



Bradford Hospitals Charity Report to the Charitable Funds Committee on the 31 March 2020 Audit

29 September 2021

Contents

Our final report

Introduction	3
Responsibilities of the Charitable Funds Committee	4
Our audit explained	5
Significant audit risks	6
Covid-19	10
Other audit findings	11
Purpose of our report and responsibility statement	12

Appendices

Audit Adjustments	14
Our responsibilities explained	15
Audit quality	16
Independence and fees	17

Sector developments

Sector developments	19
---------------------	----

Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our report to the Charitable Funds Committee of Bradford Hospitals Charity for the 2019/20 audit.

I would like to draw your attention to the key messages included in this report:

Status of the audit	Our audit is substantially complete subject to the completion of the following matter: <ul style="list-style-type: none">◦ receipt of the signed management representations letter.
Conclusions from our testing	<ul style="list-style-type: none">• The significant risks identified in relation to the audit are: revenue recognition of legacies and management override of controls.• Further detail on our response is included on pages 7 to 8.• We have considered the impact of the Covid-19 pandemic on our work, see page 10.• We plan to issue an unmodified audit report on the financial statements of the charity, subject to satisfactory conclusion of the above matters.• We have communicated a number of presentational and disclosure changes to management and a small number of adjustments, which have been corrected.• After detailed consideration of all the available evidence the transaction with the Charles and Elsie Sykes Trust has been accounted for as an investment.

Sarah Anderson
Audit Director

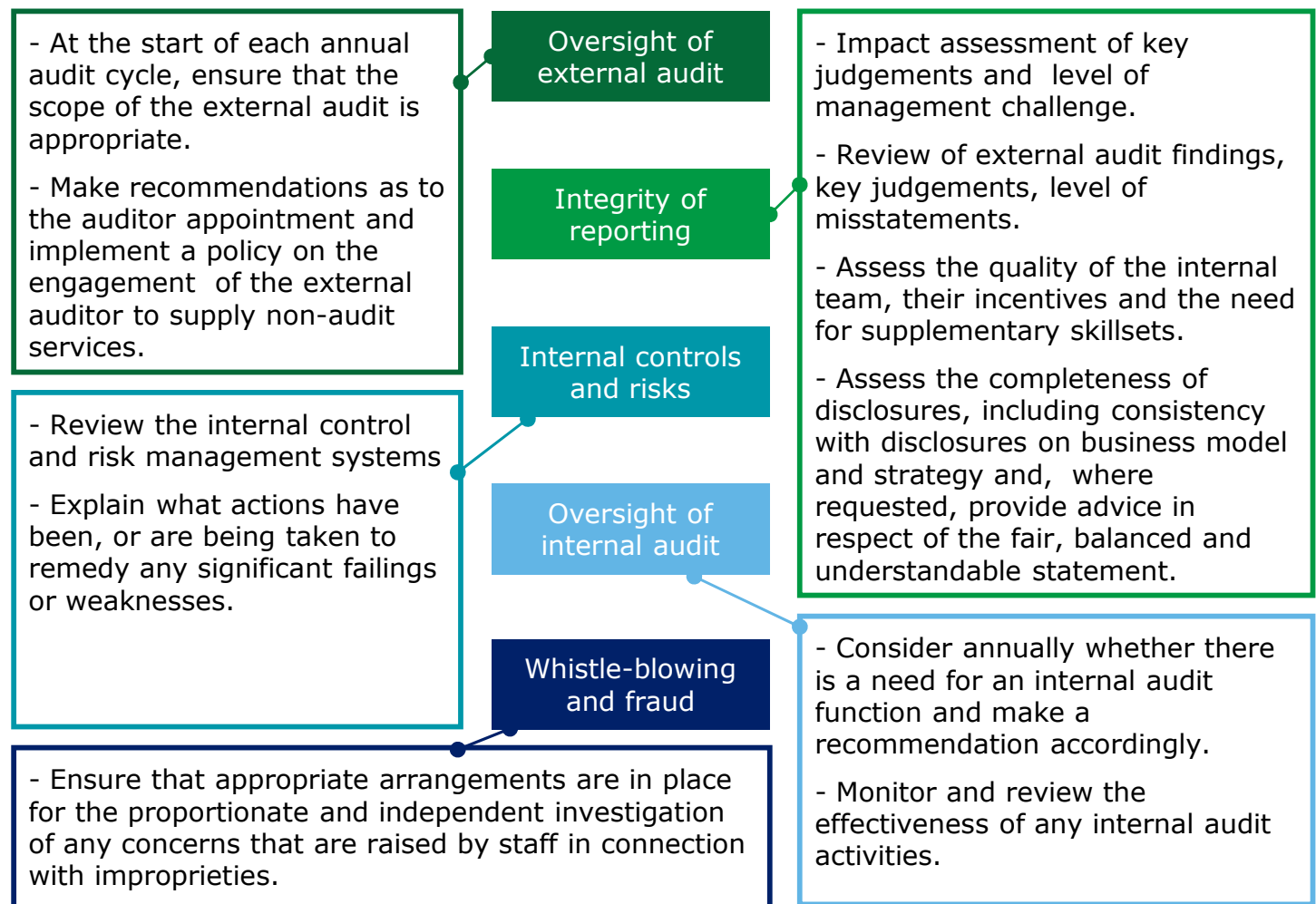
Responsibilities of the Charitable Funds Committee

