

St Raphael's Hospice

Audit Findings Report [Draft]

Year ended 31 March 2025

Presented to the Finance and Resources Committee on 14 October 2025

Strictly Private and Confidential

The Finance and Resources Committee
St Raphael's Hospice
London Road
Cheam SM3 9DX

Dear Members of the Finance and Resources Committee

I have pleasure in submitting our audit findings report for the year ended 31 March 2025. The primary purpose of this report is to communicate to the Finance and Resources Committee and the Trustees 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 Finance and Resources Committee meeting with Charlene Wilson (Senior Audit Manager).

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

Yours sincerely

Dipesh Chhatralia
Partner

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1. Executive summary

Our report to you

We are pleased to present our Audit Findings Report to the Finance and Resources Committee and we welcome the opportunity to discuss our findings with you at your meeting on 14 October 2025.

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

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

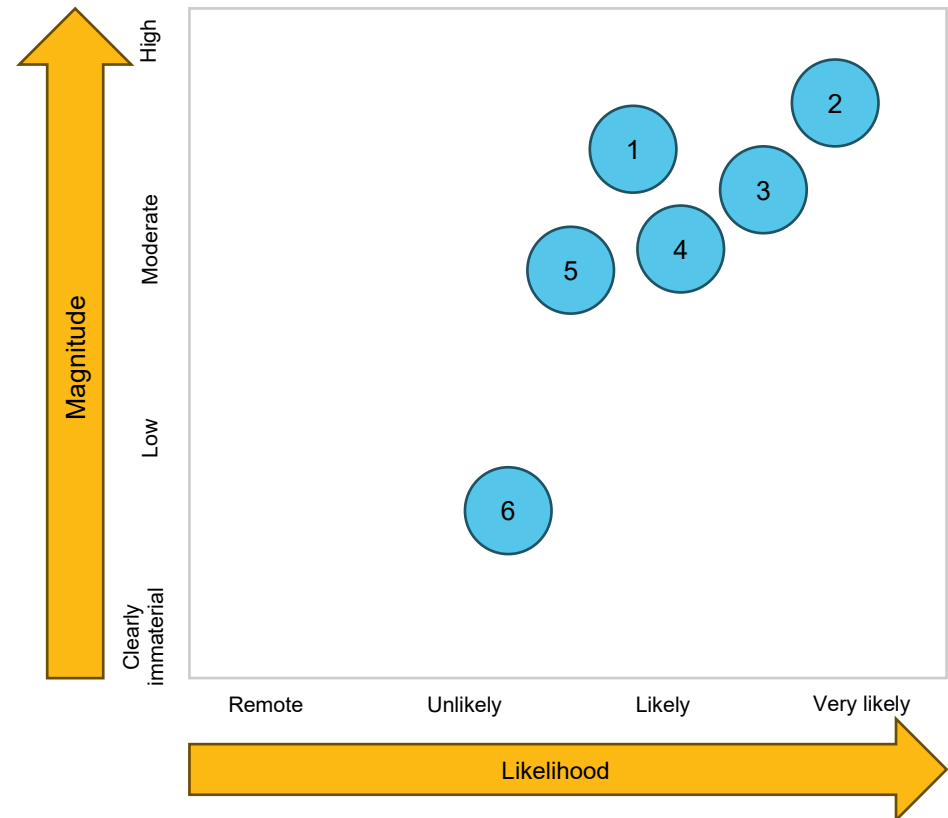
- the results of our work on areas of significant audit risk
- our views about significant qualitative aspects of the charity’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures
- significant difficulties, if any, encountered during the audit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

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

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

Conclusions in relation to the areas of significant audit risk

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



KEY:

1. Going concern (2.1)
2. Management override of controls (2.5)
3. Legacy income (2.3)
4. Contract income (2.2)
5. Grant income (2.4)
6. Retail income (3.1)

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
Going concern	-	-	-
Revenue recognition – grant income	-	-	-
Revenue recognition – legacy income	-	Yes	-
Revenue recognition – contract income	-	-	-
Revenue recognition – retail income (not significant)	-	-	-
Management override of controls	Yes	-	-

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 of St Raphael's Hospice and was set at 2% of income. 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 with 2% of income being £184k.

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 to be adjusted which have not yet been adjusted by management as the final amounts are being finalised.

Audit completion and our Audit Report

We have substantially completed our audit in accordance with our Audit Planning Report which was sent to you and the senior management team, subject to the matters below.

- Adjustments to post and check financial statements per Appendix 1

Significant audit risk areas

- Completion of going concern assessment (Section 2.1)
- Legacy income - Pending query responses and adjustments to be posted, as well as post year-end review (Section 2.3)

Other audit areas

- Other income - Finalisation of work on retail income (Section 3.2)
- Completion of payroll work (Section 3.4)
- Cost allocation review (Section 3.7).
- Pending queries to clear on related parties (Section 3.9)

Finalisation

- Completion of the going concern and post-Balance Sheet events reviews.
- Receipt and review of the final financial statements including the annual report.
- Receipt of the signed letter of representation ([Appendix 4](#)).

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

On the satisfactory completion of these matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the 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 17 September 2025. Nick Stevens (Joint CEO and Finance Director) and Neena Vadgama (Head of Finance) 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) was applicable this year, and required us to consider a spectrum of inherent risk, considering both the likelihood and magnitude of a possible misstatement, with risks close to the upper end of the spectrum of inherent risk considered to be 'significant risks'.

