parents out of the market without an effective bursary and scholarships programme.

4. ***Public benefit***

Delivering wider public benefit continues to be an important mechanism for independent schools to build community engagement and share knowledge, facilities, and other assets with the state sector. The Independent Schools Council saw a 0.6% increase in the number of reported partnerships with the state sector in 2025, meaning that 76% of all ISC schools are involved in partnership activities which cover a diverse range of activities from sharing facilities to seconding staff. It is important that examples of public benefit are articulated effectively in the financial statements. Consideration is needed around the messaging and how this is presented. Where a school is particularly active in its public benefit provision, the use of a Chairman's Statement or infographics at the start of the Trustees Report may help to highlight key achievements. In times where a school is involved in longer term collaborations and provisions, they may also wish to look at impact reporting to evidence the longer-term outcomes that their involvement has helped to achieve.

Looking Ahead: Navigating Uncertainty with Purpose

The coming years will be defined by continued financial pressure, demographic shifts, and evolving parental expectations. While the introduction of VAT on fees has accelerated change, it has also prompted schools to become more agile, transparent, and mission driven. The future of the independent sector will likely be shaped by greater collaboration, innovation in educational delivery, and a renewed focus on accessibility and value. Governors have a vital role to play in steering their schools through this transition, ensuring that strategic decisions are grounded in financial realism, educational integrity, and a long-term vision for sustainability and impact. With thoughtful leadership and sector-wide solidarity, independent schools can emerge stronger, more inclusive, and better equipped to serve future generations.

Appendix 9 - External developments

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

We believe it is important to keep our clients up to date on the issues that affect them and, as a part of our ongoing communication, we regularly hold webinars and therefore encourage you to visit our website (https://www.crowe.com/uk/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

New Code of Fundraising Practice (effective 1 November 2025)

The Fundraising Regulator became responsible for regulating fundraising in the UK in 2016 and therefore took over responsibility for the **Code of Fundraising Practice**. Since then, the code has been updated several times.

The updated code is designed to help fundraisers in three key areas and includes a list of top tips to help you in charities fundraising activity:

- Documenting your fundraising decisions
- Due diligence and fundraising
- Monitoring fundraising partners

There is a structured transition period (May to November 2025) to help fundraising organisations implement the new code. The code has been shortened and is more principle based. Some instructions for charities which were previously considered as being overly restrictive have been replaced. For example, previously charities were instructed not pay fundraisers “excessive amounts” or by commission. This has been replaced with “give appropriate consideration to the approach you choose for paying fundraisers and whether this fits the values of your charitable institution”.

The Regulator will be publishing a series of practical guides for fundraisers and three new guides on fundraising events; fundraising on social media and online gaming and fundraising have been published to date.

Fundraising Regulator: Annual complaints report

The Fundraising Regulator has published its latest **Annual Complaints Report** which presents insights from casework alongside complaints reported by a sample of the UK’s largest fundraising charities. This report analyses data for the period 1 April 2023 to 31 March 2024.

Misleading fundraising and misleading information continue to be the most complained about theme. This is a trend for the past three years in the ‘complaints and a common cause for complaints’ across different types of fundraising. Clear, considered wording in materials and scripts is a useful tool in managing this risk.

The report also highlights that: “Door-to-door fundraising has continued to be one of the more complained about fundraising methods to the regulator and sample charities. Complaints about door-to-door fundraising included concerns that vulnerable members of the public were being targeted; the legitimacy of the door-to-door fundraisers; and the time of day that fundraisers were knocking on doors. Agency use of subcontractors and sub-subcontractors can make it more challenging for charities to retain appropriate oversight and control of compliance with the relevant standards.” The Regulator had 26 self-reports submitted to them in 2023/24, an increase of 37% from the 19 organisations that self-reported in 2022/23. Investigations were opened into two self-reports relating to separate media articles regarding door-to-door fundraising.

Data (Use and Access) Act

The Data (Use and Access) Act https://www.gov.uk/guidance/data-use-and-access-act-2025-data-protection-and-privacy-changes received Royal Assent on 19 June 2025. It is a wide-ranging Act which includes provisions to enable the growth of digital verification services, new Smart Data schemes like Open Banking and a new National Underground Asset Register. It also includes important changes to the UK's data protection and privacy legislation.

The DUAA will not replace the UK General Data Protection Regulation ("UK GDPR"), Data Protection Act 2018 or the Privacy and Electronic Communications (EC Directive) Regulations 2003, but it makes some changes to them to make the rules simpler for organisations, encourage innovation, help law enforcement agencies to tackle crime and allow responsible data-sharing while maintaining high data protection standards.

