

# St Raphael's Hospice

## Audit Planning Report

### Year ended 31 March 2025

Report to the Finance and Resources Committee

Audit / Tax / Advisory / Risk

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**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

We have set out in this audit planning report various matters relating to our audit of the financial statements of St Raphael's Hospice for the year ended 31 March 2025 following our initial discussions with Alan Cogbill (Chair of the Finance and Resources Committee), Norman McWhinney (Chair of the Board), Rebecca Trower (Joint CEO), Nick Stevens (Joint CEO and Finance Director) and Neena Vadgama (Head of Finance) on 7 May 2025.

I have pleasure in submitting our audit planning 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 relevant matters relating to our forthcoming audit.

We look forward to working with you on the completion of the audit of the annual report and financial statements of St Raphael's Hospice.

Yours sincerely

Dipesh Chhatralia  
Partner

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# 1. Executive summary

## Our report to you

We are pleased to present our Audit Planning Report to the Finance and Resources Committee.

International Standards on Auditing (UK) require that we communicate formally with “those charged with the governance” of St Raphael’s Hospice regarding relevant matters relating to our forthcoming audits. The objectives of this are to:

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

We have discussed the matters below in Section 2 to Section 5 of this report:

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

## Responsibilities and ethical standards

We have prepared this report taking account of the responsibilities of the Trustees and ourselves set out in [Appendix 1](#) of this report.

## Operating environment

Our understanding of the operations is set out in [Appendix 2](#).

## Internal controls and the IT environment

We have documented our consideration and approach to internal controls, including the IT environment, in [Appendix 3](#).

## Audit materiality

Our overall audit materiality for the financial statements as a whole will take account of the level of activity in St Raphael’s Hospice and will be set at approximately 2% of income.

## Trustees’ Report and Financial Statements

We have set out in [Appendix 6](#) a number of considerations to be taken by the Trustees and management when preparing the financial statements for the year ended 31 March 2025.

## Audit report

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

## 2. Significant audit risks

ISA (UK) 315 (Revised) introduces the concept of a spectrum of inherent risk, considering both the likelihood and magnitude of a possible misstatement. A 'significant' risk is one close to the upper end of the spectrum of inherent risk, or one that has to be treated as such under other auditing standards.

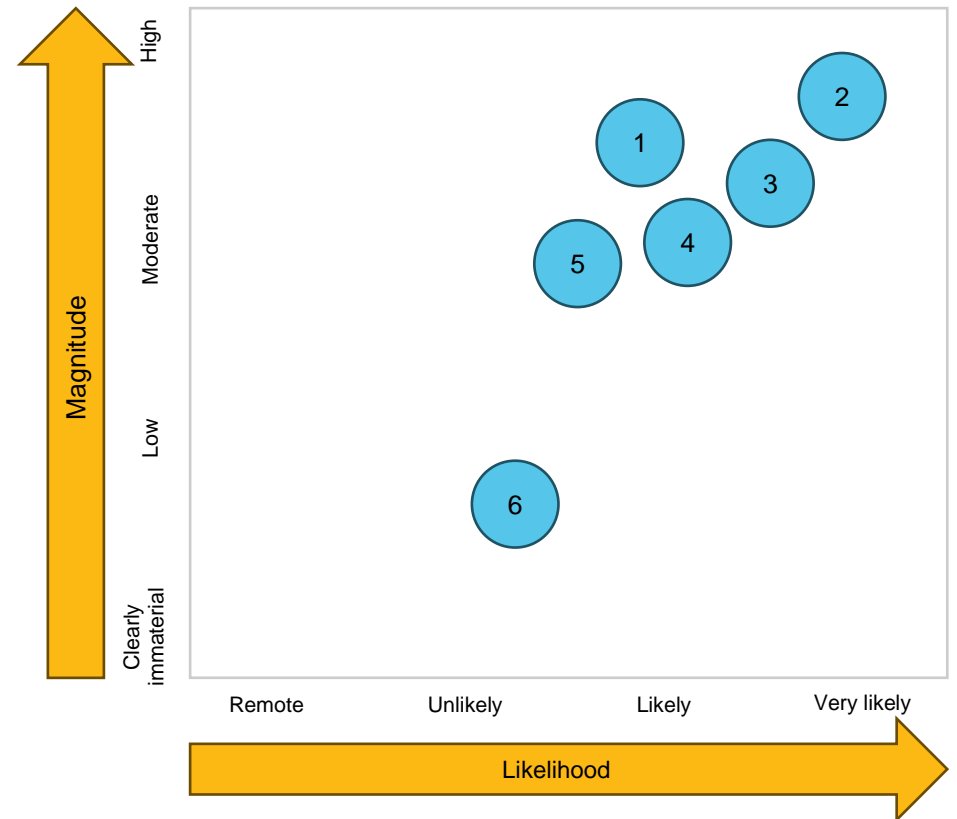
Risk is considered in the context of how, and the degree to which, inherent and control risk factors affect the likelihood and magnitude of a misstatement occurring. Such factors may be qualitative or quantitative, and include complexity, subjectivity, change, uncertainty or susceptibility to misstatement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

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

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

**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)



## 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.

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

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. For these reasons, we deem going concern is a significant risk for our audit.

Management will need to prepare 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 assessment will need to include a forecast model with key assumptions explained, including scenario planning and sensitivity analysis.

### Crowe response

As part of our audit work, we will:

- Review the period used by Trustees to assess the ability of St Raphael's Hospice to continue as a going concern.
- Examine budgets and forecasts prepared by management covering the period of the going concern assessment to ensure that these appropriately support the trustees' conclusion.