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

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

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

2.1 Going concern

Key related judgements

In preparing the financial statements to comply with Financial Reporting Standard 102 the Trustees are required to make an assessment of the charity's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, the Trustees and management are required to consider all available information about the future of the charity in the period of at least, but not limited to, twelve months from the date when the financial statements are approved and authorised for issue.

Management prepared a detailed paper setting out their assessment of St Raphael's Hospice's ability to continue as a going concern for consideration alongside the draft financial statements by the Finance and Resources Committee.

The economic environment remains tough for Hospices across the sector, with part funding of care support through ICBs, and the remainder to be covered through fundraising. In 2024 St Raphael's conducted a restructure resulting in redundancies and cost savings going forward of c.£1m. The charity remains well supported through its roots with the DoC, through funds provided in the past. Reserves still remain on the lower end of the policy because of the deficits

incurred over the years. As a result, going concern was deemed a significant risk for the audit.

Crowe response

As part of our audit work, we:

- Reviewed the period used by Trustees to assess the ability of St Raphael's Hospice 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 trustees' conclusion.
- Reviewed the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year.
- Reviewed any other information or documentation which the Trustees have used in their going concern assessment.

Our conclusions and other comments

As at 31 March 2025 St Raphael's Hospice is reporting unrestricted funds totalling £4.4m (2024: £4.2m). St Raphael's unrestricted deficit for the year was £68k (2024: deficit of £1m). This increased performance is largely due to a donation from the Congregation of the Daughters of the Cross of Liege (DoC) of £1m in the year.

Income across all streams was consistent on the prior year, with donations and legacies and other trading activities performing well. Additionally, movement on the fair value of investments saw a small gain.

The government's capital grant via Hospice UK in the year has provided the charity with additional funds for capital development, which is a positive and unexpected boost to the top line. Nevertheless, costs need to be managed and controlled where possible, and we understand the St Raphael's Hospice have been doing this.

We have reviewed management's going concern paper. Secured funding from the NHS, only amounts to c.30% of clinical and fundraising costs. We understand that a 4.83% increase in the NHS contract has been agreed to.

Management's review notes that should other income levels fall by 20% the shortfall would be at most £800k. With unrestricted funds of c.£4.4m, this would not be significant enough to result in St Raphael's Hospice not being a going concern. Management have noted the key risk to going concern being the legacy target of £1.4m not being received at all.

We understand on average over the last 7 years, £1.7m of legacies have been received annually and it has only dipped as low as £700k in the past 15 years. Therefore, the risk of the target not being achieved and the risk of receiving no legacy income at all, is considered to be low. Legacies notified post year-end are showing to be on track.

We were provided with the forecast showing the expected cash and investment levels in different scenarios. Even in management's worst case scenario of costs increasing by 5%, cash and investments would still remain positive in the going concern period.

Should there be further cost increases, no legacies received and reductions in other types of income, management have noted a number of levers available, including reducing some of the services such as retail and the inpatient unit, if needed. Though they remain confident with the support from the DoC.

Management have implemented measures to improve financial sustainability such as the employment of the legacy officer and the introduction of a new communications lead. There has been more proactivity with trusts events and campaigns and the lottery will be brought in house providing the opportunity to cross sell legacies.

This has resulted in increased performance post year end, with a £137k deficit in the June 2025 management accounts vs. the £557k deficit budgeted. This was driven by increased legacy receipts (£238k vs £66k budgeted) and donor income (£472k vs. £325k budgeted).

We have noted the continued support of the DoC and we understand from management that the DoC review the results on a regular basis for the hospice and in addition, two members of the DoC sit on the Board as well as their finance advisor, providing full transparency and oversight.

We have reviewed the original transfer agreement from the DoC which discussed the £3.6m transferred in 2020, of which £1.4m remains in deferred income as at 31 March 2025. This agreement was based upon a 5 year business plan which we have reviewed. This agreement shows that the forecasts within it noted that £4.6m of support was needed from the DoC and it expected shortfall in funding annually to 2027/28, without DoC funding.

<u>Investment cost</u>	Operating
Cash Utilised to complete program	£3,614,341
Contingency for delay	£1,000,000
Requested DoC Grant	£4,614,341
Risk of 1% assumption error	£1,700,000
Risk of legacy drought	£1,000,000
Requested contingency pledge	£2,700,000
Total	£7,314,341

The drawdowns from deferred income is on the basis of any expected deficits in the year, and currently the Hospice is ahead of this.

The DoC financial statements for the year ended 31 March 2024, included designated funds of £2.7m set aside to support St Raphael's Hospice. In the year ended 31 March 2025, St Raphael's Hospice received £1m from the DoC as noted above, but the £1.7m of this designated fund remains to be given, though we note that it is at their discretion. On this basis, the £1.7m is not included in any of the forecasting for St Raphael's Hospice. Therefore, even in the worst case scenario of cost increases and no receipt of legacy income, there is still £1.7m that is available and the risk of clawback, considering DoC oversight, is considered to be low.

We are in the process of finalising our review, which will remain outstanding until the point of approval of the financial statements.

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

2.2 Revenue recognition – NHS and ICB contract income for patient services

Key related judgements

St Raphael's Hospice receives a substantial amount of its income from a contract with the SWL Integrated Care Board for patient services. In 2025 such income totalled £2.0m (2024: £1.7m).

Due to the complexity in the income recognition of the contract agreement(s), we deemed this to be a significant risk area.