Key changes are on:

- Automated decision making
- Subject access
- Chilldren's Protection Services
- Scientific Research
- Recognised legitimate interests
- International Data Transfers
- Responding to Complaints
- Storage and Access Technologies
- Changes to the law on the areas which regulate law enforcement processing and processing by intelligence services.

The changes will be commenced in stages and exact dates for each measure will be set out in the commencement regulations.

Or particular interest to charities is the changes to 'soft opt-in' which will happen in the coming months. These changes are expected to benefit charities by enabling more contact with supporters but will only apply to electronic mail marketing and rely on the 'legitimate interest' lawful basis. Thee are some nuances to this and whilst 'soft opt-in' has not yet started, the Fundraising Regulator recommends that charities should start to prepare.

https://www.fundraisingregulator.org.uk/news/fundraising-regulator-publishes-information-what-charities-need-know-about-changes-soft-opt

CC 11 Charities paying a trustee or a connected person: Understand the rules

While the rules on trustee payments have not changed, the Charity Commission has refined its guidance on paying a trustee ('CC11') to make it clearer and better help trustees navigate the law.

CC11 is now split into sections covering paying a trustee or connected person for goods or services, payments for loss of earnings, employing a trustee or a connected person, paying a trustee to carry out trustee duties and other payment types.

Trustee payments

The underlying rules on trustee payments have not changed. The redesigned guidance continues to stress that it must be clearly in the charity's best interests to pay a trustee (or person connected to them), with all other options having been carefully considered, and the resulting conflict of interest managed. Additionally, a charity must have legal authority to pay.

The guidance also covers payment for trustee expenses clarifying that these do not constitute trustee 'payments' and that trustees are entitled to have their reasonable expenses reimbursed by the charity which includes travel and accommodation costs but may also include costs for things like childcare or adjustments enabling those with disabilities to conduct their role.

You can view the news article **here**.

Trusteeship – a positive opportunity

The Charity Commission with Probono Economics have carried out a **national survey** of charity trustees, which whilst does not have any recommendations does have findings and insights which are valuable to all those interested in charity governance.

Key takeaways from the research are:

- 80% would recommend it to others with many reporting experiencing multiple and profound benefits
- 94% believe their contributions to board meetings are heard and respected

- 93% feel valued and supported by fellow members of the board and that 91% that their contributions are welcomed and respected by staff and volunteers
- 95% have a strong understanding of their role and responsibilities and feel confident sharing their views in board meetings
- Older people currently fill most of the trustee roles and there are still more male than female trustees, with smaller charities having more female trustees proportionally.
- People from an Asian background, people of mixed ethnicity and other ethnicities are less likely to hold trustee roles, in comparison with the general population.
- There are proportionally more trustees in those under 60 who are Black (7% compared to 5% in the population) and proportionally fewer who are Asian (5% compared to 11%).

The majority of trustees surveyed reported serving on boards of between four and 10 members (74%). Just over one in 10 (12%) trustees reported being on a board with three members or fewer.

The survey found the majority of the trustee population have served on their boards for four years or more (55%). 22% have been a member of their board for more than 10 years, with just 36% having been a member of their board for two years or less. 13% were new to their board, having been a member for less than a year.

There is a mixed picture of skills present at the board level with most trustees reporting significant skills and experience in service delivery. While many trustees reported their board had significant finance skills and experience (59%), there is an overall low prevalence of artificial intelligence (AI) skills for the trustee population (8%).

State of the Sector

The Charity Commission has released its latest annual report on public trust in charities. The findings indicate that trust levels have improved with over 6 in 10 people believing donations are reaching their intended cause and confidence increasing by 7% in 12 months.

However the percentage of people donating or raising funds for charity fell from 62% to 48% over the past year due to cost of living pressures resulting in nearly half of charity trustees stating their charity had been forced to make changes including 11% stopping some services and 17% using more of their reserves than expected.

The report, which includes interviews with a diverse range of the public, reveals that overall participants value transparency, accountability and clear communications about how funds are used whilst expressing concerns about mismanagement, high executive salaries and scepticism about some types of fundraising. For more details, see the full report here.

Smee & Ford legacy giving report 2025 reported record legacy income of £4.5 billion in 2024, marking a 9% increase. The biggest contributing factor to growth in 2024 was as a result of HMCTS reducing the backlog of estates. Residual gifts were worth an average of £65,000 whilst pecuniary gifts are worth £4,500. Health remained the largest recipient by sector (40%) followed by the animal sector at ~16%. In both sectors a small number of charities account for the majority of gifts. The report highlights that 21% of the bequests were made by baby boomers and legacy income is forecast to hit £5.1bn by 2030 growing by 2.8% annually. there is further growth anticipated from Baby Boomer bequests with an increase in annual deaths expected to rise to over 730k by 2035 translating to 47,000 charitable cases per annum in the years to come. The report also considers the potential impact of IHT changes on bequests with a positive impact if more people consider reducing their IHT bill by taking advantage of charity tax relief or it may be negative impact if more money is given to potential beneficiaries before death to reduce the tax bill.

