

# International Planned Parenthood Federation Report to the Finance, Audit & Risk Committee Year ended 31 December 2023

Presented to the Finance, Audit & Risk Committee on 24<sup>th</sup> May 2024

---

**Strictly Private and Confidential**

Finance, Audit & Risk Committee  
International Planned Parenthood Federation  
4 Newhams Row  
London  
SE1 3UZ

Dear Members of the Finance, Audit & Risk Committee

I have pleasure in submitting our audit findings report for the year ended 31 December 2023. The primary purpose of this report is to communicate to the Finance, Audit & Risk Committee and the Trustees the significant findings arising from our audit that we believe are relevant to those charged with governance.

I look forward to discussing our report with you, as well as any further matters you may wish to raise with us.

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

Yours sincerely

Nicola May  
Partner

# Contents

1.	Executive summary .....	3
2.	Significant audit risks .....	6
3.	Other audit findings.....	13
4.	Fraud and irregularities and our audit reporting .....	22
Appendix 1	- Reporting audit adjustments.....	24
Appendix 2	- Systems and controls .....	<a href="#">25</a> <del>25</del> <a href="#">26</a>
Appendix 3	- Materiality .....	<a href="#">31</a> <del>31</del> <a href="#">32</a>
Appendix 4	- Draft Representation Letter .....	<a href="#">32</a> <del>32</del> <a href="#">33</a>
Appendix 5	- Responsibilities and ethical standards .....	<a href="#">35</a> <del>35</del> <a href="#">36</a>
Appendix 6	- Fraud risks .....	<a href="#">37</a> <del>37</del> <a href="#">38</a>
Appendix 7	- External developments .....	<a href="#">39</a> <del>39</del> <a href="#">40</a>
Appendix 8	- Going concern .....	<a href="#">51</a> <del>51</del> <a href="#">52</a>

# 1. Executive summary

## Our report to you

We are pleased to present our Audit Findings Report to the Finance, Audit & Risk Committee (“C-FAR”) and we welcome the opportunity to discuss our findings with you at your meeting on 24<sup>th</sup> May 2024.

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

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

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

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

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

## Conclusions in relation to the areas of significant audit risk

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



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

- Going concern
- Revenue recognition – grant income/accrued income
- Grant expenditure/liabilities
- Judgements and estimates - pension liability/asset

- Management override of controls, including through override of journal adjustments

Following the receipt of draft financial statements for the final audit fieldwork we increased the risk of legacy income due to the value being material for FY23 and this is also now considered a significant risk area.

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

Significant risk	Control deficiency identified	Adjustment(s) identified	Other reported matters
Going concern	-	-	-
Revenue recognition – grant income/accrued income	-	-	-
Revenue recognition – legacy income	-	-	✓
Grant expenditure/liabilities	-	-	-
Judgements and estimates - pension liability/asset	-	-	✓
Management override of controls	-	-	-

### Other audit findings

[Section 3](#) sets out various comments on other important matters which we have identified from our audit.

### Fraud and irregularities

[Section 4](#) sets out the Trustees and our responsibilities in respect of fraud and irregularities.

### Audit materiality

The audit materiality for the financial statements set as part of our audit planning took account of the level of activity of International Planned Parenthood Federation (“IPPF”) and was set at 2% of income. We have reviewed this level of materiality based on the draft financial statements for the year ended 31 December 2023 and are satisfied that it continues to be appropriate with 2% of income being £2.4m.

We set separate audit materiality levels for each of the group’s subsidiary entities. Details of these separate materiality levels are set out in [Appendix 3](#).

### Unadjusted misstatements

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

We are pleased to report that, subject to the finalisation of the outstanding items listed below, there are no remaining unadjusted items identified from our audit in excess of the above trivial limit.

### Audit completion and our Audit Report

We have substantially completed our audit in accordance with our Audit Planning Report which was sent to you and the senior management team on 17 November 2023, subject to the matters below.