Crowe response

As part of our audit work, we:

- Built our understanding of the systems in place which St Raphael's Hospice used to achieve control over, capture, process and disclosure of income and we considered the design and implementation of the key controls in this area to address the risks of completeness and cut-off.
- Reconciled income per the contract to the amount recorded in the nominal ledger.
- Tested from the source to confirm receipt to bank statements.
- Reviewed the year-end cut-off to ensure contract income had been correctly recorded in the period.
- Reviewed and followed up on any aged debtor balances for assurance over the recoverability of the balances.

Our conclusions and other comments

St Raphael's Hospice work with South West London ICB with one contract in place. Funding is agreed annually with the ICB based on patient beds and services. Quarterly invoices are raised to the ICB. St Raphael's Hospice along with three other hospices meet with the Chief Financial Officer and the Chair of the South London ICB to discuss the contract increases. As noted in Section 2.1, the increase for 2025-26 has yet to be agreed, with 2.15% being rejected

by the four hospices.

We reviewed the underlying contract and agreed to the income recognised in the trial balance and a sample of invoices were traced through to bank receipt and nominal ledger. This provided assurance that the contract income in the financial statements was complete for FY2025.

No issues arose from our work in this area.

2.3 Revenue recognition – Legacy income

Key related judgements

Legacy income for the year totalled £1.3m, a decrease of £0.3m on the prior year.

Given the level of judgement involved in recognising legacy income, we considered there to be a significant risk in respect of the accuracy of the income recognised.

Crowe response

As part of our audit work, we:

- Built our understanding of the systems and controls used in the capture, processing and recording of legacy income, focussing on reviewing the design and implementation of key controls in addressing the risk of accuracy and completeness.
- Reviewed the income recognition policy to ensure it meets the requirements of the Charities SORP.
- Sample tested individual legacies to ensure that these have been correctly accounted for in the financial statements.
- Selected a sample of Smee & Ford notifications, to ensure that any potential legacy income had been correctly captured and followed up with solicitors where necessary.
- Considered the reasonableness of the 15% discounting method when comparing the accrued income included in the prior year based on estate valuations, with amounts received in the year relating to those estimations.
- Reviewed the recoverability of balances that remain on the balance sheet at the year-end.

- Reviewed the legacy pipeline report to ensure that any potential legacies that relate to the current year are being captured in the financial statements.

Our conclusions and other comments

St Raphael's Hospice's income recognition policy states that "Legacies are included in the statement of financial activities when there has been a grant of probate, the executors have established that there are sufficient surplus assets in the estate to pay the legacy and any conditions attached to the legacy are within the control of the charity. The value is discounted by 15% in order to recognise the risk that asset values realised may not reach the original valuation estimates."

The accounting policy noted is consistent with the methodology being applied in recognising legacy income. However, upon review of the receipts in the year, we identified that more income was received above the legacy accruals brought forward on the balance sheet. We therefore challenged management on whether the policy of discounting the legacies recognised by 15% was appropriate, which is a key management judgment. We understand the 15% has been based on historical performance of not always receiving the full legacy income due to amounts being contested or overvalued. We also note that based on the total accrued income of £1,063k, there are four legacies which are currently also being contested amounting to £145k, to further support the rationale behind the 15% calculation.

At the time of writing this report, there are pending queries we are awaiting responses for from management.

Variations in the accounting policy

The current accounting policy notes the entitlement to legacy income at the point of probate being granted, which is an earlier point of recognition than as at notification of a distribution and final estate accounts. Both approaches are acceptable under the Charities SORP, however with St Raphael Hospice's policy, notifications of legacy receipts after the year end but where grant of probate was pre year end, and their value can be reasonably estimated, must be accrued for if material to the financial statements. May hospices apply the policy on probate, but it is helpful to understand other options, which in turn would reduce the amount being accrued and carried forward on the balance sheet and be recorded as a contingent asset.

We have been notified of post year end legacy receipts of £307k for which

probate was granted pre year-end. *As they are material, this will noted to be adjusted in the next iteration of the financial statements.*

Management will need to review post year-end legacy receipts up until the point of signing the accounts to ensure there are no material legacies individually or in aggregate, that require accruing, which is part of our post balance sheet reviews.

2.4 Revenue recognition – Grant income

Key related judgements

St Raphael's Hospice received £132k from Hospice UK for capital works that had to be incurred in the year ended 31 March 2025. No other grant income was received.

In certain cases, if grant income is not properly managed then the risk of claw back is high. Given the complexities within the recognition of grant income, we considered there to be a significant risk in respect of completeness and cut off.

Crowe response

As part of our audit work, we:

- Built our understanding of the systems and controls used in the capture, processing and recording of grant income, focussing on reviewing the design and implementation of key controls in addressing the risk of completeness and cut-off.
- Reviewed the income recognition policy in relation to grant income to ensure it meets the requirements of the Charities SORP.
- Reviewed St Raphael's Hospice's procedures for identifying restrictions and conditions.
- Scrutinised the funding agreement(s) so as to understand income recognition, terms, reporting requirements, and claw back risk.
- Ensured that the grant has been appropriately recognised and disclosed in the financial statements.

Our conclusions and other comments

The first tranche of the capital funding has been used towards various parts of the Hospice, in line with the agreement. In particular the conference room

upgrade, various IT upgrades including laptops, the upgrade of the fundraising database and other various small capital projects.