- Review the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year.
- Review any other information or documentation which the Trustees have used in their going concern assessment.

## 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. Per the management accounts for the year ended 31 March 2025, the income received was £1.9m.

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

### Crowe response

As part of our audit work, we will:

- Build 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 will consider the design and implementation of the key controls in this area to address the risks of completeness and cut-off.
- Reconcile income per the contract to the amount recorded in the nominal ledger.
- Test from the source to confirm receipt to bank statements.
- Review the year-end cut-off to ensure contract income has been correctly recorded in the period.
- Review and follow up on any aged debtor balances for assurance over the recoverability of the balances.

## 2.3 Revenue recognition - Legacy income

### Key related judgements

Legacy income for the year ended 31 March 2025 per the March 2-25 management accounts totalled £1.3m, a decrease of £0.3m on the prior year.

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."

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

#### **Crowe response**

As part of our audit work, we will:

- Build 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.
- Review the income recognition policy to ensure it meets the requirements of the Charities SORP.
- Sample test individual legacies to ensure that these have been correctly accounted for in the financial statements.
- If in place, select a sample of Smee & Ford notifications, to ensure that any potential legacy income has been correctly captured and followed up with solicitors where necessary.
- Consider 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.
- Review the recoverability of balances that remain on the balance sheet at the year-end.
- Review the legacy pipeline report to ensure that any potential legacies that relate to the current year are being captured in the financial statements.

## **2.4 Grant income**

### **Key related judgements**

St Raphael's Hospice received £131k from Hospice UK for capital works that had to be incurred in the year ended 31 March 2025. 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 consider there to be a significant risk in respect of completeness and cut off.

### **Crowe response**

As part of our audit work, we will:

- Build 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.
- Review the income recognition policy in relation to grant income to ensure it meets the requirements of the Charities SORP.
- Review St Raphael's Hospice's procedures for identifying restrictions and conditions.
- Scrutinise the funding agreement(s) so as to understand income recognition, terms, reporting requirements, and claw back risk.
- Ensure that the grant has been appropriately recognised and disclosed in the financial statements.

## **2.5 Management override of controls**

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

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

The Trustees must satisfy themselves that the control environment present within the entity together with the trustee controls and controls over the posting

of journals are adequate to deter any inappropriate override of controls from management.

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

- understanding and evaluating the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements and testing the appropriateness of a sample of such entries and adjustments;
- reviewing accounting estimates for biases that could result in material misstatement due to fraud; and
- obtaining an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of St Raphael's Hospice and its environment.

## 2.6 Judgements and estimates

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

We will pay careful attention to areas of the financial statements affected by management judgement and estimation. We have initially identified the following for specific review.

- Assumptions relating to recognition and cut-off of grant, contract and legacy income [*Significant*] (Section 2);

We have determined the below as not being significant estimates and judgements.

- *Impairment of assets and remaining useful life of assets* – We will review the depreciation rates applied in the fixed and intangible assets and reperform the calculations. We will also, through discussions with the estates manager, obtain an understanding of the repairs work and state of the buildings for any potential impairment to consider.
- *Dilapidations* – We understand that currently there is no dilapidation provision estimated for the leased retail units. Management will need to review and reassess this to determine whether there is a material impact or not.
- *Bad debts* – Through our review of post year-end receipts we will form an assessment of any bad debts that may require a provision and assess against any provision disclosed in the financial statements.
- *15% discounting of legacy income recognised* – The work we will undertake is discussed in Section 2.3.

### Other judgements and estimates

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

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

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

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

### 3. Other areas of audit focus and disclosure

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

#### 3.1 Income

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

Whilst we deem grant, contract and legacy income to be significant (see [Section 2](#)) we do 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?); and
- Valuation (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 amount to c£1.9m in the year ended 31 March 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 have rebutted the presumption of a material misstatement due to fraud in this revenue stream.

As part of our audit work, we will:

- Build 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.

- Review the design and sample test the implementation of the key controls in these areas.
- Check donations and other supporting documentation on a sample basis to establish whether any restrictions and conditions were properly identified.
- Review the year end reconciliation between the fundraising database and nominal ledger.
- Perform detailed testing in respect of the validity of a sample of gift aid claims during the year.
- Agree gift aid debtors to year end claims and ensure that year end cut off has been considered.

#### Retail income

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

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 is 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.

As part of our audit work, we will:

- Build our understanding of the system, controls and processes in the capture and recording of retail income. In particular, we will conduct a visit of two retail units and observe any key processes.
- Perform analytical review of trends and variances for each income stream against expectations, budget, forecast and prior years where appropriate.

- Review a sample of reconciliations between the EPOS system and amounts banked for shops.
- Trace a sample of returns from shops to till receipts (where available) and other supporting documentation.

#### Lottery income

c£386k 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 have rebutted the presumption of a material misstatement due to fraud in this revenue stream.

As part of our audit work, we will agree 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.

### 3.2 Payroll

Payroll is the largest single expenditure item for St Raphael's Hospice being c.£6.2m in the year ended 31 March 2025. The key risks in this area are considered to be:

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

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

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

Additionally, if above our performance materiality, we will substantively test any agency costs incurred to source documentation and approvals.

### 3.3 Tangible fixed assets

St Raphael's Hospice held fixed assets with a net book value of £934k as at 31 March 2025 per the March 2025 management accounts. We note that given the nature of care provided, there is a capital programme in place. The key risks in this area have been 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 will:

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

### 3.4 Funds

St Raphael's Hospice operates a number of different funds subject to various restrictions and designations. You must ensure that all movements on funds are correctly identified and accounted for. This requires careful consideration of the various terms and conditions which may be applied to income.