Helping you fulfil your responsibilities

The primary purpose of the Auditor's interaction with a Charitable Funds Committee:

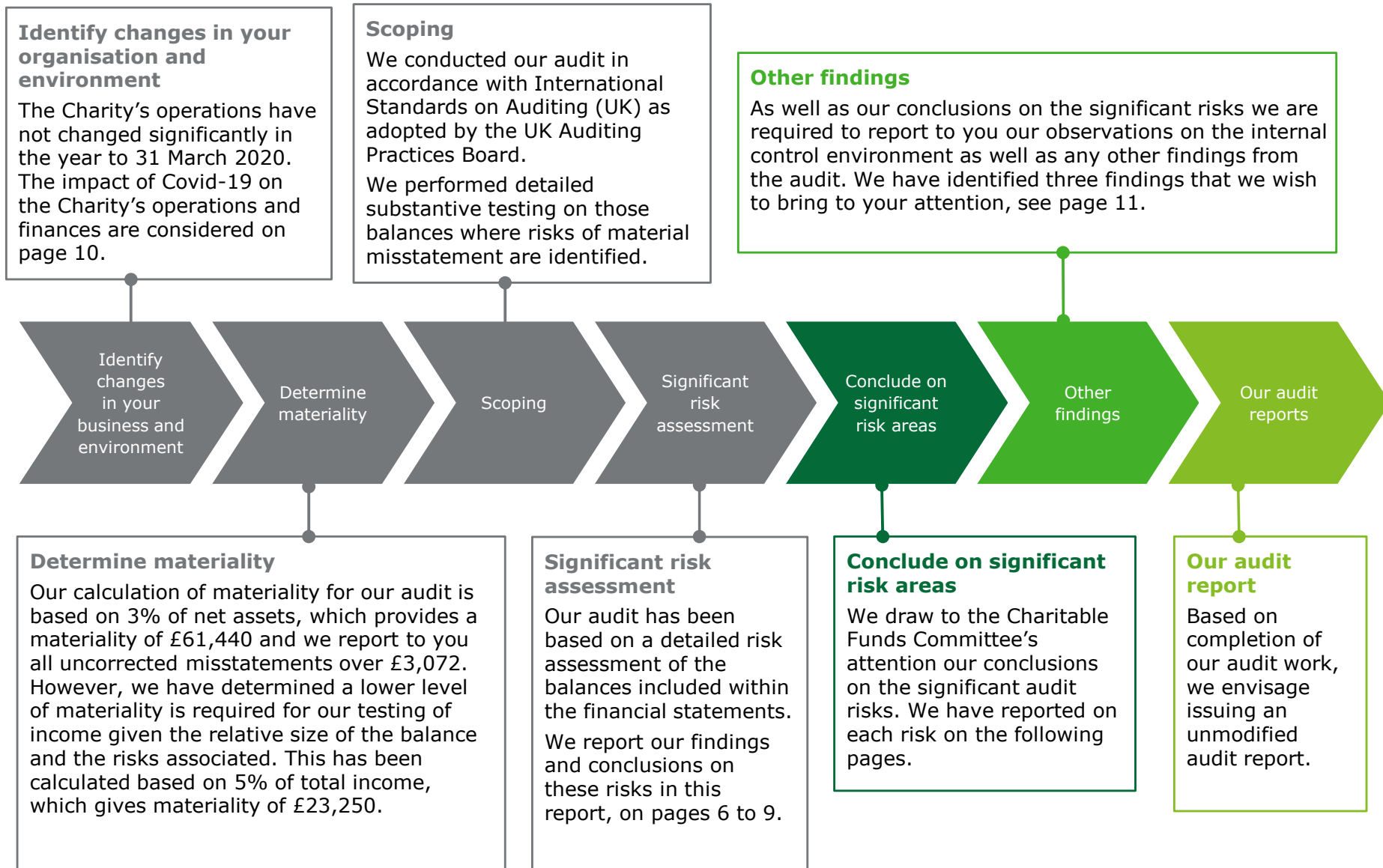
- Clearly communicate the planned scope of the financial statements audit
- Provide timely observations arising from the audit that are significant and relevant to the Committee's responsibility to oversee the financial reporting process
- In addition, we seek to provide the Committee with additional information to help them fulfil their broader responsibilities

As a result of regulatory change in recent years, the role of a Charitable Funds Committee has significantly expanded. We set out here a summary of the core areas of the Committee's responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Charitable Funds Committee in fulfilling its remit.









Our audit explained

We tailor our audit to your business and your strategy



Significant risks summary

Dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations	Page no.
Revenue recognition - legacies			Satisfactory		7
Management override of controls			Satisfactory		8

Overly prudent, likely to lead to future credit      Overly optimistic, likely to lead to future debit.