In reviewing the contract terms to determine the recognition of the Hospice UK capital grant, we were satisfied that the grant was correctly classified as restricted with a transfer to unrestricted funds equal to the grant being made once the capital items were purchased.

Going forward, with further guidance from Hospice UK for the next tranche of funding, management should ensure the spend continues to fully meet the criteria for enhancing patient care under the agreement, including investment in IT and infrastructure and outside garden spaces.

No issues arose from our work in this area.

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

- Assumptions relating to recognition and cut-off of grant, contract and legacy income (Section 2.2, Section 2.3 and Section 2.4)

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 did not identify any instances of management override of controls. However, we note that journal processing can be an area of potential risk and it is good practice to include consideration of this within the overall St Raphael's Hospice risk assessment.

We note in Appendix 2, a control point regarding the lack of documented authorisation of journals.

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 charity's 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.

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 Systems and controls and opening balances

As this is our first year as auditors of St Raphael's Hospice, additional time was spent gaining an understanding of the systems and identifying and testing the key financial controls, particularly in relation to the main transaction cycles: contract income, legacy income, expenditure, payroll, capital programmes, cash management and financial reporting. Our work included discussions with key staff in each area, including those outside of finance.

We undertook additional audit tests on the opening balance sheet position, performing analytical reviews for any unusual fluctuations around the year end and tests of detail on a sample of post year-end movements to gain assurance that the balances are not misstated.

We visited the predecessor auditors to review the prior year audit file for assurance on the opening balances and prior year comparatives.

No issues arose from our work in this area.

3.2 Income

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

Whilst we deemed grant, contract and legacy income to be significant (see [Section 2](#)) we did not consider other income streams to be significant due to the high volume/low value transactional 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?).

Donation income

A significant income stream for St Raphael's Hospice is donations, and such income amounted to £3.0m (2024: £1.7m) in 2025.

St Raphael's Hospice receives a large amount of donations. However, as it is recognised on receipt, there are no significant judgements or estimates involved. On this basis, we rebutted the presumption of a material misstatement due to fraud in this revenue stream.

As part of our audit work, we:

- Built our understanding of the procedures used to capture, process and disclose key donation income streams, including donations collected through the head office and fulfilment houses.
- Reviewed the design and sample test the implementation of the key controls in these areas.
- Checked donations and other supporting documentation on a sample basis to establish whether any restrictions and conditions were properly identified.
- Reviewed the year end reconciliation between the fundraising database and nominal ledger.
- Performed detailed testing in respect of the validity of a sample of gift aid claims during the year.
- Agreed gift aid debtors to year end claims and ensuring that year end cut off has been considered.

No issues arose from our work in this area.

Retail income

A significant proportion of the income is from cash sales, which is by its nature a fraud risk, however given the high volume/low value and transactions nature of the income was not considered to give rise to a significant risk of material misstatement. Income is reported by each retail unit on a weekly basis, and therefore a key issue is around cut off at the year end. On this basis, we have rebutted the presumption of a material misstatement due to fraud in this revenue stream.

St Raphael's Hospice operate a chain of 12 retail shops throughout South London, selling donated goods. Income for the year ended 31 March 2025 amounted to c.£2m (2024: c.£1.7m).

As part of our audit work, we:

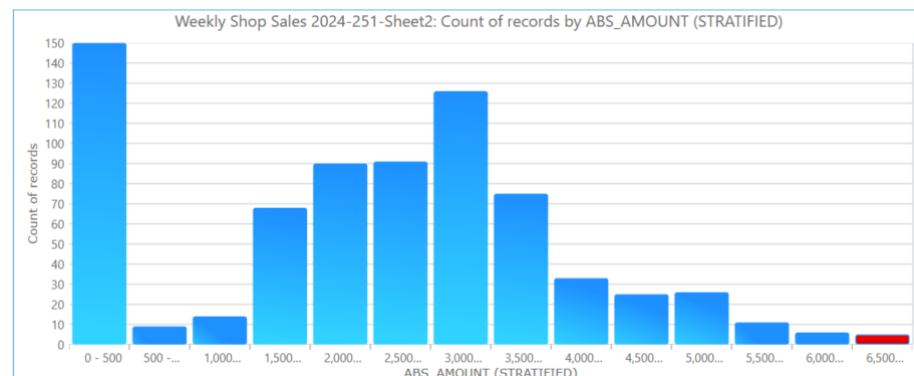
- Built our understanding of the system, controls and processes in the capture and recording of retail income and conducted a visit of two retail units, observing any key processes.
- Performed analytical review of trends and variances for each income stream against expectations, budget, forecast and prior years where appropriate.
- Reviewed a sample of reconciliations between the EPOS system and amounts banked for shops.
- Traced a sample of returns from shops to till receipts (where available) and other supporting documentation.

We carried out data analytics work over the retail sales dataset which analysed for the following parameters:

- Consistency with the nominal ledger.
- Spread of average transaction value across shop location and months.
- Outlier sales values against average values.
- Month on month sales variances in volume and frequency.
- Unusual till user ID activity.

The chart shows the highest number of transactions were between £0-£500 and £3,000 - £3,500, demonstrating the performance of the discount and

boutique stores. The results of the above procedures focussed our sampling of sales transactions selected for detailed testing.



We are in the process of finalising our review of retail income, and therefore our work remains outstanding.

Shop visit

We visited the Wimbledon Village and Raynes Park shops during the audit to understand the key processes and operations carried out. Both shops were selected based on their relative profit margin performance in FY2024. With Wimbledon Village being relatively high performing and Raynes Park underperforming to the shop average. Key areas we evidenced controls on were stock management and labelling, shop till and cash handling security and premises safety and security.