Additionally, the CAF UK Giving Report 2025 revealed that donations reached £15.4 billion in 2025, up from £13.9 billion in 2024. However, donations and sponsorship levels are at the lowest recorded by CAF and compared to 2019 there were four million few donors and six million less people providing sponsorships, with 16-24 year olds seeing the greatest decline of all age groups. There is also a decline of 1.5 million adults volunteering compared to 2023. The report also has some interesting statistics around donations contributing to core costs with only 25% being happy to pay for the salary of functions like Finance and HR.

Civil Society Covenant

The Civil Society Covenant published in July 2025 was co-designed by government and civil society to improve collaboration and build a more effective relationship between the two sectors. It is structured around four core principles: recognition and value; partnership and collaboration; participation and inclusion and transparency and data. The Joint Civil Society Covenant Council, the members of whom has not yet been determined, will take the lead in delivering the principles and setting direction and providing strategic oversight.

https://www.gov.uk/government/publications/civil-society-covenant/civil-society-covenant

Budget 2024: Key implications for charities

The 2024 budget, released 30 October, outlines new government's tax, welfare, and spending priorities up to March 2026, with a framework extending beyond April 2026. It also previews the spring spending review, which will allocate funding for central government departments through to March 2029.

Key announcements for Charities:

- Local government funding. A 3.2% rise in core local government spending, at least £600 million funding for social care.
- Support for individuals and carers. Reduced Universal Credit deductions increased Carer's Allowance earnings limit.
- VAT and business rates relief for private schools. VAT relief is removed. Business rate relief is for those providing full time education to pupils with education, health, and care plans.
- SEND Support. £1 billion to support children with special educational needs and disabilities (SEND).
- Hardship support. £1 billion next year to extend the Household Support Fund and hardship payments.
- Educational funding. An additional £30 million for free breakfast clubs, £300 million for further education and £40 million for the Growth and Skills Levy for training.
- Holocaust education. An additional £2 million to support Holocaust education charities.
- Research and development and inheritance tax reliefs maintained.

Further positive announcements include increased budget for the Charities Commission, additional support for central government departments and public services, and more funding for 'trailblazer' programmes and mental health crisis centres.

However, the 6.7% rise in the national living wage and the increase in employer National Insurance contributions (NICs) to 15%, both effective from April 2025, impose financial pressures for charities. Additionally, the NIC threshold has dropped from £9,100 to £5,000.

From April 2025, many charities that employ staff have seen their costs increase, with the average employer expected to incur an extra £26,000 in annual costs (approximately £800 per employee). However, the Employer's Allowance has increased from £5,000 to £10,500 and the threshold for claiming this allowance will be removed, potentially allowing more charities to benefit.

Holistically, commentators believe that the budget signals a shift in government's approach to funding local public services. It aims to simplify local government funding and commits to moving towards multi-year settlements, which will help local authorities and voluntary sector partners to plan more effectively.

At the time of writing we are waiting the outcome of the Spending Review which will be announced in the Autum Budget.

Section 37 Trustee Alert

Until it was abolished in April 2016, defined benefit pension schemes could contract out of the State schemes. In return for lower employer and employee National Insurance contributions, a scheme was required to meet certain minimum requirements in relation to the benefits provided through the scheme. Before 6 April 1997 a contracted-out salary-related scheme was required to provide each member with a Guaranteed Minimum Pension. The 1995 Pensions Act ended that regime and with effect from 6 April 1997 contracted-out schemes had to satisfy the Reference Scheme Test, which had to be assessed and certified by the scheme actuary that the minimum level of benefits under the reference scheme test would continue to be satisfied after the amendment was made.

On 25 July 2024, the Court of Appeal upheld the High Court’s decision in relation to Virgin Media v NTL Pension Trustees II Limited that the statutory actuarial confirmation was required, and without this, alterations are void. This decision could potentially have a significant impact for other schemes where changes have been made without actuarial confirmation.

The question appealed was whether a confirmation was required for changes to future service benefits or just past service benefits. The Court of Appeal upheld the High Court's decision that confirmation was required for amendments to future accruals, before legislation changes in 2013. Legislation does allow the Government to make retrospective regulations to validate amendments that are void due to the absence of such written confirmation. Therefore, depending upon the outcome of any subsequent appeal to the Supreme Court, the industry may call on the Government to take action.