- Receipt of legacies support – 1 item.
- Finalisation of our review of the payroll bandings disclosure.
- Receipt of forward contract confirmation – 1 item.
- Receipt of confirmation of cash in the Pension scheme assets.
- Receipt of bank confirmation letters – HSBC
- Finalisation of our review of Wish2Action KPIs.
- Finalisation of reviews of component auditor work
- Completion of the going concern and post-Balance Sheet events reviews.
- Review of the final financial statements.
- Receipt of the signed letter of representation ([Appendix 4](#)).

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

On the satisfactory completion of these matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the 2023 financial statements.

### **Responsibilities and ethical standards**

We have prepared this report taking account of the responsibilities of the Trustees and ourselves set out in [Appendix 5](#) of this report.

The matters included in this report have been discussed with the charity's management during our audit and at our closing meeting on 2 May 2024. Varun Anand, Janice Venn and Vikas Sadana have seen a draft of this report and we have incorporated their comments and/or proposed actions where relevant.

## 2. Significant audit risks

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

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

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

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

### 2.1 Going concern

#### ***Key related judgements***

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

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

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.

Due to the potential impact of exchange rate fluctuations on IPPF, trends of government cuts to international development funding and the current financial resources available to the charity, we consider that going concern is a significant risk for our audit.

We also understand that IPPF implements its new strategy to 2028 from 2023. Although the core activities of the charity remain unchanged a change in strategy increases the risk and uncertainty, as well as posing new challenges

when it comes to budgeting and forecasting financials during a transitional period.

#### ***Crowe response***

Trustees may consider and take account of realistic mitigating responses open to them, considering the likely success of any response. We have discussed this with IPPF management and explained that our work on going concern included the following:

- reviewing the period used by Trustees to assess the ability of IPPF to continue as a going concern;
- examining budgets and forecasts prepared by management covering the period of the going concern assessment to ensure that these appropriately support the trustees' conclusion;
- reviewing the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year; and
- reviewing any other information or documentation which the Trustees have used in their going concern assessment.

#### ***Our conclusions and other comments***

Management have provided us with a going concern assessment that incorporates the budgets and cashflows to December 2025, which we have reviewed as part of our audit. This going concern assessment incorporates

sensitivity analysis comparing three scenarios; worst case, most likely and best case. Key conclusions reached by management:

- IPPF has multi-year agreements with key donors for both restricted and unrestricted funds and so the income pipeline for 2024 and onwards remains strong;
- Most of IPPF's unrestricted core donors have had a long and strong relationship with IPPF. Through all the ongoing engagements there are no apparent signs of change in their relationship with IPPF;
- IPPF's projected cash flow position across all funding sources demonstrates a positive balance throughout the period under review; and
- IPPF has additionally earmarked designated funds to cover costs relating to its strategic initiatives that support delivery in specific areas of its strategic framework, whilst maintaining the general reserves in line with the general reserves policy.

As at 31 December 2023 IPPF Group is reporting unrestricted funds totalling \$69.7m (2022: \$67.5m). The IPPF financial statements are reported in USD, however a key funder remains the Foreign, Commonwealth & Development Office ("FCDO") of the UK government that provides funding in GBP. Due to the movements in exchange rates in 2023, IPPF has again this year incurred significant exchange rate losses during this period arising from the timing differences of payments and receipts of income. We have further discussed foreign exchange management within section 3.6.

The cash balance at year end (including cash held as investments) is \$91.1m (2022: \$81.6m). The IPPF results include the Worldwide Inc (WWI), Africa Regional Office (ARO) and European Network (EN) subsidiaries.