No issues arose from our work in this area.

Lottery income

c.£387k of income was received from the lottery in the year ended 31 March 2025. As the income consists of low value and high volume transactions, with no significant judgement in the recognition, we rebutted the presumption of a material misstatement due to fraud in this revenue stream.

As part of our audit work, we agreed the income recognised to direct confirmation received from Sterling Lotteries and confirm the cut off of income to ensure it has been captured in the correct accounting period.

No issues arose from our work in this area.

3.3 Estimates and judgements

As noted in [Section 2](#), management have made a number of necessary significant accounting estimates and judgements which impact the financial statements. The recognition and cut off of grant, contract and legacy income are discussed and are considered to be significant and are discussed in Section 2.

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

- Impairment of assets and remaining useful life of assets
- Dilapidation provision
- Provision for bad debts

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.

Impairment of assets and remaining useful life of assets

We reviewed the depreciation rates applied in the fixed and intangible assets and reperform the calculations. We also, through discussions with management, obtained and understood of the repairs work and state of the buildings for any potential impairment to consider.

No issues arose from our work in this area.

Dilapidation provision

At the planning stage, we identified that there were no dilapidation provisions in place and advised management that a provision needed to be estimated for the leased retail units. We reviewed management's assessment and consider the calculation to be reasonable as well as the amount of £112k included within the financial statements.

No issues arose from our work in this area.

Provision for bad debts

Through our review of post year-end receipts we formed an assessment of any bad debts that may require a provision and assessed against the provision disclosed in the financial statements.

No issues arose from our work in this area.

3.4 Payroll

Payroll is the largest single expenditure item for St Raphael's Hospice being c.£6.9m in the year ended 31 March 2025 (2024: £6.6m). The key risks in this area were considered to be:

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

As part of our audit work, 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 consider gross pay, deductions and staff numbers year on year to ensure that all trends and relationships appear reasonable and that the totals agree with the ledger, and we verified a sample of staff between the payroll and other HR records and agree their costs to supporting documentation on a sample basis. Agency costs were immaterial.

We are finalising our testing of the payroll disclosures. No issues have arisen in other testing performed in this area.

3.5 Tangible fixed assets

St Raphael's Hospice held fixed assets with a net book value of £936k as at 31 March 2025 (2024: £971k). We note that given the nature of care provided, there is a capital programme in place. The key risks in this area were identified as follows:

- Cut-off of the costs in relation to the work being carried out over the year end.
- Capitalisation of costs which could potentially be revenue related or fall outside the scope of classification as tangible fixed assets.
- Relevant retentions have not been accrued for.
- Inaccurate or incomplete disclosure of capital commitments at the year end.

As part of our audit work, we:

- Reviewed the cut-off of costs in relation to the works being carried out over the year end.
- Reviewed the capital commitments of the costs in relation to works being carried out over the year end to ensure adequate disclosure has been made in the financial statements.
- Reviewed the reasonableness of the useful lives of assets and performing a depreciation proof in total to ensure it has been fairly stated.
- Reviewed the treatment of capital versus revenue expenditure.

No issues arose from our work in this area.

3.6 Funds

St Raphael's Hospice operates a number of different funds subject to various restrictions and designations.

As part of our audit work, we:

- Traced restricted contributions, legacies and grants found in our income testing to the relevant fund account.
- Reviewed a sample of expenses allocated to restricted funds to ensure that the expenditure was spent in accordance with the objects of the fund.
- Reviewed the analysis of net assets to ensure that it has been correctly allocated across the funds.
- Reviewed the processes in place to ensure that restricted transactions are completely and accurately captured and reported within the organisation and review year end balances to ensure that they appropriately reflected the restrictions that should be in force.

No issues arose from our work in this area.

3.7 Other expenditure

Our approach for other expenditure items was based on analytical review procedures, which considered actual versus budget and prior year results, together with understanding the controls operated by St Raphael's Hospice to ensure that expenditure is appropriately controlled and authorised and that the required cut-off has been correctly applied at the year end.

We also selected a sample of expenditure transactions from the nominal ledger for agreement to underlying records, to ensure that transactions were being accurately processed in the accounting system and authorised by an appropriate individual within the organisation.

We are finalising our review of cost allocation. No issues were identified in the other testing performed in this area.

3.8 Other balance sheet items

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

As part of our audit work, we:

- Tested key control accounts reconciliations.
- Tested bank reconciliations.
- Reviewed of post year end transactions
- Confirmed of assets/liabilities held (e.g. cash at bank) to third party confirmations.

No issues arose from our work in this area.

3.9 Related parties

In line with the ISAs which direct 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 charity are appropriately authorised and correctly disclosed in the financial statements. The definition of a "related party" as defined in FRS 102 encompasses, in addition to the Board of Trustees and any members of management who can directly influence management decisions and close family members of both; the latter being of relevance if individual Trustees and members of management are perceived to be in a position to influence the management decisions of family members or can be influenced by them.

We reviewed St Raphael's Hospice's procedures for identifying potential related parties and ensuring all transactions are complete, including any annual declaration of interests completed by Trustees. We note that the relationship and transactions with the DoC have been adequately disclosed as well as the linked trustees. *Our work in this area remains outstanding as we process the support provided.*

3.10 IT systems controls

We attained an understanding of the key IT systems the Hospice use relating to significant classes of transactions, balances and disclosure through to reporting to the financial statements. For those key systems we reviewed the security password parameter settings. We also reviewed the employees who were given the highest level of administrative access to each system for reasonableness.