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On 29 July 2024 a joint statement was issued a working group formed by the Association of Consulting Actuaries, the Association of Pension Lawyers and the Society of Pension Professionals proposing that the Secretary of State for Work and Pensions make regulations to validate retrospectively any scheme rule amendment affecting reference scheme test benefits, that is held to be invalid solely because a written actuarial confirmation was not received before that amendment was made. If such regulations were to be made, this would provide a fallback position for DB schemes and their sponsoring employers if issues of invalidity of scheme rule amendments were to be raised based on the Virgin Media case. Other industry bodies have also begun lobbying government to make these changes.

In the meantime, scheme actuaries may need to consider whether they need to take account of matters raised through the Virgin Media case and take into account the impact on funding updates and triennial actuarial valuations. To date actuaries have not been explicitly referred to this matter in their actuarial valuations.

From a pension scheme accounting perspective, unless the possibility of settling the contingent liability is remote or it is not material disclosure should be made in the notes to the financial statements of the estimated financial effect and an indication of the uncertainties relating to the amount or timing. Trustees of pension schemes should assess whether disclosure is required in their accounts.

Employers will also need to consider the impact of the case on their accounts, and this will include retrospective and future liabilities and therefore will be a larger amount. If the amount is not included in actuarial valuations due to lack of information, there will need to be an assessment as to whether a disclosure is required.

On 5 June 2025, the Department for Works and Pensions announced that the Government will introduce legislation to deal with the issues arising from the Virgin Media v NTL Pension Trustees judgment which has increased uncertainty in the pensions industry. The legislation will “give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. Scheme obligations will otherwise be unaffected and the Government will continue to maintain its robust framework for the funding of defined benefit pension schemes in order to protect people’s hard-earned pensions.

Finding and appointing new trustees (CC30)

In a recent **report** published by the Charity Commission and Probono Economics, it was revealed that only 6% of trustees applied for their roles through an advert, and that more than half the charities relied on personal contacts.

Subsequently, the regulator has refreshed its **guidance** to focus on practical steps charities can take to connect with a broader range of candidates. They also recommend considering a skills audit to identify what the charity needs from its trustees. The guidance makes it clear that trustees can pay for a recruitment service but also signposts a range of free resources. There is also a section on induction to help with retaining good trustees and making them more effective.

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.

Building Resilience: Responsive strategies in uncertain times

It is now accepted thinking that the uncertainty of the past few years is here to stay due to global economic uncertainties, geopolitical instability and as a result of rapid technological change.

These continuing challenges signal a new normal which requires all organisations to adapt to survive and thrive. Whilst there have been uncertainties in the past, the level and number has increased as has the speed with which these will impact an organisation.

For non profit organisations, the ever-present challenge is how they can deliver their mission in times of growing demand amid a squeeze on income and rising costs. It becomes even more imperative for boards and the leadership teams to continue to focus on organisational purpose, impact and culture. Juggling competing priorities often results in a lack of focus on matters related to climate risks or EDI and ESG. It is key that organisations focus on strategy at different time horizons to avoid falling behind the curve.

Further information can be found on our Insights page here.

Charity Commission: Updated guidelines CC48 and CC27

CC48: Charity Meetings

The CC48 guidance from the Charity Commission, updated July 2024, provides essential rules for charity meetings that must be adhered to. The guidance emphasises the necessity for charities to adhere to their Governing Document rules on planning, running and recording meetings.

The Governing Document must be amended where rules are outdated to ensure decisions made in meetings are valid. For example. CC48 provides specific guidance on updating the Governing Document to allow for virtual and hybrid meetings. It also covers different types of meetings, such as trustee meetings and Annual General Meetings (AGMs), each with their own rules that must be followed.

CC48 can be found here.

CC27: Decision Making for Trustees

The CC27 guidance from the Charity Commission outlines seven principles and best practices for trustees on decision making.

The seven decision-making principles are:

1. Trustees must act within their powers
2. Trustees must act in good faith
3. Trustees must be sufficiently informed
4. Trustees must take account of all relevant factors
5. Trustees must identify and disregard irrelevant factors
6. Trustees must manage conflicts of interest
7. Trustees must ensure their decision is within the range of decisions that a reasonable trustee body could make

This guidance provides detail on each principle but particularly when making significant or strategic decisions and how to record the decisions made.

Whilst CC27 applies specifically to all trustees of all charities in England and Wales -whether registered, unregistered or exempt, including corporate charity trustees – the guidance can be useful for other members of the charity to be aware of in considering in their decision making.