Unrestricted income from donors in 2024 has been initially budgeted at \$61.7m, an increase on the reported actuals for 2023 of \$60.4m, based on the confirmed agreements and/or commitments in place by donors at the time of budgeting. The overall budget for grant income has been set conservatively at \$97.2m, a budgeted drop on the actuals seen in 2023 of \$113m, this is largely due to the ending of the current Wish2Action funding. We understand that management are in the process of applying for the next lot of Wish2Action funding. Unrestricted expenditure is forecast to be \$60.3m which gives a projected unrestricted surplus of circa \$1.4m. To note, the budget was revised in Q2 to

reflect the net impact of Netherlands increasing its grant less the indicated drop in Sweden's grant, raising the budgeted surplus to a healthier \$4.0m.

We understand that the strategy newly implement last year has continued not to pose any significant issues with regular funders and existing contracts and the income pipeline of unrestricted income is strong. Of the core funding for 2024; as at December 2023, approximately 51% are signed contracts, with a further 34% having been awarded but not signed for, covering 85% of the budgeted core funding.

Donor contracts with the governments of Australia, Denmark, Hewlett, Netherlands, Finland, Norway, Switzerland, Ireland and New Zealand have been signed off, representing the 51% of total unrestricted core funding as noted above.

From a cash flow perspective, the forecast has been carried out right through to December 2025 with average cash balances being \$55.6m. The cashflow incorporates additional \$11.8m of designated expenditure in 2024.

Based on the assessment, we understand the Trustees are satisfied with the disclosures in the financial statements and satisfied for the IPPF financial statements to be prepared on a going concern basis. We will be seeking representations that the Board has considered the forecasts and is satisfied that the going concern basis is appropriate.

## 2.2 Revenue recognition – grant income, including accrued income

### *Key related judgements*

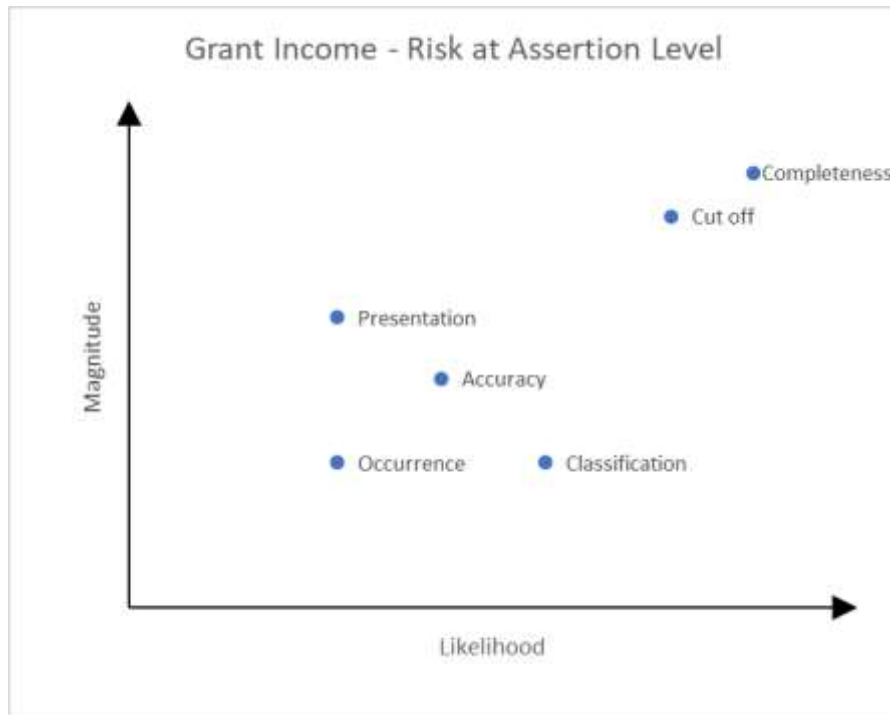
IPPF's largest source of income comes from institutional, governmental, public or multilateral bodies. In 2023 such income totalled \$113m (2022: \$119m), a relatively minimal decrease of 4% on last year.

In certain cases, if grant income is not properly managed then the risk of claw back is high with the risk that the income is not correctly accounted for in terms of its allocation to specific funds.