D+I: Assessing the design and determining the implementation of key controls

Significant audit risks

Revenue recognition - Legacies

Risk identified

International Standard on Auditing (UK) 240 The auditor's responsibility to consider fraud in an audit of financial statements requires us to presume a risk of fraud in relation to income recognition. We consider that the key risk for the Charity is whether legacy income is complete.

Practice Note 11 The Audit of Charities in the United Kingdom issued by the APB and revised in November 2017 identifies that "Whilst it is the trustees' responsibility to safeguard the assets and income of the charity, the voluntary nature of some elements of its income raises considerations concerning the methods available to trustees for the purposes of ensuring that all income to which the charity is entitled are correctly accounted for."

Based on our understanding of the cash handling processes and controls, we have not identified a significant risk in relation to the cash received on the hospital wards. The risk around completeness relates primarily to legacies being notified but not yet received as this involves elements of judgement to determine when recognition criteria have been met.

Deloitte response

We focused specifically upon the risk of completeness of legacy income, especially around legacies notified but not yet received.

To address the significant risk identified, we performed the following procedures:

- tested the design and implementation of key controls that address the identified risks around the legacy income of the Charity; and
- carried out detailed testing of legacy income through a sample of items selected from legacy documentation, official receipts or other source documentation from throughout the financial year and tracing through to the ledger to confirm recognition and completeness of income.

Conclusion

We are satisfied that income recorded is not materially misstated and the recognition policy has been appropriately applied. We have made an observation on controls, the details of which are provided in page 11.

Significant audit risks (continued)

Management override of controls

Risk identified

In accordance with ISA (UK) 240 The auditor's responsibilities relating to fraud in an audit of financial statements, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although the level of this risk will vary from entity to entity, the risk is nevertheless present in all entities and therefore a presumed risk for all our audits.

Deloitte response

Our work focussed on assessing the overall control environment and 'tone at the top' of the Charity, as well as reviewing specific key controls to assess the risk of management override. In addition, we focussed our procedures on the following areas:

Journals

We used the Deloitte Analytics tools to identify those journals which display characteristics of audit interest or exhibit indicators of fraud to assess whether they are appropriate, supported by evidence and in line with our understanding of the organisation. We held discussions with management and reviewed documentation to support the reason for each sampled journal. Additionally, we considered whether each sampled journal had been posted in accordance with the Charity's financial procedures.

Accounting estimates

We conducted a review of accounting estimates for bias that could result in material misstatement due to fraud, including evaluation of whether the judgements and decisions made by management, even if they are individually reasonable, indicated a possible bias. In addition, we performed a retrospective review of management judgements and assumptions reflected in the financial statements of the prior year.

Significant transactions

We reviewed and challenged management in relation to any unusual or one-off transactions, including those with related parties and obtained supporting documentation to determine whether such transactions were outside the normal course of business or whether the business rationale was not clear or not in line with the Charity's objects.

We have identified one unusual transaction as part of our audit which relates to the Elsie Sykes Endowment Fund which the Charity has held for a number of years. In the current year the fund was transferred to The Charles and Elsie Sykes Trust to be invested as part of that Trust's portfolio. As part of this agreement The Charles and Elsie Sykes Trust have guaranteed to provide Bradford Hospitals Charity with an annual income of £10,000 for a period of 5 years after which the level of donation will be reviewed.

Significant audit risks (continued)

Management override of controls (continued)

Deloitte response

We challenged management on the basis of their accounting for the transaction as an investment and have obtained additional supporting documentation in relation to the agreement and confirmation of the terms from The Charles and Elsie Sykes Trust. The presentation within the financial statements has been updated to accurately reflect the substance of the transaction as an investment and the year end valuation of the balance.

Conclusion

We did not identify any other unusual transactions or estimates from our testing of journals and accounting estimates posted throughout the year.

We have completed our work in relation to the Elsie Sykes transaction and management have made the appropriate corrections to the value and presentation of the related balances within the financial statements.

Covid-19

Implications for going concern

Impact of Covid-19

The Covid-19 pandemic continues to have a significant impact on life and business in the UK. The pandemic has led to an increased interest from regulators, auditors, and users of the accounts on the appropriateness of the Going Concern assumption made by Directors/Trustees.

Management prepared a detailed budget and cash flow forecast for five years in July 2019 for FY 2019/20 to FY 2023/24. An update to the budget for 20/21 was approved in July 2020. We understand the underlying models are kept up to date to continually assess the financial viability going forwards.

Responsibility for making an accurate Going Concern judgement, and considering the need to flag in the accounts any material concern or uncertainty in relation to this judgement, lies with the Trustees. The Trustees are aided by the regular assessments prepared by management. As the Going Concern judgement considers 12 months from the date of signing, the Trustees should ensure they consider budgets and cash flow forecasts covering that period ahead of signing. As auditors, it is our responsibility to test and assess the appropriateness of the Going Concern judgement and flag in our audit opinion if we have any material concerns.