CC27 can be found here.

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 set out an indicative timetable here. Most of the provisions have now come into force.

Provisions of the Act in force that came into force on 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 that came 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 not yet in force

- 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.

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.

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

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

The Commission have updated CC28 to reflect these changes, which can be found here.

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.

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.

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.

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. See above for further details.

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.

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 and here for total return investment.

Compliance

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.

The new duty to prevent sexual harassment will be enforceable by an employment tribunal, where the tribunal 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.

The Economic Crime and Corporate Transparency Act 2023

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, Royal Charters and CIOs.

When considering the size criteria it is worth noting that the legislation references the financial year of the entity that precedes the year of the fraud offence.

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 guidance for the new corporate criminal offence of "failure to prevent fraud" has been published by the UK government. The Act aims to hold large organisations accountable if they benefit, or there is an intention to benefit, from fraudulent activities conducted by their employees, agents, subsidiaries, or other associated persons. Organisations have to put in place proactive measures and reasonable procedures to provide a defence to criminal liability for failing to prevent fraud and other economic crimes by associated persons.

The offence sits alongside existing law; for example, the person who committed the fraud may be prosecuted individually for that fraud, while the organisation may be prosecuted for failing to prevent it.

The offence, which will come into effect on 1 September 2025, applies to all large incorporated bodies, subsidiaries, partnerships, and large not-for-profit organisations such as charities if they are incorporated and Royal Charter. Whilst unincorporated charitable trusts may not be included, this guidance is considered as being best practice. It is important to note that the size criteria is considered in the year preceding the fraud offence. An organisation will be criminally liable if an associated person commits fraud intending to benefit the organisation such as through dishonest sales or commercial practices, hiding important information from consumers or investors, or dishonest practices in financial markets.

The guidance sets out six principles that should inform fraud prevention frameworks put in place by organisations in order to comply with the law - top level commitment, risk assessment, proportionate risk-based prevention procedures, due diligence, communication (including training), and ongoing monitoring and reviews.

Risk assessments must fully consider the potential for relevant economic crimes to be committed. These include but are not limited to fraud. Onboarding of employees and 'associates' must be reviewed and mitigation measures put in place. Sufficiency of training which is properly tailored to the particular employees involved is increasingly an area of regulatory focus and must also be part of the policies and procedures put in place here.

Full details of the guidance can be found [here](). Crown Prosecution Services and the Serious Fraud Office have published updated joint guidance on corporate prosecutions. https://www.cps.gov.uk/legal-guidance/corporate-prosecutions.

Another aspect of the Act is to improve the accuracy and quality of data filed with the Registrar of Companies, helping to tackle economic crime and boost confidence in the UK economy.

From a company secretarial point of view, the most significant change introduced by the Act is the reform of Companies House.

<u>Key changes</u>

Registered office address to be 'appropriate'

All companies must now have an 'appropriate address' as their registered office. This means that documents sent to the registered office address will reach someone acting on behalf of the company and that delivery can be acknowledged. Companies are not allowed to use a PO Box address. In the event of non-compliance, Companies House will change the registered office address to a default address.

Registered email address

Both existing and new companies must provide Companies House with a registered email address for communication purposes. This information must be included when filing the next confirmation statement with a statement date of 5 March 2024 onwards or at the time of incorporation. A new company cannot be incorporated without this information, and existing companies will not be able to file a confirmation statement without it.

Statement of lawful purpose

After 4 March 2024, new companies must confirm that they are being incorporated for a lawful purpose. Existing companies will need to confirm annually in the confirmation statement that their intended future activities will be lawful.

Broadening of Registrar's powers

The Registrar will have enhanced powers to question information filed at Companies House and request additional information to ensure that documents are timely, accurate, and not misleading. Companies House will have greater authority to scrutinise, query, and reject information that is filed or is in the process of being filed.

Authorised Corporate Service Provider (ACSP)

Under new identity verification measures, most documents filed at Companies House must be delivered by an ACSP. This includes incorporations, officer appointments (directors, secretary, members of LLP, partner of LP) and PSC appointment. This means if you are filing these documents with Companies House then you will need professional corporate service providers to do this for you or you will have to follow the additional identity verification steps to be introduced by Companies House.

Changes to be introduced to Company Accounts

To modernise and digitise filing routes, all accounts must be filed with Companies House using commercial software from 1 April 2027. This includes dormant accounts. The number of times a company can shorten its Accounting Reference Period will be reduced. Small companies will be required to file a profit and loss account and a directors' report, while micro-entities will need to file a profit and loss account. The option to file abridged accounts will be removed, and companies claiming an audit exemption will need to provide an additional eligibility statement. The Charity Commission has signalled that it will also move towards digital filing in due course.