Income is not always received in line with the entitlement to the income in accordance with the Charity SORP (FRS 102) and therefore there may be a requirement to defer or accrue income. There may also be performance criteria attached to the grants received which would impact on the establishment of entitlement to the grant.



Given the complexities within the recognition of grant income, we considered there to be a significant risk in respect of completeness and cut off.



### Crowe response

Our audit work included the following:

- reviewing IPPF's income recognition policy in relation to grant income;
- reviewing IPPF's procedures for identifying restrictions and conditions;
- reviewing levels of grant debt held at the year end and investigate aged donor debts for instances of dispute and/or withheld funding;
- reviewing the findings of any grant audits requested by donors;
- scrutinised funding agreements so as to understand income recognition, terms, reporting requirements, and claw back risk;

- reviewing clawbacks that occurred in the year and assessed whether provisions for further clawbacks were required; and
- considering the controls and procedures in place to ensure that income received in the field is correctly accounted for so as to mitigate against the risk of double counting, omission or cut off errors.

### Our conclusions and other comments

Grants are composed of two types; performance related grants (such as the Wish2Action funded by the Foreign and Commonwealth Development office) and non-performance related grants (funded by institutional government departments and other large private donors). These grants are either to fund unrestricted core spending or restricted projects.

For performance related grants like the Wish2Action project, income is recognised in line with progress against key performance indicators and milestones achieved by IPPF, as well as reimbursable expenditure incurred by the Member Associations. We obtained the quarterly reports prepared by the consortium of partners who report to IPPF to agree the income recognised.

For non-performance related grants, income is largely based on a cash receipts basis underpinned by payment plans set out in the grant. Whilst this is not an acceptable income recognition basis under the Charities SORP, as noted in previous years, the grants themselves are based on budgets prepared in advance of the agreement, and therefore clear time restrictions are in place, upon which the income recognition is based.

We reviewed a sample of grant agreements to ensure restrictions on grants are appropriate and the income recognition policy is consistent and correct.

*At the time of writing, we are finalising our review of the KPIs and progress on the Wish2Action projects. However, we have no issues to raise on our work in this area to date.*

## 2.3 Revenue recognition – legacy income

### Key related judgements

Under the Charities SORP, income should be recognised when the following three criteria have been met:

- Probability – where it is probable the incoming resource will be received i.e. it is more likely than not that the legacy will be received.

- Entitlement – where there is control over the rights to the resource.
- Measurement – the monetary value of the incoming resource can be measured with sufficient reliability.

IPPF recognise income in line with the above.

Historically, IPPF have received a low volume of legacies, totalling a very immaterial balance, as such we concluded legacy income to be a non-significant risk through our planning considerations.

On receipt of the draft accounts, we noted that legacy income for this financial year was material and included key items. Therefore, we have revisited our risk assessment of legacy income and raised this to a significant risk area.

Given the level of judgement involved in recognising legacy income, there is considered to a significant risk in respect of the completeness and timing of recognition of legacy income.

### **Crowe Response**

As part of our audit work, we:

- Tested legacies on a sample basis to supporting documentation to establish whether any restrictions and conditions were properly identified, and that the income has been recognised only when it met the criteria for recognition in the SORP and accounting policies; and;
- Reviewed the legacy pipeline, in particular those notified prior to the year-end but not yet received to ensure that cut-off had been appropriately applied and that all income due had been recognised where the criteria for recognition in the SORP are met.

### **Our conclusions and other comments**

Legacy income for the year totalled \$3.7m, a sizable increase of \$3.6m on the prior year. Largely to a small number of large legacies recognised in the year.

IPPF's income recognition policy states that income from legacies are recognized when the following three conditions are met:

- a) the charity is entitled to control the legacy resource and determine its future application;
- b) receipt is probable; and
- c) the resource can be measured monetarily with sufficient accuracy.

In absence of payment, there is a degree of management judgement as to when IPPF is entitled to the income, the measurement of the amount and if payment is probable.