We have noted control points in Appendix 2, regarding the administrator access to systems and password parameters.

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 St Raphael's Hospice from fraud and irregularities. Our audit included discussions with management and those charged with governance to obtain their assessment of the risk that fraud may cause a significant account balance to be materially misstated as well as other procedures to obtain sufficient appropriate audit evidence.

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were Companies Act 2006, the Charities Act 2011, together with the Charities SORP (FRS102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

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

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing and recognition of NHS and ICB contract income, legacy income and the override of controls by

management. Our audit procedures to respond to these risks included enquiries of management and the Finance and Resources Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, NHS and ICB contract income and legacy income, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, and reading regulatory reports and 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 6](#) some fraud risks that Trustees and management should be aware of.

Trustee responsibilities

The primary responsibility for safeguarding the charity's assets and for the prevention and detection of both irregularities and fraud rests with the trustees 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 trustees when the financial statements are approved.

- The trustees acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and errors.
- The trustees have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
- The trustees 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 trustees 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, but will be in the next iteration of 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
<i>FACTUAL</i>				
<i>Cr Legacies</i> <i>Dr Accrued income</i> <i>Recognising legacies received post year end for which the recognition criteria had been satisfied before the year ended 31 March 2025</i>	307	307		
<i>JUDGEMENTAL</i>				
Dr Income Cr Debtors Removing over-accrued gift aid income (client adjustment)	(25)	(25)		
Cr fixed assets Dr other expenditure Write off of assets no longer in use (client adjustment)	(69)	(69)		

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 St Raphael's Hospice 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.	(Three comments in this category)
Medium	These findings are of a less urgent nature, but still require reasonably prompt action.	(Two comments in this category)
Low	These findings merit attention within an agreed timescale.	(Two comments in this category)

Audit finding and recommendation	Priority	Management response
<p>1. Administrator access to systems</p> <p>Our review of the administrator access of IT systems identified a number of systems where business users, i.e. individuals who use the system on a day to basis, had such access. These are listed below:</p> <ul style="list-style-type: none"> • Sage (Finance System) – two senior members of the Finance • MoorePay (Payroll) – two senior members of Payroll/HR <p>There is a risk of management override with such access being granted to members of the relevant teams who use the systems on a day to day basis, as erroneous entries could be disguised without detection.</p> <p><u>Recommendation</u></p> <p>We recommended that in both instances access is removed and given to members of the IT team.</p>	High	<p>Target completion date:</p> <p>Responsibility:</p> <p>Response:</p>

Audit finding and recommendation	Priority	Management response
<p>2. Password configuration</p> <p>Our review of passwords for the IT systems identified four systems for which the maximum password age was higher than the recommended 60 days (Azure, E-productive, Moorepay and NHS inbox). We also identified that the Sage account lockout duration was 5 minutes which is less than the recommended 30 minutes.</p> <p><u>Recommendation</u></p> <p>We recommend that such parameters be amended to be in line with best practice.</p>	<p>High</p>	<p>Target completion date:</p> <p>Responsibility:</p> <p>Response:</p>
<p>3. Lack of authorisation of journal postings</p> <p>It was noted that currently the joint CEO and finance director does not review individual journal postings. Whilst we note that management have review process in place for management accounts presented at Board meetings, there is no documented evidence of such reviews taking place. We recommend that management have documented review of journals that are considered to be higher risk.</p>	<p>High</p>	<p>Target completion date:</p> <p>Responsibility:</p> <p>Response:</p>
<p>4. Lack of formal policies and procedures</p> <p>We could not be provided with policies and procedures for the following areas:</p> <ul style="list-style-type: none"> - Journals - Period end processes - Tax - Treasury management - Payroll - Income streams other than retail <p>There is a risk that should key personnel leave the organisation, knowledge will be lost.</p> <p>Recommendation</p> <p>We recommend that management document key policies and procedures.</p>	<p>Medium</p>	<p>Target completion date:</p> <p>Responsibility:</p> <p>Response:</p>

Audit finding and recommendation	Priority	Management response
<p>5. Assessment of fraud risk</p> <p>There is no set procedure for identifying and reacting to fraud and that the last communication to those charged with governance regarding the fraud risk assessment was in January 2024.</p> <p><u>Recommendation</u></p> <p>We recommend that management perform a review to ensure that risks are sufficiently mitigated.</p>	<p>Medium</p>	<p>Target completion date:</p> <p>Responsibility:</p> <p>Response:</p>
<p>6. New suppliers</p> <p>Checks on the validity of a new supplier and correct entry of new suppliers on the system are not documented; therefore we were unable to determine whether the controls described were operating effectively.</p> <p><u>Recommendation</u></p> <p>We recommend that management document such controls to ensure that there is an audit trail.</p>	<p>Low</p>	<p>Target completion date:</p> <p>Responsibility:</p> <p>Response:</p>
<p>7. Employee ID retention</p> <p>Identification documents are not retained for employees, to demonstrate the charity's compliance with laws and regulations.</p> <p><u>Recommendation</u></p> <p>We recommend that such documentation be obtained and retained securely on file.</p>	<p>Low</p>	<p>Target completion date:</p> <p>Responsibility:</p> <p>Response:</p>