Based on our review of management's work, we consider the conclusions are likely to be reasonable. The Charity maintained a reasonable level of income since the start of lockdown, and came into the pandemic with reasonable cash reserves. Based on our understanding of the charity and the work performed by management to date, we performed the following procedures:

- Reviewed the cash flow forecast to understand the key assumptions and their appropriateness;
- Obtained the latest available management accounts at the signing date and compare them to the budget for the same period, to assess management's budgeting accuracy; and
- Reviewed minutes from the Board of Trustees meetings to observe their review of management's assessment.

Disclosure in the accounts

We consider the disclosure in the financial statements to be reasonable.

Other audit findings

Internal control and risk management

During the course of our audit we have identified three internal control and risk management findings, which we have included below for information.

Area	Observation	Priority
Unusual transactions	For unusual or one-off transactions such as the transfer of funds to the Charles and Elsie Sykes Trust, the Charity should ensure that it obtains appropriate professional advice so that it can consider any associated accounting implications.	●
Legacy Register	It is observed that the date of probate is not recorded in the legacy register. For better documentation, a recommendation to include this has been made as the date of probate is key for determination of entitlement.	●
Review of outstanding debtor balance	It is observed that one of the debtor balances that the Charity has held for a number of years is a receivable from the Foundation Trust. Trustees should consider a plan for recovery and tidy up of the debtor balances from the Trust.	●

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Low Priority

Medium Priority

High Priority

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Trustees discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements.

Our report includes:

- Results of our work on key audit judgements; and
- Our internal control observations.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

The scope of our work

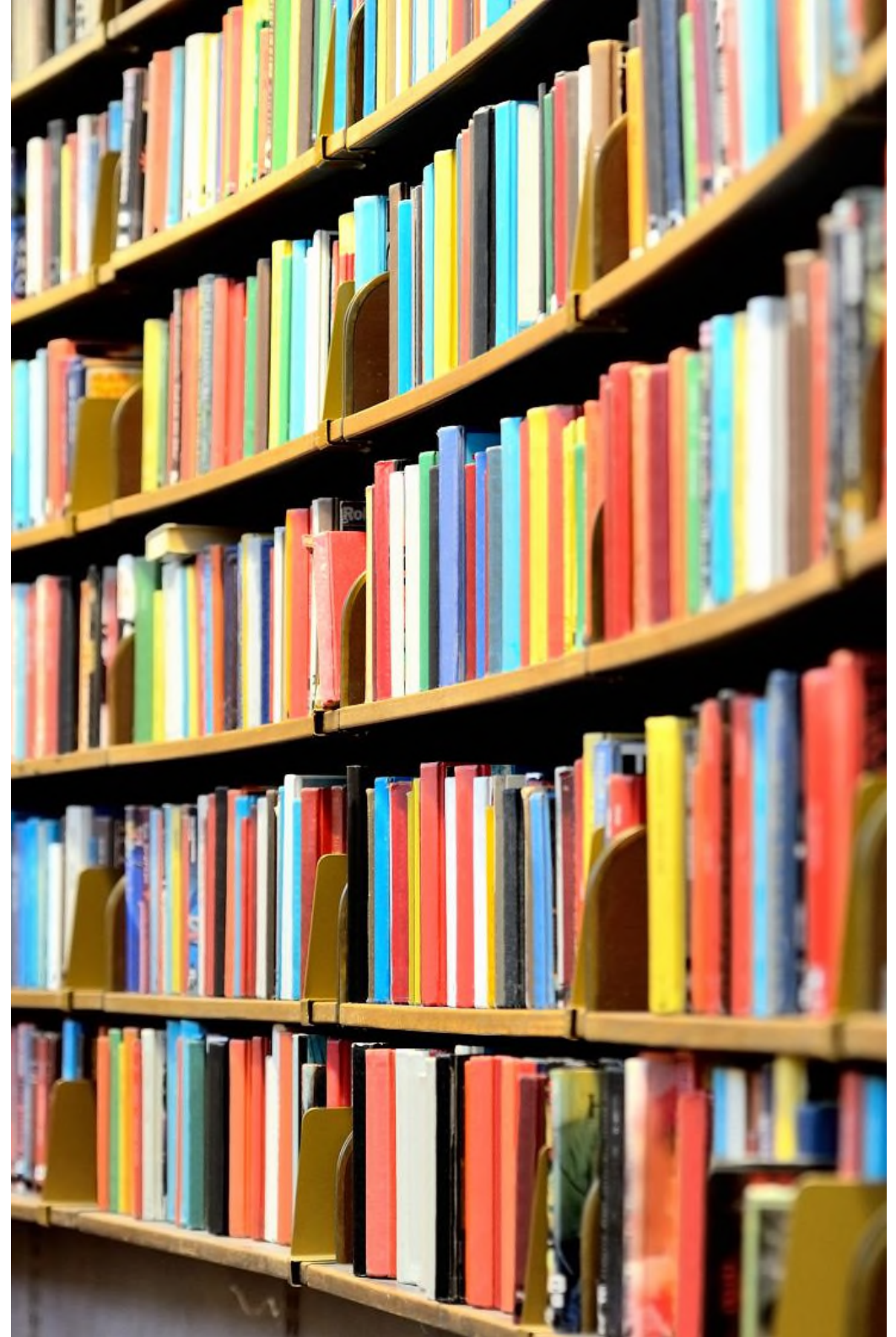
Our observations are developed in the context of our audit of the financial statements.