As part of our audit work, we will:

- Trace restricted contributions, legacies and grants found in our income testing to the relevant fund account.

- Review a sample of expenses allocated to restricted funds to ensure that the expenditure was spent in accordance with the objects of the fund.
- Review the analysis of net assets to ensure that it has been correctly allocated across the funds.
- Review the processes in place to ensure that restricted transactions are completely and accurately captured and reported within the organisation and review year end balances to ensure that they appropriately reflect the restrictions that should be in force.

### 3.5 Other expenditure

Our approach for other expenditure items will be based on analytical review procedures, which consider 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 will also select a sample of expenditure transactions from the nominal ledger for agreement to underlying records, to ensure that transactions are being accurately processed in the accounting system and authorised by an appropriate individual within the organisation.

### 3.6 Other balance sheet items

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

As part of our audit work, we will:

- Test key control accounts reconciliations.
- Test bank reconciliations.
- Review of post year end transactions where these help to confirm the year end position.
- Confirm of assets/liabilities held (e.g. cash at bank and outstanding loan balances) to third party confirmations.
- Review the useful economic life of Tangible fixed assets, and assessment of impairment.

### 3.7 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 will therefore review 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 and Senior Management.

## 4. Fraud and irregularities and our audit reporting

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

### Corporate governance and fraud

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

As auditors, we are required to document an understanding of how “those charged with governance” exercise oversight of management’s processes for identifying and responding to the risks of fraud in St Raphael’s Hospice and the internal controls that management has established to mitigate these risks. Specifically, we require a response to the following questions:

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

Trustees may find it helpful to prepare a fraud risk assessment alongside management. A fraud risk assessment is an objective review of the fraud risks facing an organisation to ensure they are fully identified and understood. This includes ensuring:

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

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

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

### Our responsibilities

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

As auditors, we are required to document an understanding of how “those charged with governance” exercise oversight of management’s processes for identifying and responding to the risks of fraud in St Raphael’s Hospice and the internal controls that management has established to mitigate these risks.

We note that St Raphael’s Hospice has a structured process for fraud reporting, through its risk management and the Finance and Resources Committee. We have not been made aware of any significant matters which would affect our assessment of audit risk at this stage, although this will need to be reviewed by us, and confirmed by the Trustees, up to the date of approval of the financial statements.

We will make enquiries of management and others within St Raphael’s Hospice as appropriate, regarding their knowledge of any actual and suspected or

alleged fraud affecting St Raphael's Hospice. In addition, we will be required to ascertain the following from the Finance and Resources Committee / Trustees.

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

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

## 5. Staffing and fees

### Staffing

Dipesh Chhatralia is your Audit Partner. He will be assisted by Charlene Wilson as Senior Audit Manager. The onsite team this year will be led by Chris Bryant.

### Our audit fees

Our proposed audit fee is based on two assumptions.

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

Based on the above, our fee for the audits of the financial statements of St Raphael's Hospice will be £25,000. This fee is stated exclusive of VAT and disbursements.

We propose to submit an initial interim fee of £7,500 at the time of issuing this planning report and subsequent fees of £7,500 at the end of the interim fieldwork, £8,750 at the end of the main fieldwork and the final balance of our fees on completion in Month.

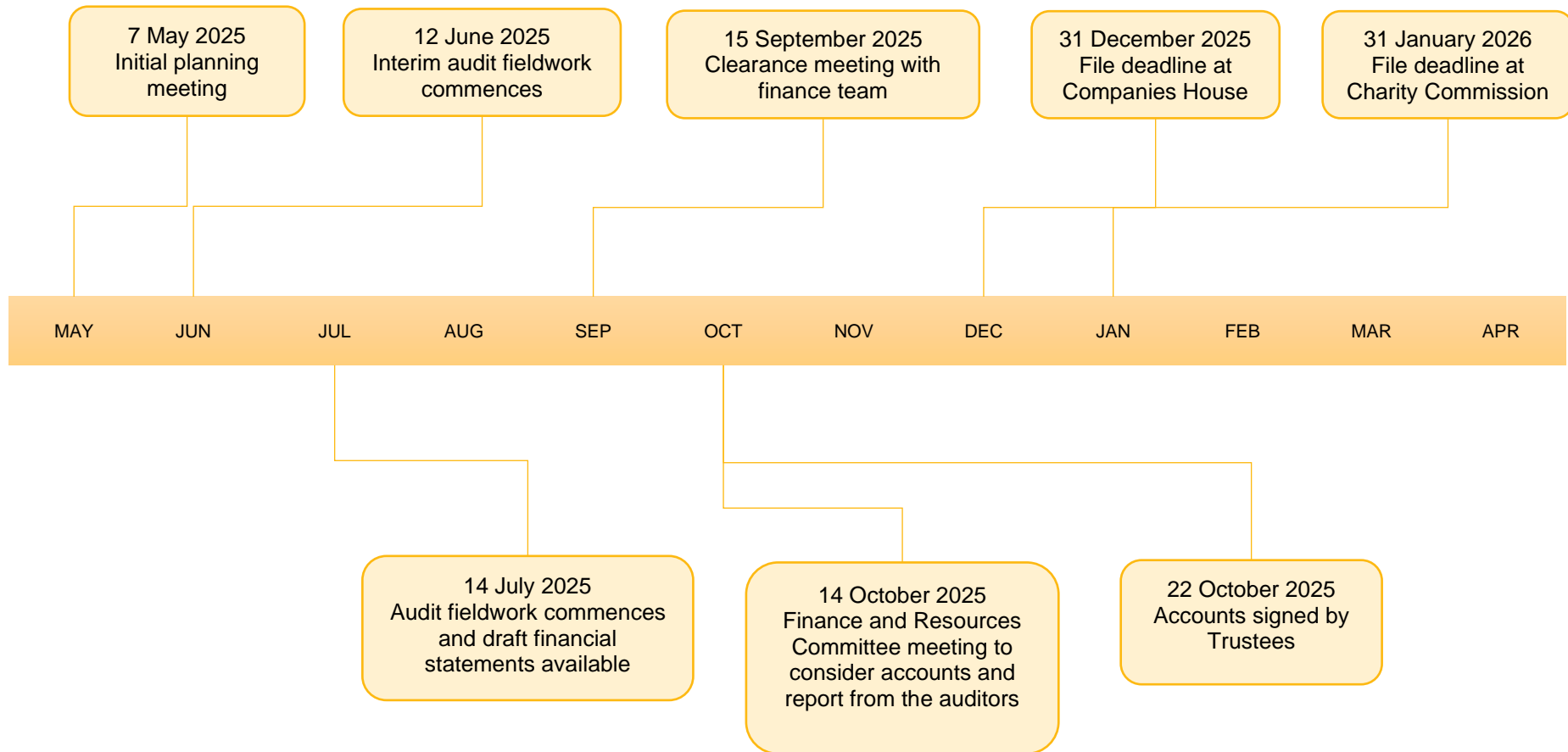
To assist you in providing the required information, we will provide a separate list of audit deliverables to the St Raphael's Hospice finance team via our secure data sharing portal; Inflo.