We have set out below the systems and control issues on which your prior year auditors reported 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 or prior periods	Priority	Status	Update 2025
<p>1. No segregation of duties – re cash counting and banking at shops we visited [Previous auditor]</p> <p>As part of our shop visits, it was noted that only one person counts the money at each location with no second count, that same individual is also responsible for banking the money and investigating differences.</p> <p>There is a risk of fraudulent activity if no segregation of duties is implemented.</p> <p>We recommend that one person counts the money with a second individual re-counting or banking the money to ensure sufficient segregation of duties.</p> <p><i>2024 management response</i></p> <p>In our small retail units we do not have two staff present as this is not cost effective. We believe the risk is low and a lesser risk than where cash is received but not entered into the till at all.</p>			<p>Our visit of the Wimbledon Village shop noted that such controls were in place. However we note that as the Raynes Park shop is smaller, only the manager counted the cash received. We therefore consider this point to be partially implemented.</p> <p>As the client has accepted the risk we have closed this point.</p> <p>Closed</p>

Observations and recommendations in 2024 or prior periods	Priority	Status	Update 2025
<p>2. No stock counts are performed at the Rosehill shop we visited [Previous auditor]</p> <p>As part of our shop visits, it was noted that no stock counts are performed at the Rosehill shop There is a risk of misappropriation of assets. We recommend that at least quarterly a count is performed by two members of staff to ensure sufficient segregation of duties.</p> <p><i>2024 management response</i></p> <p>For pragmatic reasons we do not count or value stock, in line with our accounting policies.</p>			<p>No such issues were identified in the shop visits undertaken.</p> <p>Closed</p>
<p>3. Lack of authorisation of journal postings [Previous auditor]</p> <p>It was noted that currently the joint CEO and finance director does not review individual journal postings but instead prepares the management accounts monthly and ensures figures included within the management accounts are in line with expectations.</p> <p>There is a risk because this is a detective control rather than a preventative control, an error would be spotted after it had already been made.</p> <p>We recommend a preventative control is implemented, for example a second person reviewing journals proposed before they are posted onto the accounting system.</p> <p><i>2024 management response</i></p> <p>In a small finance team we have to be pragmatic. We believe that, should an error occur, it would be spotted via the controls we do have in place and it could then be corrected without harm done to the charity.</p>			<p>As a new point has been raised above, this point has been closed.</p> <p>Closed</p>

Observations and recommendations in 2024 or prior periods	Priority	Status	Update 2025
<p>4. Incident at Rosehill shop – Theft resulting in misappropriation of charitable funds [Previous auditor]</p> <p>As part of our shop visits it was noted that there was an incident where a volunteer had been taking money from the tills. This theft has resulted in the misappropriation of charitable funds.</p> <p>As Trustees, you need to ensure that you have appropriately documented the incident in the board meeting minutes. Consideration should have been given as to whether the police need to be informed and whether a Serious Incident Report needs to be made to the Charity Commission. If the Trustees decided these steps were not appropriate then the rationale for this decision should be documented in the minutes. If these steps have not already been taken, then this is a significant control weakness and Trustees and management should implement appropriate reporting mechanisms as a matter of priority.</p> <p><i>2024 management response</i></p> <p>The incident was a one-off and for a small sum. A report was created and added to our incident reporting system, number IR1002. The volunteer was spoken to about the incident and was removed from our volunteer team. The risk assessment within the incident report positioned this incident as 'low harm' on the grounds of scale (a few pounds) and it was dealt with immediately. It has not been escalated to the Board of Trustees and it was decided that the incident did not warrant a report to the police or to the Charity Commission. Such an incident would be 'operational' and we would not, as a rule, escalate it to the Board for their decision or inclusion in their minutes. The Board can be assured that all such incidents are properly documented and included in our incident reporting system by staff members and reviewed by senior staff.</p>			<p>As this incident was not recurrent, this point has been closed.</p> <p><i>Closed</i></p>

Observations and recommendations in 2024 or prior periods	Priority	Status	Update 2025
<p>5. Details of suppliers not maintained [Previous auditor]</p> <p>During our testing, we noted that no supplier email addresses are maintained, only addresses and telephone numbers. We recommend keeping email addresses for all suppliers in a move to try and become less paper based as a charity in general into the future. This will enable a more flexible and efficient way of operating.</p> <p><i>2024 management response</i></p> <p>Noted</p>			
<p>6. Lack of store alarms (Both shops) [Previous auditor]</p> <p>We noted on both shop visits that there was no store alarm installed. There is a risk that access could be gained by unauthorised individuals without the Charity being alerted. We recommend that management consider installing a store alarm in all shops. We noted that during this year’s shop visits that there were no store alarms.</p> <p><i>2024 Managements response:</i></p> <p>The cost of installing and maintaining an alarm is felt to outweigh the risk of somebody breaking and entering, given the nature of the items that are for sale being second hand and relatively low value as well as the fact that significant cash is not held on site at any time. CCTV is also maintained in all stores.</p>			<p>This is still the case though we note that there were other mitigating controls at the shops visited, such as CCTV and safes.</p> <p>Therefore this point has been closed.</p> <p>Closed</p>