This report has been prepared for the Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Sarah Anderson (FCCA)

for and on behalf of Deloitte LLP
Leeds | 29 September 2021

Appendices



Appendix 1 : Audit adjustments

Unadjusted misstatements

As part of our audit we identified a small number of audit adjustment, as well as a number of presentational and disclosure deficiencies which have subsequently been corrected by management.

We have not identified any uncorrected misstatements or disclosure deficiencies.

Appendix 2: Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, 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 fraud or error.



Required representations:

We will ask the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the charity.

We have also asked the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified the risk of fraud in income recognition and management override of controls as a key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance around the risks of fraud at the Charity and the Charity's controls to mitigate these. In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

Appendix 3 : Audit quality

Our commitment to audit quality

Our objective is to deliver a distinctive, quality audit to you. Every member of the engagement team will contribute, to achieve the highest standard of professional excellence.

In particular, for your audit, we considered that the following steps would contribute to the overall quality:

We applied professional scepticism on significant risk areas and key judgements areas.

We built on our deep understanding of your organisation, its environment and of your processes in key areas enabling us to develop a risk-focused approach tailored to the Charity.

Our engagement team was selected to ensure that we have the right subject matter expertise and industry knowledge.

In order to deliver a quality audit to you, each member of the core audit team has received tailored learning to develop their expertise in audit skills, delivered by Sarah Anderson.

We are happy to meet with the Charitable Funds Committee at any point throughout the year to discuss progress, relevant news/ sector updates and/ or results of our audit ahead of the committee papers being issued.

Engagement Quality Control Review

We have developed a tailored Engagement Quality Control approach. Our dedicated Professional Standards Review (PSR) function will provide a 'hot' review before any audit or other opinion is signed. PSR is operationally independent of the audit team, and supports our high standards of professional scepticism and audit quality by providing a rigorous independent challenge.

Independence and fees

As part of our obligations under ISAs (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	<p>The base audit fees charged by Deloitte in the period to 31 March 2020 total £5,788 plus VAT, there will also be additional fees in relation to the testing of the new Rathbone investments that the Charity has made in the year and the Elsie Sykes transaction. We will confirm the additional fee once all our work has been completed.</p> <p>There were no non-audit services provided to the entity in this period.</p>
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the entity's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Sector Developments



Sector developments

Coronavirus (COVID-19) pandemic

The Charity Commission for England and Wales guidance to help with running your charity during the coronavirus (COVID-19) outbreak is regularly updated to provide additional guidance for charities, and assurance that the Commission's approach to regulation during this uncertain period would be as flexible and pragmatic as possible in the public interest, whilst helping trustees to be aware of and think about the wider or longer impact of their decisions on their charity. The [latest updates](#) give further guidance on virtual meetings and legal considerations around holding AGMs.

Guidance on the government funding response to COVID-19 is also maintained on the [Deloitte website](#). This has been updated to cover the extensions to the coronavirus job retention schemes and extension amongst other government support.

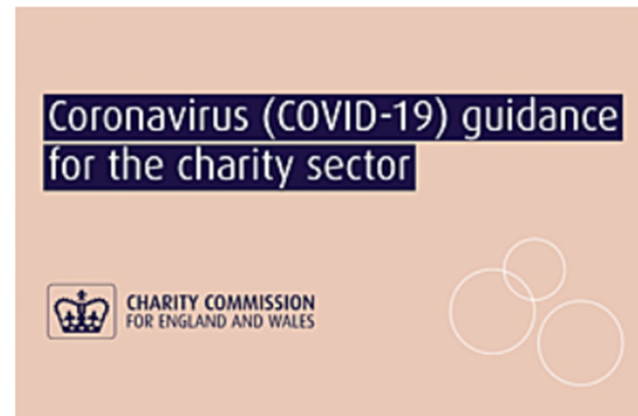
The Charity Commission reminds those charities wanting to help that they must first consider whether that help is within their charity's existing charitable objects.

Specific guidance for charities and trustees on the accounting implications was also issued on 23 March

and can be found on the [SORP microsite](#).

This includes considerations around going concern and the disclosure of post balance sheet events.

Trustees may also find the guidance published by the Financial Reporting Lab of the Financial Reporting Council in October 2020 which updated some of its earlier work useful. The two short guides ([COVID-19 – Resources, action, the future](#) and [COVID 19 – Going concern, risk, and viability](#)) highlight the importance both of providing specific assumptions around going concern scenarios and about integrating the impact of COVID-19 into their principal risks rather than dealing with it in isolation.



Sector developments

The Charity Commission published guidance on the 23 April which can be found at <https://www.gov.uk/guidance/manage-financial-difficulties-in-your-charity-caused-by-coronavirus> to support trustees with some basic practical steps to maintaining and monitoring the going concern status of the charity, the main point being that trustees must always consider the best interests of their charity, which may include merging or working with others. More guidance is available from the FRC with good practice advice on reporting published in October 2020 in [COVID-19: Going-concern, risk and viability – a look forward](#).