### Our deliverables to you

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

- Statutory audit reports on the financial statements of St Raphael's Hospice.
- This Audit Planning Report to confirm the details of the planned timing of our audit and related year-end meetings, to confirm the key members of your audit team and their independence, and to summarise our audit approach and any specific issues relevant to our audit which we have identified from our initial discussions with St Raphael's Hospice's finance team or elsewhere.
- An Audit Findings Report to summarise any key issues or adjustments identified during our audit which have impacted on the disclosures in, or required adjustment to, the draft financial statements together with comments on any weaknesses in St Raphael's Hospice's systems and controls which come to our attention during our audit work on the annual statutory financial statements.
- Draft of the Representations Letter which we are required to obtain from the Trustees to confirm certain specific matters relevant to the completion of the statutory financial statements.

## 6. Audit timetable



## Appendix 1 - Responsibilities and ethical standards

### Scope of our audit

Our audit is a statutory requirement to ensure that the Trustees have properly discharged their legal responsibilities to prepare their annual report and the financial statements in accordance with the applicable legislation and financial reporting requirements.

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

### Your financial statements

The financial statements on which we are to report are your responsibility; our audit of the financial statements does not relieve management or the Trustees of their responsibilities for the financial statements and the Trustees must be satisfied that the financial statements give a true and fair view before approving them. Further details of your and our respective responsibilities are set out in our engagement letters dated 10 April 2025.

### 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.

### Legal and regulatory disclosure requirements

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

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

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

## Our audit approach

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

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

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

We will review your systems for the purpose of our audit and we will report to you any significant deficiencies in internal control identified during our audit which, in our professional judgment, are of sufficient importance to merit your attention after discussing them with management. Our audit should not, however, be relied upon to identify all systems deficiencies, which are your responsibility, and we shall only draw your attention to matters we have encountered as a part of our audit work.

We will also read the Trustees' Report and any other information that will be included with the financial statements to ensure this is consistent with the financial statements.

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

## Ethical Standard

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

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

In our professional judgement there are no relationships between Crowe U.K. LLP and 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. We have not identified any other issues with regards to integrity, objectivity and independence and, accordingly, we remain independent for audit purposes.

The matters in this report are as understood by us as at 27 May 2025. We will advise you of any changes in our understanding, if any, during our meeting prior to the financial statements being approved.

## Appendix 2 - Operating environment

### **Operating environment**

St Raphael's Hospice provides specialist palliative and end of life care to the people of Merton and Sutton under a commissioning contract from SWL ICB. Services comprise a 13 bedded in-patient unit (operates to capacity of 10), community clinical nurse specialist team, specialist palliative care consultants and doctors, Psychological Support team, Social Work and OT, Wellbeing and Complimentary Therapy. It operates 12 retail shops and also has an in house lottery managed by Sterling Lotteries.

St Raphael's Hospice was founded in 1987 by the Congregation of the Daughters of the Cross of Liege (DoC) which is a global ministry that has opened, schools, hospitals and hospices all over the world. The hospice is on the site of St Anthony's hospital who had provided management services until they were acquired by the Spire. The hospice was retained by the DoC and the management services ceased resulting in annual losses being incurred. In 2019 plans were drawn up to ensure that the hospice became independent. As part of this plan the DoC provided £3.6m of funding which was expected to cover losses over a 5 year period. In the year ended 31 March 2024, £1.4m of this remained in deferred income.

Losses have been managed through the support of the DoC and significant cost reductions in the previous year. Through the EVE strategy, St Raphael's Hospice has identified areas of focus to ensure they have financial sustainability and can achieve independence from the DoC, who will continue to support them as they work towards this.

## Appendix 3 - Internal controls and the IT environment

### Obtaining an understanding of internal control relevant to the audit

Our audit tests will combine a review of St Raphael's Hospice's controls with tests of detail (substantive procedures) and analytical review procedures.