Observations and recommendations in 2024 or prior periods	Priority	Status	Update 2025
<p>7. Till passwords (both shops) [Previous auditor]</p> <p>We noted that till passwords are not changed during a staff member or volunteer’s time at the shop. They are only deactivated once the individual is no longer involved with the shop.</p> <p>Though we note that staff are encouraged not to share their passwords, there is a risk that this does take place and therefore are able to access the tills through more than once password, increasing the risk of fraud and misappropriation of assets.</p> <p>We recommend that till passwords for all staff and volunteers are changed on a regular cycle. For example, on a 3 month basis.</p> <p>We noted that during this year’s shop visit that passcodes are only changed in the event of a breach.</p> <p><i>2024 Management response:</i></p> <p>Many of the volunteers and staff in retail are less computer savvy and management feel there is more risk to the organisation if they were to enforce frequent password changes.</p>			<p>Point remains open.</p>

Appendix 3 - Draft Representation Letter

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

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

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

Dear Crowe U.K. LLP

We provide this letter in connection with your audit of the financial statements of St Raphael's Hospice 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 charity as at 31 March 2025 and of the results of its operations for the year then ended in accordance with UK Generally Accepted Accounting Practice ("UK GAAP").

We confirm that the following representations are made on the basis of sufficient enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation and that, to the best of our knowledge and belief, we can properly make each of these representations to you.

1. We have fulfilled our responsibility for the fair presentation of the financial statements in accordance with UK GAAP.
2. We acknowledge as trustees 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 confirm that we have received confirmation from each director who was a director at the time of the approval of the financial statements that:
 - (a) they have 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 you are aware of that information and
 - (b) that so far as they are aware there is no relevant audit information of which you are unaware.
5. 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.
6. All the transactions undertaken by the charity have been properly reflected and recorded in the accounting records or other information provided to you.
7. 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.
8. We have considered the adjustments in Appendix 1, proposed by you. In our judgement, these adjustments are appropriate given the information available to us. We further confirm that we have now made these adjustments to the financial statements.
9. We 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 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 Nick Stevens, Joint CEO and Finance Director, to provide an update for you to cover the time period between the signing of this letter and the date of your audit report.
13. We confirm that we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
14. We are not aware of any fraud or suspected fraud affecting the charity involving those charged with governance, management or other employees who have a significant role in internal control or who could have a material effect on the financial statements.
15. We are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, which would have an impact on the charity's financial statements.
16. We are not aware of any known or suspected instances of non-compliance with those laws and regulations which provide a legal framework within which the charity conducts its business.
17. We confirm that complete information has been provided to you regarding the identification of related parties and that we are not aware of any significant transactions with related parties other than matters that we consider have been appropriately and adequately disclosed.
18. We confirm we have appropriately accounted for and disclosed related party relationships and transactions in accordance with applicable accounting standards and with the recommendations of the applicable charity SORP.

19. We confirm that, having considered our expectations and intentions for the next twelve months and the availability of working capital, the charity 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

.....

Trustee
Signed on behalf of the board

Date

APPENDIX 1 – ADJUSTED MISSTATEMENTS

Adjustment description	Increase / (decrease) in net income £k	Increase / (decrease) in assets £k	Increase / (decrease) in liabilities £k	Increase / (decrease) in funds £k
<i>FACTUAL</i>				
<i>Cr Legacies</i> <i>Dr Accrued income</i> <i>Recognising legacies received post year end for which the recognition criteria had been satisfied before the year ended 31 March 2025</i>	307	307		
<i>JUDGEMENTAL</i>				
Dr Income Cr Debtors Removing over-accrued gift aid income (client adjustment)	(25)	(25)		
Cr fixed assets Dr other expenditure Write off of assets no longer in use (client adjustment)	(69)	(69)		

Appendix 4 - Responsibilities and ethical standards

Audit purpose and approach

Our audit work has been undertaken for the purposes of forming our audit opinion on the financial statements of the St Raphael's Hospice prepared by management with the oversight of the trustees 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 trustees of St Raphael's Hospice are responsible for the preparation of the financial statements on a going concern basis (unless this basis is inappropriate). The trustees 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
- The Charities (Accounts and Reports) Regulations 2008 (or updated Regulations if enacted before completion of the financial statements)
- Financial Reporting Standard 102 (FRS 102)
- The Charities SORP (FRS 102)

Directors' responsibilities

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 St Raphael's Hospice or other matters that would compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention.

Independence

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

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

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

The matters in this report are as understood by us as at 6 October 2025. We will advise you of any changes in our understanding, if any, during our meeting prior to the financial statements being approved.

Use of this report

This report has been provided to the Finance and Resources Committee to consider and ratify on behalf of the Board of Trustees, 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 6 - 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 trustees, Finance and Resources Committee and management should ensure that these matters are considered and reviewed on a regular basis.

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

The 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 oversight 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 St Raphael's Hospice 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 latest [Fraud Advisory Panel research](#) indicates that 43% of charities reported a fraud or attempted fraud in 2023, an increase from 36% in the previous year. The report highlights the following as the main types of fraud carried as being the misappropriation of cash or other assets, staff expenses fraud and authorised push payment fraud (more commonly known as mandate fraud).

In terms of the main perpetrators of frauds reported, the most common were staff members, volunteers and trustees (50%), followed by individuals with no connection to the charity concerned (23%).

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.

c) Frauds of diversion

This is where income or other assets due to St Raphael's Hospice 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 7 - External developments

We have summarised below some of the developments and changes in the charity sector over the recent period which we believe may be of interest 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
- Children'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.

Of 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. There 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 fewer 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 Autumn Budget.

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 allow 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.

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.

Key changes

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 and 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 adaptation 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 Defence (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 of 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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