COVID-19 – going concern

Current financial situation

- Cash flow management
- Commitments
- Available cash
- Likely receipts

Minimising costs and protecting income

- Stop non-essential outgoings
- Alternative ways of operating
- Reallocate staff
- Team with other charities
- Government support
- Local partnerships
- New grants or loans
- Can designated or restricted funds be used?

Regular review

- Robust, frequent monitoring
- Keep the cash flow forecast current
- Identify trigger points for both a return to a more normal operating environment and should the need to close become more likely

The Commission reminds Trustees that when considering their funds, whilst they have discretion over general and designated funds they may need approval from the donor to re-purpose restricted funds. If a charity is considering accessing permanent endowment assets, Charity Commission agreement should be sought. If either:

- the scale of financial loss threatens the charity's ability to operate and serve its beneficiaries; or
 - the charity's financial reserves or other measures are not sufficient to cover the losses;
- the trustees should use the [serious incident form](#) to report this information to the Charity Commission.

Sector developments

Energy and carbon reporting requirements (and climate change)

In November 2020, the FRC published [Climate Thematic](#) and its thoughts on how to [raise the bar in climate reporting](#). Its main findings included that evidence of climate considerations influencing business models and strategy was limited and whilst some strategic goals were set it was unclear from the reporting how progress towards the goals would be achieved, monitored or assured.

Whilst the Task Force on Climate-related Financial Disclosures (TCFD) framework does not directly apply specifically to charities, there is growing public opinion that these issues should be on the Board agenda. There is further guidance on climate change and the impact on narrative reporting in our publication [A closer look | climate change](#).

For further information on Energy and Carbon reporting, please see [Need to know: Government enacts new energy and carbon reporting requirements for all large companies and limited liability partnerships](#).

For further information on the question “what does climate change mean for business?”, please see our website www.deloitte.co.uk/climatechange.

Sector developments

Charity Commission responses on Responsible Investment

The Charity Commission for England and Wales in Spring 2020 sought views on responsible investment:

"Trustees have a duty to maximise the financial returns generated from the way in which they invest their charity's assets, but the Commission also encourages them to consider whether their investments are consistent with their charity's aims. As public expectations and attitudes evolve, there are welcome signals that charities are thinking about how to reconcile achieving good returns with responsible investments that align with the charity's mission and purposes. Many in and around the sector are championing this way of thinking and leading the way, but as the regulator we want to understand what is holding others back, and give more charities the confidence to follow suit where possible."

Following their listening exercise the Charity Commission published the feedback in November 2020. The barriers identified included:

- insufficient guidance making it hard for trustees to step away from the clearer and overriding duty of maximising financial return
- the perception that investing responsibly means sacrificing financial returns and therefore income for the charity
- anxiety about making mistakes due to inexperience
- the use of jargon making it hard to challenge or hold to account those advising them

The Charity Commission will now consider how best to address these concerns.

Sector developments

In January 2020, the Fundraising Regulator published their [analysis](#) on how effectively and completely charities had reported against the reporting requirements in the Charities (Protection and Social Investment) Act 2016. The requirements apply to all audited charities. The analysis covered 106 reports and found that only 40% included an adequate fundraising statement. The regulator reported that whilst those charities with more significant spending often had more comprehensive reports there were key areas missed in the reporting. For example:

- More information was required on how work carried out on behalf of the charity was supervised and managed;
- 40% did not include the number of complaints received;
- Reports often lacked detail on how vulnerable people were protected.

In addition to the review the Fundraising Regulator has also produced [some good practice guidance](#) to support charities in developing their statements this year. The guidance provides a reminder of the requirements, some pitfalls, and an exemplar report.

Fundraising regulator analysis of compliance with fundraising disclosure

As a reminder the statement should cover the approach, including the use of third parties; whether and which scheme or standards have been adopted; whether the charity (and any third parties) have been in compliance with those schemes; how they have monitored activities, in particular third parties; how many complaints have been received, and how they are dealt with; and how the charity has protected vulnerable people from unreasonable intrusive or persistent behaviour or pressure, for example by training or specific guidance put in place by the charity.

approach

regulation

compliance

monitoring

complaints

protect the
vulnerable

Sector developments

Employment status

This is a continued area of HMRC and government focus.

Organisations should review their workforce, and assess any obligation to operate PAYE and account for NIC. Additional employer obligations to the extent that individuals are found to have employee/worker status for employment law purposes should also be considered (e.g. right to holiday, sick pay etc.).

Risks for organisations engaging individuals on a “casual” basis (e.g. volunteers, event staff, fundraisers), given focus on “gig economy” – increasing expectation of “worker” status.

Draft legislation for the Off Payroll Worker rules was released in July 2019, but due to the recent General Election the Finance Bill has not yet passed through Parliament.

The Government has also launched a review of the proposed rules (due to be concluded by mid-February 2020) to assess whether any additional support is required to contractors to ensure smooth implementation. That being said, it is widely expected that the draft legislation will not change materially.

Importantly, the draft legislation includes an exemption for “small” companies. Organisations should therefore consider whether they qualify for this exemption.