Restrictions on the use of corporate directors

All directors (or director equivalents) of the entity that have been appointed as a corporate director must be natural persons, and those natural person directors must have undergone an appropriate identity verification process. Historically, any corporate entity could be appointed as a corporate director of a UK company. However, moving forward, only UK-registered entities will be eligible for appointment as corporate directors, and all directors (or director equivalents) of such entities must be natural persons. Companies with existing corporate directors will be given 12 months to comply; within that time, they must either ensure their corporate director is compliant with the principles or resign them.

Considering the recent changes introduced by the Act, boards of directors will need to review their current processes for filing at Companies House, adopt new systems for verifying filings, monitor identity verification requirements, introduce new policies on director changes, and review the appropriateness of the company's registered office address.

Technology

Cyber security breaches survey 2025

On 10 April 2025, the government published the results of its [Cyber security breaches survey 2025](). It's clear from the results that cyber security breaches and attacks remain a common threat.

Headline statistics from the report include:

- Just over four in ten businesses (43%) and three in ten charities (30%) reported having experienced any kind of cyber security breach or attack in the last 12 months. This equates to approximately 612,000 UK businesses and 61,000 UK charities that identified a cyber breach or attack in the past year. This represents a decrease in prevalence among businesses compared to 2024 (where 50% experienced a breach or attack, equating to 718,000 businesses).
- Of businesses or charities that experienced a breach or attack in the last 12 months, phishing attacks remain the most prevalent and disruptive type of breach or attack (experienced by 85% of businesses and 86% of charities). The qualitative interviews highlighted that phishing attacks were often cited as time-consuming to address due to their volume and the need for investigation and staff training. The qualitative interviews also found that organisations had a growing consciousness that increasingly sophisticated methods, such as AI impersonation, were becoming mainstream.

Cyber hygiene

Encouragingly, small businesses showed improvement in several cyber hygiene practices, including showing an increased uptake of cyber security risk assessments (48%, an increase from 41% in 2024), cyber insurance (62% up from 49% in 2024), formal cyber security policy covering cyber security risks (59% up from 51% in 2024), and business continuity plans that address cyber security (53% up from 44% in 2024).

Conversely, high-income charities showed a decline in several key areas compared to 2024, including activities to identify cyber security risks (75% down from 86% in 2024), reviewing immediate supplier risks (21% down from 36% in 2024), and having a formal cyber security strategy in place (39% down from 47% in 2024). Insight from the qualitative interviews suggest this could be linked to budget constraints.

A formal cyber security strategy was in place for seven in ten large businesses (70%) and significantly fewer medium businesses (57%).

The majority of businesses and charities have implemented basic technical controls, such as updated malware protection (77% businesses and 64% charities), password policies (73% businesses and 57% charities), network firewalls (72% businesses and 49% charities), backing up data securely via a cloud service (71% businesses and 58% charities) and restricted admin rights (68% businesses and 68% charities). However, adoption of more advanced controls like two-factor authentication (40% businesses and 35% charities), a virtual private network for staff connecting remotely (31% businesses and 20% charities) and user monitoring (30% businesses and 31% charities) remains lower than other measures.

Staff training and awareness raising activities on cyber security were more prevalent in large businesses (76% compared to 19% businesses overall). Whilst a consistent increase among large businesses on this measure was observed in recent years, the proportion of large businesses in 2025 remains in line with 2024 (74%).

Cyber incidents - volunteers

Whilst M&S and the Co-Op cyber incidents have taken the majority of the headlines over the recent period, there is a need for charities to continue to focus upon this as a key risk. Cyber is often "red" rated on the risk register, but there is a need to break this down further into its constituent elements. The M&S attack has been reported as being initiated through social engineering, potentially through a third party supplier.

However, there have been a number of recent reports across our client base of attempted social engineering attacks on charities targeting (either directly (through spear phishing) or more general phishing activity in respect of volunteers with charity email accounts. The number of volunteer accounts can be considerable, including (but by no means limited to) committee members, INEs, retail workers, fundraising and those campaigning for the charity.

This can be a third party account which may have access to considerable data and may sit outside the charities established training and security controls. For example, a "VIP" list of key individuals who if subject to a security alert would trigger a targeted response is beneficial, but it's very unlikely volunteer accounts would be subject to such a response. In addition, there is the potential for volunteer accounts to not be used on a regular basis and as such, if successfully accessed may not be identified for an extended period.