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

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

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

### Obtaining an understanding your IT environment

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment, including the relevant applications, infrastructure, processes and personnel, relevant to the preparation of the financial statements.

This includes how information, data and resources relating to significant classes of transactions, accounts and balances flow through the IT system, any related accounting records and the financial reporting process. We also consider the resources required, including the applications, infrastructure, processes and personnel.

Our understanding is used to identify risks arising from the use of IT judged relevant to our audit and assess the relevant controls (ITGCs) in place to mitigate them. Examples of ITGCs are shown in the diagram on the following page.

Our audit will include completing an assessment of the design and implementation of ITGCs where relevant to our audit.

Where required for complex IT environments, for example where there are multiple automated processes or controls, we may engage our IT Audit team to perform this work.

Our audit work is not designed to provide assurance as to the overall effectiveness of the controls operating within St Raphael's Hospice, although we will report to management and the Finance and Resources Committee any recommendations on controls that we may have identified during the course of our work.

## IT Governance

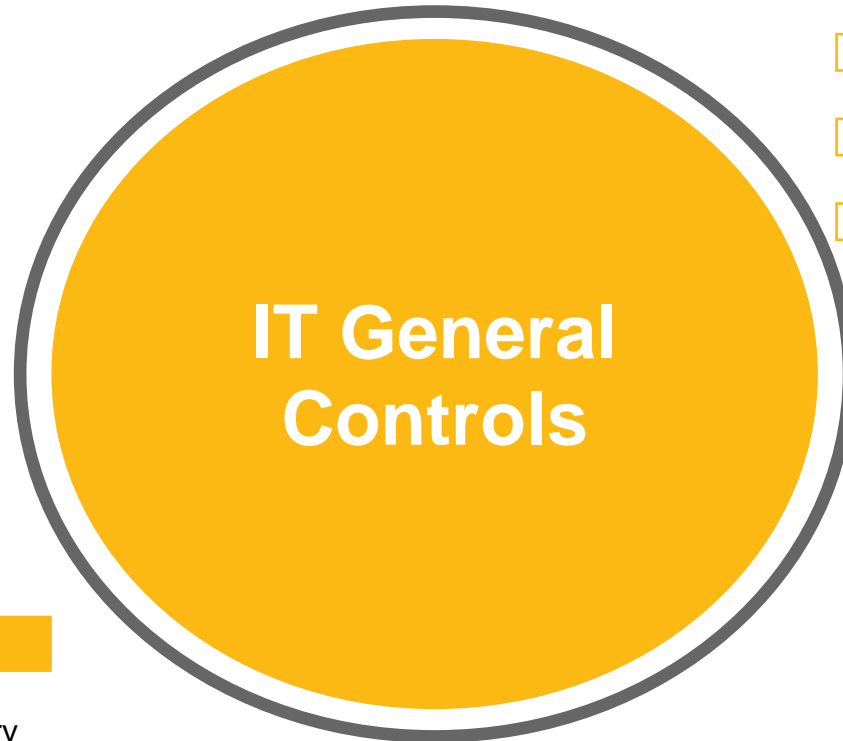


- Policies and procedures
- Incident management
- Outsourcing

## Access management



- User access privileges
- User access reviews
- User provisioning / de-provisioning



## IT Operations



- Data backup and recovery
- Intrusion detection
- Vulnerability identification

## Application changes



- Evaluation and authorisation
- Data migration
- System software changes
- Data conversion

## Appendix 4 - Crowe Analytic Tools ('CAT')

We have a suite of data analytic tools which we can use to improve our risk assessment process, carry out substantive procedures and to perform tests of controls to support judgements and to provide insights. Some routines can be used to help us identify areas of focus whilst others provide audit evidence.

There are often technical challenges to overcome such as: obtaining read only access to your systems; or, where data has been extracted by management, carrying out a validation process. There is complexity in at least the first year of setting up some of the routines which will take additional management time to ensure the data presented to auditors has integrity and can be extracted in the right format. Once set up though the routines will become easy to execute in subsequent years.

### DataSnipper

Datasnipper is an intelligent automation platform, integrated within Excel, that significantly enhances the efficiency and accuracy of financial audit work. It helps to take data from PDF in to Excel.

We use this on almost all our audits on financial statements to cast, agree comparatives to prior year and to check for internal consistencies. We also use it to for version comparison of financial statements against previous drafts.

DataSnipper is also used to snip and sum data from documents for sample testing, and use it on some high volume routine testing to make these formula driven/snip driven rather than manual.

We use the snips to validate things like procurement testing for audit efficiency.

### Journals

We use a variety of tools for our testing of journals as suited to our clients.

For example, with Inflo, we have the ability to analyse 100% of the transactions and apply sophisticated risk scoring to test for fraud or error.

### Other analytical tools

We use a range of other analytic tools such as Alteryx, Idea and Python with a PowerBi reporting tool to deliver bespoke audit tests. This automation delivers audit efficiencies enabling us and our clients to focus on other important areas.

We find this of greatest use on low value, high volume revenue testing (e.g. retail or membership fees). In these areas there is a low level of judgement involved and so a low level of audit risk. A data analytics approach in this area allows us to test the full population of revenue transactions,, from input to bank, identifying any unusual items that require further investigation.