HMRC released the updated version of their Check Employment Status for Tax (CEST) Tool on the 25 November 2019. The CEST tool asks a series of questions to make an assessment of whether a particular engagement is one of employment or of self-employment.

As with the previous version of CEST, HMRC state that they “will stand by the result you get from this tool”, unless “the information you have provided was checked and found to be inaccurate”

LINK: www.gov.uk/guidance/check-employment-status-for-tax

Sector developments

National Minimum Wage/National Living Wage (“NMW/NLW”) compliance

NMW/NLW compliance continues to be a significant area of financial and reputational risk for employers.

Recent media coverage of high profile cases, Tribunal decisions relating to “worker status”, and a substantial increase in HMRC’s compliance checks means that NMW/NLW compliance is a priority for organisations (particularly those with lower paid workforces)

Many employers do not maliciously underpay their workers, but compliance failures can often arise through misapplication of the NMW legislation – therefore important to ensure that approach to remuneration/expenses and hourly wage checks is compliant in all respects.

The Government has accepted the recommendations of the Low Pay Commission (“LPC”) to increase the National Minimum Wage (“NMW”) main rate (known as the National Living Wage (“NLW”)) to £10.50 per hour by 2024. This equates to more than a 5% year on year increase. In addition, the age at which workers are entitled to the National Living Wage rate will be reduced gradually over the same time period.

HMRC continue to enforce the NMW regulations based on unclear regulations and legislation and we still await a response from the Department for Business, Energy and Industrial Strategy (“BEIS”) in respect of their response to a consultation which sought comments on a small number of the technical issues which have led to what almost all employers see as unintended consequences of the way the regulations are drafted and interpreted.

There has been a particular focus on social care organisations, specifically in respect of carer “sleep-ins” due to an Employment Tribunal finding that individuals working these shifts needed to receive NMW for the entire period, even while asleep. In response the government launched the [“Social Care Compliance Scheme” \(“SCCS”\)](#). However, this initial finding was successfully challenged at the Court of Appeal (“COA”) resulting in the removal of the need to pay NMW for people who complete these shifts and confusion for those who have already taken part in the SCCS. However, the scheme has only been suspended and UNISON was granted leave to appeal the COA judgment. The Supreme Court heard the appeal on the 12 February, but it is not yet known when they will publish their decision.

Sector developments

Cyber Security Breaches Survey

The Department for Digital, Culture, Media and Sport published their annual [report on cyber security breaches](#) in March 2020. The key findings infographic summarises that 26% (2019: 22%) of charities identified cyber security breaches or attacks compared with 46% (2019: 32%) of companies.

The survey also reported that the nature of cyber attacks had changed since 2017, and that over this period, there had been, among those identifying any breaches or attacks, a rise in organisations experiencing phishing attacks (from 72% to 86%), and a fall in viruses or other malware (from 33% to 16%). A separate [infographic](#) has been produced to focus on the impact on charities. The summary highlights that 38% of charities update their board at least quarterly and 31% have insurance against cyber risks. Half of the charities surveyed said that they have sought information but only 16% had heard of the [National Cyber Security Centre's Small Charity Guide](#).

The Charity Commission updated its guidance [protect your charity from fraud and cyber crime](#) in October 2019. It includes reference to the [National Cyber Security Centre's toolkit](#) designed to encourage essential cyber security discussions between the Board and their technical experts. The toolkit sets out a number of challenging questions for Boards about 'what good looks like' in different contexts, for example, risk assessment, collaboration and developing a positive cyber security culture. This guidance also includes [8 guiding principles for tackling charity fraud](#) which are particularly relevant in this current pandemic environment.

We would recommend that trustees review this guidance and ensure that cyber considerations are established as part of the charity's operational considerations and that there are reporting routes and planned incident responses designed and tested for potential and actual cyber security breaches.

Sector developments

Charity fraud awareness

In October 2020 as part of charity fraud awareness week the Charity Commission for England and Wales issued a press release which stated :

“charities have reported being victims of fraud or cybercrime 645 times since the start of the pandemic in March, amounting to £3.6 million in total losses to charities. The true scale of fraud against charities is believed to be much higher, as fraud is known to be underreported.”

The regulator is concerned that remote working and virtual activities and sign-off processes, combined with charities’ tendencies to place goodwill and trust in individuals, may make them especially vulnerable.

Research by the Charity Commission in 2019 ([Preventing Charity Fraud - insights and action](#)) suggests that over a third of those committing fraud were the charity’s own staff members; trustees and volunteers together were responsible for 28%; and beneficiaries were identified in 13% of known frauds. The report also found that two thirds of frauds were picked up by financial controls or audit, so simple checks and controls, along with a strong counter-fraud culture can be key.

We would recommend that trustees review their controls, or management’s assessment of the control environment and be particularly mindful of where controls have changed from face to face, paper based controls to on-line communication with electronic documentation, and assure themselves that the controls remain suitable to address the risks.

Sector developments

Regulating in the Public Interest

The Charity Commission for England and Wales and Populus in May 2020 reported the results of a survey titled [Regulating in the public interest – the relationship between Charity, charities and the general public](#).