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

Due to legacies not being a common source of income for IPPF income was recognised on receipt. This is not permissible under the Charity SORP. Our work therefore focused on the cut-off of legacies and we reviewed correspondence with solicitors and executors to determine if any extra income should be accrued and carried out testing on post year end receipts and the legacy pipeline.

*At the time of writing, we are waiting for support for 1 legacy item in our sample.*

We also discussed the inclusion of a legacy pipeline disclosure as required under the Charities SORP where material. This is a judgemental area, where management provide an estimate of the income receivable on the open legacy cases as at year end. Through our work and discussions with management, we understand the post year end activity has been highly immaterial and there are no significant measurable legacies held in the pipeline. It has therefore been concluded that this disclosure is not required as management do not consider this to be material.

As noted above, given legacies are not expected to be a consistently significant income stream, we are satisfied with the conclusion of the above considerations. However, if this changes in the future, we recommend that these points are revisited.

No other issues arose from our work in this area.

## **2.4 Grant expenditure**

### **Key related judgements**

Charitable activities are undertaken globally through three main routes:

- Directly through IPPF either centrally or through regional offices;
- Through Member Associations; or
- Through Collaborative Partnerships.

Expenditure through grants to Member Associations and partners is the largest route for charitable expenditure. In 2023 this expenditure totalled \$80m (2022: \$84m).

It is important that the nature of and agreements behind these grant payments are understood to ensure the correct treatment is adopted within the financial statements. Specifically, IPPF needs to consider at what point a constructive obligation has arisen in relation to these payments and to ensure that upon the creation of such an obligation the grant is correctly recognised within expenditure and liabilities. With commitments that may straddle the year end the key issue is whether the whole award should be recognised in full at the time of making the commitment as a result of a constructive obligation.

### **Crowe response**

Our audit work included the following:

- Assessing the procedures of accreditation for Member Associations and the level of contact and support to members;
- Assessing the procedures for identifying, vetting and working with partners and the level of contact and support to partners;
- Reviewing the terms and conditions of grant agreements against SORP FRS102 disclosure requirements;
- Assessing the management's classification of a sample of partner grants as normal or performance related, and confirming that the accounting treatment is in line with the classification; and
- Reviewing a sample of reports received from members and partners and IPPF monitoring and revaluation reports as well as other control processes relevant to monitoring end use of funds.

*At the time of writing, we are finalising our work on the grant commitments. However, we have no issues to raise on our work in this area to date.*

## **2.5 Management override of controls**

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

### ***Significant accounting estimates and judgements***

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

Management have made a number of necessary significant accounting estimates and judgements which impact the financial statements.

Estimates and judgements that are not considered to be significant risks are set out in [Section 3](#).

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

### ***Controls around journal entries and the financial reporting process***

We reviewed and carried out sample testing on the charity's controls around the processing of journal adjustments (how journals are initiated, authorised and processed) and the preparation of the annual financial statements. We also considered the risk of potential manipulation by journal entry to mask fraud. We reviewed IPPF's procedures for controlling journals as well as considering the management's procedures for the comparison of actual results to budgets.

Our audit work included the following:

- 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;
- 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 IPPF and its environment;

- Using data analytics to assess the whole population of journals to aid us in our testing of journals; and
- Reviewing the group's procedures for controlling journals as well as considering management's procedures for the comparison of actual results to budgets.

We did not identify any instances of management override of controls or other issues from our sample testing of IPPF journals. However, we note that journal processing can be an area of potential risk and it is good practice to include consideration of this within the overall IPPF risk assessment.

No other issues arose from our work in this area.

#### *Significant transactions outside the normal course of business*

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

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

## 2.6 Estimates and judgements – Pension liability

### **Key related judgements**

The Central Office Defined Benefit Pension Scheme was closed to future accruals in 2007 with all active members being given deferred pensions at that date. The assumptions surrounding the FRS102 pension liability calculations performed by the actuaries can make a significant difference to the result disclosed in the financial statements and are an area of significant judgement.