**WHERE WE PLAN ON UTILISING CROWE ANALYTIC TOOLS ON ASPECTS OF OUR AUDIT THIS IS DETAILED IN SECTION 2 AND SECTION 3 ACCORDINGLY**

## Appendix 5 - Audit materiality

### **Audit materiality and communication of errors and adjustments**

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

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

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

Our overall audit materiality for the financial statements as a whole will take account of the level of activity by St Raphael’s Hospice and will be set at approximately 2% of income being £161,000.

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

We also set a level of materiality (‘performance materiality’) below the amount set for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality also refers to amounts set at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.

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

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

## Appendix 6 - Trustees' Report and Financial Statements

### Financial Statements and our audit

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

As part of our audit work, we will:

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

### Trustees' Report

We expect that your Trustees' Report will include discussions of risks, outcomes, outputs and impacts and information on financial and non-financial KPIs.

Whilst we are required to review the report for any inconsistencies with the information included in the financial statements and to ensure that it reflects the

SORP and other requirements, we do not audit the Trustees' Report. The responsibility for preparing the report rests with the charity's Trustees.

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

It will also be important that St Raphael's Hospice continues to ensure consistency between the statutory Trustees' Report information and any information that is included elsewhere including on its website.

### Governance Code

The Charity Governance Code was updated in December 2020. The key enhancements focussed on Principle 3: Integrity and Principle 6: Equality, Diversity and Inclusion (formerly 'Diversity'). A copy of the refreshed code can be obtained from the Charity Governance Code website at <https://www.charitygovernancecode.org/en/pdf>.

The Governance Code encourages charities to publish a brief statement (a short narrative rather than a lengthy 'audit' of policies and procedures) in their annual report explaining their use of the Code and we therefore anticipate that you will be including an appropriate comment on this in your Trustees' Report.

### Fundraising Statement

The Trustees' Report will also again need to include an appropriate statement on the various matters relating to the charity's fundraising activities as required by The Charities (Protection and Social Investment) Act 2016.

## Appendix 7 - External developments

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

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

### Governance

#### 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 remained stable since 2020, largely driven by the perception of a charity's aim to do good.

There is a persistent belief that smaller, local charities are more trustworthy than national charities. This is despite the fact that larger charities are subject to more stringent transparency requirements, which are a key factor in building trust. Respondents highlighted that their trust is influenced by how charities ensure that monies reach their intended causes and by visibly demonstrating their charitable activities.

The report, which includes interviews with a diverse range of the public, reveals that only one in 5 individuals are well-acquainted with the Charity Commission, with increased familiarity with the Commission associated with higher levels of trust. For more details, see the full report [here](#).

Smee & Ford legacy trends 2024 reported record legacy income of £3.5 billion in 2023, marking a 3.2% increase. Charitable estates have also risen to £22.6 billion, a 5.6% increase and 2023 had the highest record of unique charitable legacies for the past decade. The report highlights that 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.

Additionally, the CAF UK Giving Report 2024 revealed that donations reached £13.9 billion in 2023, up from £12.7 billion in 2022. However, there was a

decrease of £800 million in funds directed towards overseas causes. Furthermore, average monthly donation was £65; 40% higher than 2019 but using the median method, donations remained at £20 per month, unchanged for 7 years – using statistics from Pro-Bono Economics, with inflation it should have been £25.

An analysis of the VCSE Barometer carried out by Pro-Bono Economics found that one-third (33%) of charities reported a decline in their finances in the quarter-ended July 2024. This is attributed to ongoing workplace challenges and rising demand for services across charities of all sizes.

For further information on the treatment for the charity sector's unhealthy status quo, please visit: <https://www.probonoeconomics.com/>

#### 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, will 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 will see 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 is set to increase 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.

### 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: New commission 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 expected to come into force later in 2024*

- Sections 15 and 16: Ex gratia payments

The key provisions of the Act that have been implemented to date are set out below, and further information can be found [here](#).

#### *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.

#### *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.

#### **Charity Commission: Charities and Artificial Intelligence**

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

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

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

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

As the use of AI develops and more applications become available, the Commission recommends charities consider whether having an internal AI policy would be beneficial so it is clear how and when it can be used in

governance, by employees in their work, or in delivering services to beneficiaries.

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

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

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

The full blog can be obtained [here](#).

## Compliance

### Employment Rights Bill

#### 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](#).

### Fundraising Regulator:

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

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

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

You can see the full report [here](#).

In August 2024, the fundraising regulator produced guidance on charitable institutions working with commercial participators and with professional fundraisers. Both pieces of guidance define professional fundraisers and commercial participators and in both cases explain that charities should carry out due diligence, have in place a written agreement and carry out monitoring.

### 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](#).

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*

Companies House is currently working on mandating digital filing and full tagging of financial information in an iXBRL format. 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.

#### *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.

### **New free digital service from National Cyber Security Centre**

The National Cyber Security Centre has launched a new 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](#).

The full article can be obtained [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 FRC intends to publish new editions of the standards and updated staff factsheets with guidance during 2024.

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

The full amendment documents can be obtained [here](#).

### 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 eighth 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:

- Half of charities have a digital strategy and 45% say this is a priority for this year, with 76% making progress this year.
- 1 in 4 charities say data is a high priority, with 48% use data to improve services or operations.
- 68% are struggling to process digitally due to finances, capacity or headspace.
- 56% are to engaging with emerging tech trends with 40% saying that they have poor skills & capacity.
- Over half (62%) of charities say trustees' digital skills are low or could improve.

Whilst many gaps identified in previous years persist, particularly in funding and leadership, there have been positive developments. Notably, there is a significant shift towards charities creating their own digital strategies. These strategies are crucial for ensuring that charities do not fall behind, especially with the rise of AI.