As such, whilst not exhaustive, we'd recommend the following proactive actions:

- Consider how volunteer accounts are understood across the organisation, how are they obtained and importantly, closed due to inactivity.
- Consider how volunteer accounts are administered, including access levels, reviews of user access themselves and activity logs.
- Remind and engage with volunteers regarding cyber risks – use existing communication forums preferably through direct engagement rather than a general email. Discuss new risk areas, where voice technology and even deep fake images can be utilised.
- Consider if volunteers can be included in any false phishing campaigns

More generally, and as highlighted in the M&S case, ensure that you have considered the "Minimum Viable Charity" – what are the essential systems to either keep running or are the first priority to be restored in the event of an incident occurring.

NCSC publishes "Cyber Threat Report: UK Charity Sector"

The National Cyber Security Centre has published its annual report, outlining cyber threats currently facing charities of all sizes.

The 2024 DCMS Cyber Security Breaches Survey measures the policies and processes organisations have for cyber security; highlights the commonly perpetrated breaches and attacks and their impacts; and provides a number of recommendations and links to guidance to assist charities strengthen their defences.

The report revealed that 32% of UK Charities identified a cyber-attack in the last 12 months, an increase from the reported 24% in 2023, with phishing breaches being the most common. This increase has driven an increase in the deployment of various controls are procedures in businesses, such as:

- using up-to-date malware protection,
- restricting admin rights,
- network firewalls, and
- agreed processes for phishing emails.

The report notes that the charity sector is particularly vulnerable as they often hold significant amounts of sensitive or valuable data, making them attractive targets for cyber-attacks. Therefore, charities should consider adapting to the increasingly technical environment. This need for adaption is exemplified by cybersecurity being deemed high priority for 63% of charities, with 30% of Boards having explicit responsibility for cyber security, and 47% of high-income charities having formal cyber strategies in place.

A copy of the report can be obtained here.

Free digital service from National Cyber Security Centre

The National Cyber Security Centre has launched a 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.

Further information and guidance on how MyNCSC works can be found [here].

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 SORP committee issued an Exposure Draft of the revised SORP for consultation, reflecting on the changes made to FRS102.

The consultation closed on 20 June 2025. The consultation documents can be obtained here. The New SORP is expected to be published in Autumn 2025. In the meantime, we strongly recommend that charities commence preparations for the changes being brought about by the two main amendments noted above in relation to revenue recognition and leases. We have produced guidance and a toolkit for charities for lease accounting which can be found here.

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.

Charity Digital Skills report

The Charity Digital Skills annual report, now in its ninth year, continues to serve as an essential measure of the charity sectors’ digital proficiency, attitudes, and behaviour. As charities face ongoing challenges from the cost-of-living crisis and adapt to a rapidly changing digital landscape, this report aims to highlight how charities are increasingly leveraging digital tools and identifying key trends.

The report highlights that:

- 44% of charities have a digital strategy which has declined from 50% last year and 63% making progress with digital compared to 76% last year.
- Developing a strategy for digital, data or AI is a priority for 49% of charities but the biggest barrier charities face when looking to progress is squeezed organisational finances (69%); funds to invest (64%) and a lack of headspace (63%)..

The top areas that charities need support in relation to data are:

- Using AI tools to analyse data (45%).
- Storytelling with data (42%, down from 48% last year).
- Website and social media analytics (38%, falling from 43% in 2024).

The report can be found here.

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.

Taxation

Charities tax compliance

As part of the Autumn Budget 2024, the government published a response to their consultation on charities tax compliance. The original consultation, published in April 2023, received responses from 33 stakeholders in the charity sector including Crowe UK.

The consultation addressed four key areas of tax compliance for charities. A summary of these areas and the proposed changes to tax legislation, all of which will take effect from April 2026, are outlined below.

Preventing donors from obtaining a financial benefit from their donation

The issue: Existing legislation on Tainted Charity Donations does not have a wide enough scope to capture all possible arrangements between charities and donors that could be used to exploit tax reliefs on charitable donations for financial advantage.

The change: The legislation will be amended to lower the bar for challenging transactions, and the current motive test will be replaced with an outcome test. This is expected to allow HMRC to consider a series of transactions in the round and allow for a more objective assessment of the interactions between a donor and a charity.

Issues to consider: Charities may wish to assess any long term arrangements they have with donors in order to be ready to assess whether any changes will need to be made to these arrangements to minimise the risk of falling into the tighter scope of the new rules.

Preventing abuse of the charitable investment rules

The issue: Under current legislation, certain types of investment qualify automatically as approved charitable investments, irrespective of how the investment is actually used.