We have performed a review of the pension assumptions proposed by management against those used by other actuaries for the same period. A small change to the assumptions such as the discount rate or the life expectancy can have a significant impact on the value of the liability.

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.

### **Crowe response**

Our audit work included the following:

- Reviewing the disclosures and assessing the accuracy of the data provided to the actuaries for the pension scheme;
- Reviewing the actuarial assumptions against those used by a benchmark group of similar entities;
- Reviewing the reports provided by the actuaries to understand the basis of asset valuation;
- Assessing the independence and competence of the actuary;
- Performing testing with a view to substantiating the inputs used by the actuary in their calculations (e.g. verifying the valuation of assets to investment manager reports and agreeing employee data to relevant HR and payroll records); and
- Verifying scheme assets to third part documentation

### **Our conclusions and other comments**

The pension liability at the year-end stood at \$3.4m, based on assets held in the scheme of \$35.1m and the present value of the scheme liability at \$38.5m. The assumptions surrounding the FRS102 pension liability calculations performed by the actuaries can make a significant difference to the result disclosed in the financial statements.

Our work included reviewing the disclosures and assessment of the accuracy of data provided to the actuaries for the pension scheme and carrying out an assessment of the independence and competence of the actuary.

The assumptions of IPPF's scheme have been benchmarked against other defined benefit schemes with year-ended also 31<sup>st</sup> December, comparing discount and inflation rates, salary increases and life expectancy rates. We have summarised the results below:

	Assumptions				Life Expectancy			
	Discount Rate (%)	Inflation RPI (%)	Inflation CPI (%)	Salary growth (%)	Male 65	Male 45	Female 65	Female 45
IPPF	4.50	3.05	2.35	3.35	21.2	22.2	23.7	24.8
Average	4.54	3.20	2.65	2.73	21.8	22.5	24.0	25.1
Maximum	4.70	3.30	2.95	2.95	24.1	23.6	25.5	26.2
Minimum	4.44	3.10	2.30	2.50	19.6	20.9	21.8	23.2

The assumptions used by the actuary appear mostly consistent across the other pension schemes benchmarked, with an exception being the salary growth rate which falls above the range we have seen. We have considered the impact of this on the accounts. As a higher salary growth rate is seen as prudent, lowering this assumption in line with the other rates would in fact lower the net liability position of the scheme. We have discussed the assumption with management and questioned why the salary growth was both higher than the benchmarked figures and higher than the inflation levels used by the actuary. *We understand management have received a response from the actuaries as to why this is and this is being reviewed at the time of writing this report.*

In addition to the above, we have also benchmarked the assumptions of IPPF's scheme against PwC's published pension accounting trends for 31<sup>st</sup> December year ends, comparing discount and inflation rates, and life expectancy rates. We have summarised the results below:

	Per PwC				Crowe Analysis	
	IPPF	Assumptions for 31 Dec 2023			Sensitivity for £500m scheme	Sensitivity Analysis for IPPF's scheme
		Optimistic	Median	Prudent	(0.1% pa/1yr)	Estimated Impact
	%	%	%	%	£'000	\$'000
Discount Rate	4.50	4.80	4.50	4.40	8,000	-
RPI Inflation	3.05	2.90	3.10	3.40	6,000	23.10
CPI Inflation	2.35	2.20	2.70	3.00	3,000	80.84
Life expectancy - Male 65	21.20	20.00	22.00	24.00	15,000	923.83

The assumptions used by the actuary are all within the ranges as reported by PwC. The sensitivity figures shown represent a typical scheme with liabilities of £500m; we have considered the impact of the key assumptions to IPPF's gross liabilities against the median rates provided, which resulted in an immaterial impact, and compared to earlier, this had an opposing impact to the net liability position.