The report can be found [here](#).

### 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](#).

### **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: Ahead of the drafting of the new legislation, 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.

The full published response to the consultation is available [here](#).

## **Autumn Budget 2024**

On 30 October, the Chancellor of the Exchequer Rachel Reeves delivered her Autumn 2024 Budget, unveiling a series of significant changes set to impact businesses across various sectors, including most of our audit clients.

In her address, the Chancellor emphasised the government's commitment to restoring economic stability and fostering sustainable growth. She highlighted the need to tackle fiscal challenges inherited from previous administrations, make tough decisions on tax, welfare, and spending, increase support for public services, and boost capital investment.

Headlines from the budget include:

- From April 2025, the National Living Wage will rise by 6.7% - increasing to £12.21 per hour for adults over 21 – and employer National Insurance Contributions (NICs) will increase to 15%, with the threshold for NICs dropping from £9,100 to £5,000.
- The NICs Employment Allowance will increase from £5,000 to £10,500 starting April 2025 and the previous threshold for eligibility removed, enabling more businesses to benefit from this relief.
- Corporation Tax will continue to be capped at 25% for the duration of the current parliament, with the Small Profits Rate and Marginal Relief to remain at their current rates and thresholds.
- The budget includes several measures to increase funding for charities and not-for-profits. The government has committed an additional £1.3 billion in new grant funding for local authorities, alongside funding for education and hardship support.
- For those charities with retail, hospitality or leisure activities, an additional 40% relief on business rates for these sectors up to 2025/2026, capped at £110,000 per business.

Full details of the changes introduced in the budget can be found [here](#).

## Appendix 8 - Fraud risk assessment

The Charity Commission has highlighted that fraud is a serious problem that Boards can't afford to ignore, with a cost to the social purpose organisation sector of potentially billions of pounds each year.

In their guide to tackling fraud in the charity sector the Charity Commission have set out eight guiding principles:

1. **Fraud will always happen** – simply being a charity is no defence. Even the best-prepared organisations cannot prevent all fraud. Charities are no less likely to be targeted than organisations in the private or public sector. Fraudsters do not give a free pass to charitable activities.
2. **Fraud threats change constantly.** Fraud evolves continually, and faster, thanks to digital technology. Charities need to be alert, agile and able to adapt their defences quickly and appropriately.
3. **Prevention is (far) better than cure.** Financial loss and reputational damage can be reduced by effective prevention. It is far more cost-effective to prevent fraud than to investigate it and remedy the damage done.
4. **Trust is exploited by fraudsters.** Charities rely on trust and goodwill, which fraudsters try to exploit. A strong counter-fraud culture should be developed to encourage the robust use of fraud prevention controls and a willingness to challenge unusual activities and behaviour.
5. **Discovering fraud is a good thing.** The first step in fighting fraud is to find it. This requires charities to talk openly and honestly about fraud. When charities do not do this the only people who benefit are the fraudsters themselves.
6. **Report every individual fraud.** The timely reporting of fraud to police, regulators and other agencies is fundamental to strengthening the resilience of individual charities and the sector as a whole.
7. **Anti-fraud responses should be proportionate to the charity's size, activities and fraud risks.** The vital first step in fighting fraud is to implement robust financial controls and get everyone in the charity to sign up to them.
8. **Fighting fraud is a job for everyone.** Everybody involved – trustees, managers, employees, volunteers, beneficiaries – has a part to play in fighting fraud. Trustees in particular should manage fraud risks actively to satisfy themselves that the necessary counter-fraud arrangements are in place and working properly.

Fraud poses a serious risk to valuable funds, as well as sensitive data, and can damage the good reputation of social purpose organisations, affecting public trust and confidence in the sector as a whole.

Boards as custodians have a duty to manage their organisation's resources responsibly. They have legal duties and responsibilities under charity and other law to safeguard their organisation and to ensure that its funds and assets are protected, properly used and applied, and accounted for. The public needs to be sure that money donated to social purpose organisations is used properly and goes to the causes for which it is intended

### What is a fraud risk assessment?

A fraud risk assessment is an objective review of the fraud risks facing a social purpose 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 are 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).

A one size fits all assessment of fraud risk and response rarely works. Consider, a school and a charity operating internationally with the same level of controls. The risk and impact of fraud at the school may be inherently lower simply because of its operating environment. So a more nuanced approach is needed – one that considers the operating environment and the type and scale of fraud risk exposure. Some measures, are focused only on expenditure but some of

the largest frauds in the non profit sector have been frauds of income diversion. This means that whilst many of the prevention, detection and response policies, systems and procedures may be similar they need to take in to account the different factors.

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.

### **The Board's risk appetite and fraud**

The Charity Commission's first guiding principle as explained above recognises that fraud will always happen.

It is therefore important that, as part of setting their overall risk appetite, the Board considers fraud within their tolerance for the risks associated with the management of the organisation'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 Board.

### **Organisational resilience**

Organisational resilience is the ability of an organisation to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions in order to survive and prosper.

In order to build organisational resilience in relation to fraud, defined as the measure of how well an organisation is protected against fraud, there are a number of key questions on the organisation's culture, policies and procedures which the Board should consider.

It is essential that Board members understand and meet their responsibilities to create organisational resilience to protect the funds and assets of the organisation from fraud. As part of their counter fraud strategy the Board should establish a counter fraud, bribery and corruption policy that is regularly reviewed together with a response plan for dealing with potential instances of fraud, bribery and corruption.