The change: Legislation will be amended so that all investments (as opposed to only ‘Type 12’ investments under current legislation) must be demonstrably for the benefit of the charity and not for the avoidance of tax. Investments which do not meet this test will not be approved charitable investments and may lead to a tax exposure.

Issues to consider: Charities may wish to review their investment policies for all types of investment to ensure that sufficient evidence will be available in the event of an enquiry to demonstrate that all investments are made for the financial or charitable benefit of the charity. Further guidance on approved charitable investments is available here.

Closing a gap in non-charitable expenditure rules

The issue: The non-charitable expenditure rules under current legislation do not account for legacy income as a type of ‘attributable income’. This provides scope for charities to use legacy income for non-charitable purposes without incurring a tax charge.

The change: Legislation will be amended so that income which is relievable in either the charity’s hands or the donor’s hands will be included within the ‘attributable income’ definition.

Issues to consider: Charities should assess their proposed expenditure from legacy funding to ensure that this will not fall within the tax law definition of non-charitable expenditure. Further guidance on non-charitable expenditure is available here.

Sanctioning charities that do not meet their filing and payment obligations

The issue: Some charities are persistently failing to meet their tax compliance obligations whilst also taking advantage of reliefs and exemptions available to them as charities.

The change: The Fit and Proper Persons test will be amended so that a manager of a charity who persistently fails to comply with the charity’s tax obligations will fail the management condition. This may ultimately lead to the loss of recognition as a charity for tax purposes and to the loss of charitable reliefs and exemptions.

Issues to consider: Charities may consider appointing a suitable official to be responsible for ensuring compliance with the charity’s tax compliance obligations, including the filing of tax returns which are in many cases requested on a rotational basis from charities.

Draft legislation covering the first three of these four key areas was published on 21 July 2025 and is available here.

Guidance around 'authorised official'

According to a February 2025 update to HMRC guidance, charitable trusts completing a Trust and Estate tax return must have the return signed or countersigned by a trustee of the charity. See chapter 6.3.9: Chapter 6: Claims and returns - GOV.UK

Stamp Duty Land Tax

HMRC guidance has been updated to confirm that in circumstances where it is necessary to determine the market value of a land transaction for SDLT purposes, it is not necessary to obtain a formal valuation. This is a useful clarification particularly for charities receiving a transfer of land under an incorporation or merger, where the market value may be reportable even where no SDLT is payable due to charitable reliefs.

HMRC letters on Gift Aid claims

HMRC are currently writing to charities to provide information about preparing Gift Aid claims correctly. The letters include information about Gift Aid declarations, audit trails and record keeping. No specific response is required to the letters, although they highlight the importance of ensuring compliance with the requirements of Gift Aid, particularly as HMRC appear to be undertaking more rigorous review procedures for Gift Aid claims and in some cases may reject whole claims even where only relatively minor errors have been identified.

Charities VAT compliance

Using a VAT trading subsidiary within a VAT group to apply VAT to care services

The issue: Revenue and Customs brief 02/2025 covered updated guidance in relation to using trading subsidiary in a VAT group to apply VAT to care services that would otherwise be VAT exempt. This planning has been adopted by a number of charities because its implementation improves VAT recovery on costs.

The change: HMRC will no longer allow VAT groups to include subsidiaries on this basis and will also seek to remove them from a VAT group where the reason for inclusion is deemed necessary to 'protect the revenue'. Any charities using this planning need to review their current arrangements to consider what action should be taken. Please click here for more information and areas to consider if your charity has adopted this planning.

VAT exemption for fundraising events

The issue: Revenue and Customs brief 03/2025 provided information in relation to the exemption that covers fundraising events following the case of Yorkshire Agricultural Society.

The change: This potentially broadens the exemption as the Tribunal found that HMRC had been too narrow in its definition of the primary purpose of the event – this could mean that claim for overpaid VAT could be made to HMRC. Please click **here** for more information.

VAT Compliance Controls

HMRC issued very detailed guidance on VAT compliance and what they expect from taxpayers: Help with VAT compliance controls — Guidelines for Compliance GfC8 - GOV.UK

There is a lot of detail to wade through with ten different elements to consider. The overriding point HMRC seem to be making is that you must document the VAT risks and how you have reduced the risk of errors. We suggest that such processes and checks need to be recorded and checked.

"The guidelines set out HMRC's recommended approach and are designed to help you understand our expectations as you plan, carry out, and review the accounting and compliance processes that ensure VAT is accurately declared by your business."

HMRC would expect to see a Tax Control Framework / How you minimise Risk i.e. written processes / Documentation of Internal Controls. As HMRC are beginning to increase the level of taxpayer visits, we would expect them to ask for this documentation.

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