Overall, we are satisfied with the approach taken, though we note this is an area of management judgement and a small change to the assumptions can potentially have a material impact to the liability. It is therefore important that you are satisfied that the assumptions used are appropriate and we will ask you to provide a written representation to us to confirm this ([Appendix 4](#)).

No other issues arose from our work in this area.

## 3. Other audit findings

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

### 3.1 Estimates and judgements

As noted in [Section 2](#), management have made a number of necessary significant accounting estimates and judgements which impact the financial statements. Grant income and the pension liability are discussed and are considered to be significant and are discussed in Section 2.

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

- the assessment of impairment of assets;
- the assessment of the remaining useful life of assets; and
- the estimation of the values of the investment properties.

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

#### Impairment of assets and assessment of useful life of assets

We reviewed the depreciation policy used by IPPF. We reviewed the depreciation charge, performing a proof in total in order to develop an expectation of depreciation and comparing it to the actual charge to confirm if the amount was reasonable.

No issues arose from our work in this area.

#### Valuation of investment property held

IPPF have an investment property in London. IPPF's policy states that "full valuations are made every five years by a qualified external valuer, and in each other year there is a management assessment of fair value". A formal valuation was carried out during the year, resulting in an assessed fair value as at year end of £850k, a £10k increase on management's internal assessment last year.

As part of our work, we agreed the ownership of the property to land registry documentation, carried out a review of the external valuer, and benchmarked the value to similar properties in the area.

No issues arose from our work in this area.

### 3.2 Income

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

Whilst we deem the completeness of grant 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?).
- Accuracy (where income is owed at year end, is it likely to be received or should it be provided against?).

#### *Donation income*

This year donation income was immaterial for IPPF and such income amount to \$1.0m in 2023 (2022: \$1.6m).

As noted above, legacy income was raised to a significant risk area on receipt of the accounts and has been discussed under section 2.3.

No other issues arose from our work in this area.

### 3.3 Payroll

Payroll is the largest single expenditure item for IPPF outside of grants to members and partners. In 2023 staff costs totalled \$24m (2022: \$22m).

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

We also performed analytical procedures that 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 have verified a sample of staff between the payroll and other HR records and agreed their costs to supporting documentation on a sample basis.

During the testing of payroll expenditure, it was found that rather than booking each of the respective transactions to the relevant expenditure code, for a number of the regions these were booked in bulk to a select few codes and then a secondary exercise was conducted to split these across the correct account headings in the staff cost notes. This resulted in issues and delays experienced through our payroll testing as management sought to reconcile payroll for the year end. We have raised a recommendation within Appendix 2 to address this.

*At the time of writing, we are awaiting confirmation of the salary for one individual in our sample.*

We understand that salary letters are not provided to employees to confirm salaries, and this is instead communicated through the online portal. However, the communications in the online portal only confirm percentage changes rather than confirming the salary amount. We have raised a recommendation in [Appendix 2](#).

No other issues arose from our work in this area.

### 3.4 Overseas operations and expenditure

IPPF carries out activities both directly and indirectly through regional offices, subsidiaries, Member Associations and Collaborative Partners. IPPF currently consists of the central office, four regional offices and three subsidiaries.

The group is both run and audited along divisional lines, all offices are able to directly input transactions in NetSuite, the finance system.

The parent charity incorporates the Central Office, registered in London, as well as the four regional offices. We understand that the central finance function has

moved to Delhi following the restructure in 2023. Income primarily consists of grant and contract income from institutional bodies and multilateral organisations. The income is mainly received by the Central Office.

Expenditure is split between those administrative costs required to support IPPF's work, direct project costs and Member Association and Partner funding.

Our audit approach focused on the detailed testing of balances at the Central Office. In addition to this we performed substantive analytical review of income and expenditure. For significant risk areas we tested the systems in place at the Central Office. We also spent time in understanding the key monitoring controls in place over IPPF overseas operations, Member Associations and Collaborative Partners.