We have created a document at the below link with relevant checklists and questions to allow for this assess to be carried out methodically. This document contains references that have been made to the Charity Commission guidance. Although this is issued specifically for charities, it also identifies good practice which can be applied for all social purpose organisations.

This document includes:

- key questions for Boards to ask as a starting point in considering fraud risk
- detailed organisational counter fraud checklist which lists key questions for Boards on areas of organisational resilience
- checklist of potential fraud risks by function and activity
- set of questions from the National Cyber Security Centre (NCSC) publication "10 Steps to Cyber Security" to assist Boards with their existing strategic-level risk discussions.

We have provided key extracts of the guidance of checklists to assist boards in their assessment on the following pages. We request this is considered by the Audit, Finance and Risk Committee, on behalf of the board, as part of the fraud risk assessment and responses shared with us as part of the audit.

Full details can be found at:

<https://www.crowe.com/uk/insights/fraud-risk-assessment-non-profit>

## Key fraud questions for the Board

All of the below questions need to be considered in the context of the structure and activities of the organisation and the fraud risks which it faces to enable the Board to ensure that the appropriate mitigating controls and action plans are put in place

Do we as a Board:	Comments
1. Understand our key fraud risks and how these change over time?	
2. Have a clear and proportionate anti-fraud strategy, balancing preventative, detective and deterrent activities?	
3. Actively promote the raising of concerns by staff, volunteers and/or third parties?	
4. Promote an anti-fraud culture and set the tone for the organisation?	
5. Understand the fraud risks within our supply chain?	
6. Understand the fraud risks within our third partner delivery organisations?	
7. Understand how we would identify if a significant fraud was happening based on data available to us?	
8. Have a clear Fraud Response Plan, setting out responsibilities, membership and decision-making bodies and investigation processes?	
9. Identified that the right skills to respond to fraud and cyber fraud incidents are available within our organisation or how they can be scaled up as part of our response?	
10. Have an anti-fraud policy and code of ethics which is communicated and understood across staff, volunteers and third parties?	

## Organisational counter fraud checklist

Charities and especially those operating internationally should have as part of their counter fraud, bribery and corruption strategy:

- a counter fraud, bribery and corruption policy that is regularly reviewed, and
- a response plan for dealing with potential instances of fraud, bribery and corruption.

The following questions will assist the Board to assess the adequacy and, where necessary, the development of their current organisational counter fraud policy and response plan and to understand and meet their responsibilities to protect the funds and assets of the organisation from fraud.

Does the Board's organisational counter fraud policy set out:	Yes / No	Comments
<ul style="list-style-type: none"> <li>• The purpose of the policy in setting out the organisation's stance on, and its approach to preventing, detecting, reporting and investigating fraud, bribery and corruption?</li> </ul>		
<ul style="list-style-type: none"> <li>• The scope of the policy, to whom it applies and the implications of non-compliance?</li> </ul>		
<ul style="list-style-type: none"> <li>• A tone from the top that sends a clear message to staff and stakeholders on the standards of expected behaviour, and specifically that fraudulent behaviour is unacceptable, will not be tolerated and that the organisation is committed to reduce instances of fraud to an absolute minimum?</li> </ul>		
<ul style="list-style-type: none"> <li>• How fraud and corruption is defined in the organisation with reference to current legislation and, where relevant, charity commission guidance?</li> </ul>		
<ul style="list-style-type: none"> <li>• The organisation's approach to its fraud risk assessment?</li> </ul>		
<ul style="list-style-type: none"> <li>• The key Board and management responsibilities in relation to the counter fraud policy within the organisation?</li> </ul>		
<ul style="list-style-type: none"> <li>• How the organisation will continue to improve its counter fraud policy based on any lessons learnt?</li> </ul>		

### Counter Fraud Response Plan

Does the Board's organisational counter fraud response plan include:	Yes / No	Comments
<ul style="list-style-type: none"> <li>Details of the organisation's whistleblowing policy, including how and where staff, partners and other stakeholders can report potential instances of fraud and corruption?</li> </ul>		
<ul style="list-style-type: none"> <li>How the organisation would respond to identified instances of fraud, bribery or corruption?</li> </ul>		
<ul style="list-style-type: none"> <li>The roles and responsibilities of staff, teams and functional operating groups in responding to instances of fraud, bribery or corruption?</li> </ul>		
<ul style="list-style-type: none"> <li>How any information on potential fraud, bribery or corruption should be reported, both within the organisation and to other relevant bodies (including law enforcement agencies)?</li> </ul>		
<ul style="list-style-type: none"> <li>How the organisation monitors the progress of any investigation, and takes decisions on them?</li> </ul>		
<ul style="list-style-type: none"> <li>The procedure for reporting identified loss from fraud, bribery or corruption both internally and externally and any associated recoveries?</li> </ul>		
<ul style="list-style-type: none"> <li>The allocation of responsibility for an annual fraud action plan that summarises and is used to monitor key actions to improve capability, activity and fraud resilience?</li> </ul>		
<ul style="list-style-type: none"> <li>Agreed activities to seek to detect fraud in high-risk areas where little or nothing is known of the potential risk of fraud, bribery or corruption activity?</li> </ul>		
<ul style="list-style-type: none"> <li>How staff will access training appropriate to their role to promote an understanding and awareness of the organisation's fraud risks and their responsibilities?</li> </ul>		
<ul style="list-style-type: none"> <li>The organisation's policies and procedures to identify potential conflicts of interest, including gifts and hospitality, and the requirements for staff to declare and record offers of gifts and hospitality (whether accepted or declined)?</li> </ul>		

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