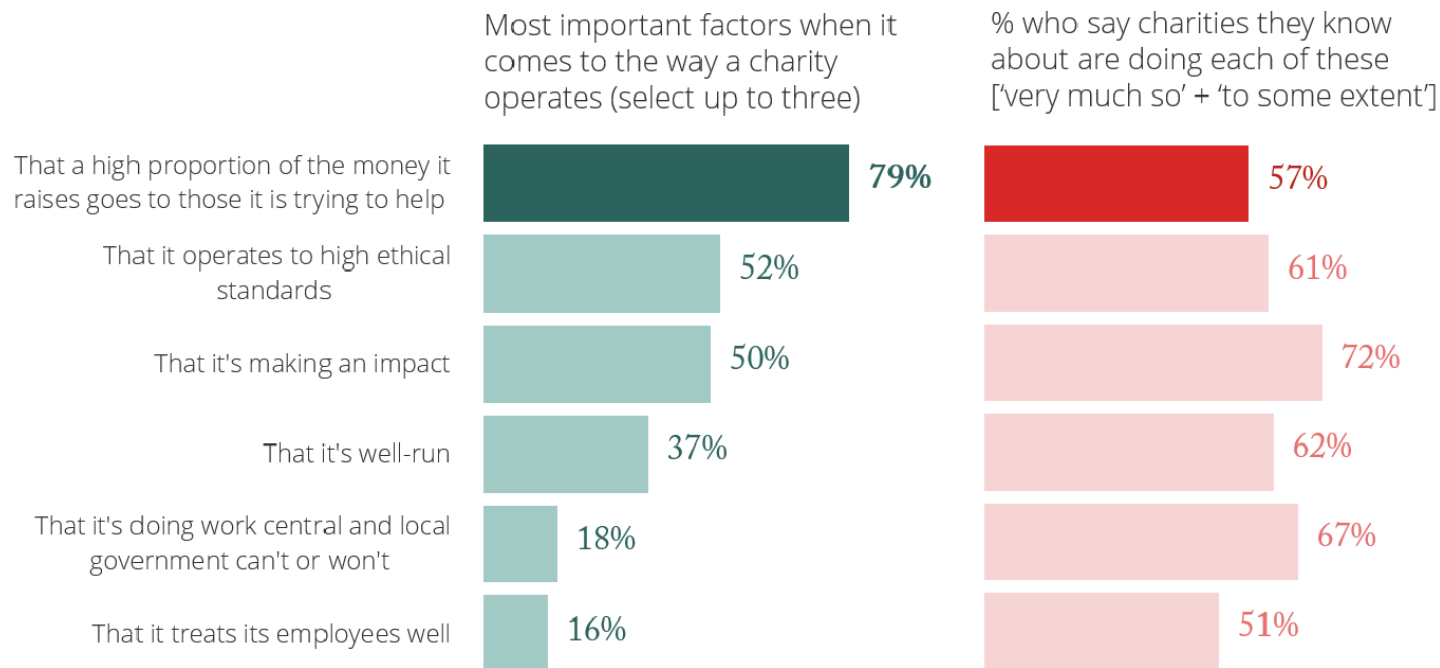
The report identifies one of the key roles of the regulator is to make charities more resilient which means upholding the special meaning of Charity and recognising that the regulator and the regulated both have a responsibility to justify the privileges enjoyed in its name. The survey identified some key expectations that influenced public trust in charities and therefore potential areas for regulator focus.

- Knowing where the money goes
- Fulfilling the promise of impact
- The 'how' charities operate matters as much as (if not more than) the 'what' they achieve
- That charities have a collective responsibility for reputation

The perceived importance of charities to society had fallen from 72% of respondents in 2008 to 55% in 2020. And whilst 55% of respondents considered charities to be the best way of channelling support for good causes, 45% considered other alternatives including volunteering and more community activities including food banks. The report shows that while spending on charitable activities is a key factor in public trust there is much less confidence in charities actually ensuring that the money raised goes to those they are trying to help.

Sector developments

Regulating in the Public Interest



*Demographically representative online survey of 4,042 adults in England and Wales
Fieldwork conducted between 5th and 11th February 2020*

Source: Regulating in the public interest - The relationship between Charity, charities and the general public May 2020 (Populus and the Charity Commission)

Sector developments

Take 5 – quick and easy guides

In November 2020 the Charity Commission for England and Wales published five, five minute guides to some key topics to mark Trustees' week. These guides are a quick reference point for issues as they arise and include links to more detailed guidance and support to help trustees navigate to further advice.

The topics covered are:

- [financial oversight](#)
- [achieving a charity's purposes](#)
- [good decision making](#)
- [addressing conflicts of interest](#)
- [what to file with the Commission and what support is available](#)

We would recommend that Trustees read these guides as part of their induction and on-going training, delving into the more detailed guidance for areas in which they wish to develop their understanding or issues which are particularly pertinent.

For example, the financial oversight guide includes links to the internal controls checklist, guidance on protecting your charity from fraud and cyber crime, budgeting and how to set a reserves policy.



This document is confidential and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities).

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

© 2021 Deloitte LLP. All rights reserved.