Audits for the two subsidiaries Europe Network and Africa Region were carried out by our Crowe network offices locally. Audit work required for the consolidated financial statements on the IPPF Worldwide Inc subsidiary was conducted directly by us, together with coverage of the branches globally.

As well as expenditure to Member Associations and partners, IPPF also spends money overseas directly through regional offices. There are also three overseas subsidiaries in Brussels, Africa and USA. Given the nature of IPPF's work and the volume of activity in foreign currencies there is an elevated risk of foreign exchange currencies. IPPF also trades in foreign exchange hedges to mitigate this risk.

Our audit work included the following:

- Understanding the process by which overseas expenditure are controlled, captured and reported within the organisation. Included within this work was a review of the processes used by the Central office to verify the validity of the information provided by the overseas offices;
- Performing substantive audit procedures such as the testing of a sample of selected expenditure transactions;
- Reviewing the controls in place to manage and account for overseas cash and assets;
- Reviewing the procedures used by IPPF to ensure compliance with local laws and regulations and the means by which non-compliance is identified, recorded and reported. We requested each of the three

- overseas subsidiaries together with each of the regional offices to complete our legality questionnaire;
- Recalculating the profit / loss on foreign exchange contracts; and
- Reviewing and documenting the accounting treatment and disclosures to ensure they are compliant with FRS102.

#### Component audits

As IPPF Africa Region and the IPPF Europe Network require statutory audits in their respective countries, our Crowe network firms Crowe Erastus and Crowe Brussels (Callen, Pirenne & Co.) conducted these audits. We issued detailed audit instructions to both the auditors and attended the relevant audit meetings.

From our reviews of the component auditors work for IPPF European Network we are not aware of any non-trivial issues that would impact the group financial statements.

From our discussions with management and the component auditors of IPPF Africa Region we understand the audit is being finalised with a small number of pending items.

*At the time of writing this report we are finalising our reviews of the component auditor's work.*

#### Internal audit

Internal Audit services are provided by RSM, though we understand for 2024 onwards this has been moved in-house, with RSM still involved to a certain level. We had preliminary discussions with RSM with regards to the internal audit plan and work conducted by them over 2023 and for updates on work carried out over recent years.

As part of our work we reviewed both the assessed risks that drive the internal audit plan and the findings in the reports provided to ensure our audit approach is appropriate.

We obtained and reviewed the following available reports produced in the period:

- Africa Regional Office Verification Testing
- SARO Regional Office Review
- IPPF ESEAOR Regional Office Review

- Follow up of outstanding actions raised in previous reviews
- Monthly Finance Hub Transition Progress Report

#### *Africa Regional Office Verification Testing review*

We understand the review into the ARO regional office was borne out of concerns raised through SafeReport in relation to operational activities and transactions which alleged to be non-compliant with IPPF policies, procedures, and approvals. The review carried out by RSM was thorough and covered a number of areas:

- Hotel bookings
- Residential accommodation
- IT inventory management
- Procurement relating to the outfitting of the Abidjan office
- Credit card use
- Recruitment of interns
- Conflict of interest

13 action points were agreed with management, of which 8 were classified as high and 5 as medium priority. We have reviewed the points raised and concur that these need to be actioned as a matter of urgency. We also recommend that this is reviewed alongside the Crowe Erastus external audit report for the Africa Regional Office.

#### South Asia Regional Office Review

A visit to the IPPF New Delhi office took place in August 2023. The office (SARO) is responsible for acting as an intermediary between the IPPF and Member Associations (MAs), providing effective and technical support to the MAs to improve the way they operate, including assessments of their internal control frameworks and systems. The review carried out by RSM covered a number of areas:

- Secretariat standards and Policies
- Budgeting and Finance



- Member Association Funding
- Human Resources/Payroll
- Travel and Expenses
- Transactions and Journal Testing

23 action points were agreed with management, of which 12 were classified as high, 8 as medium and 3 as low priority. The most notable finding was the risk in management override of controls where RSM have recommended that management ensure that employees are not able to approve their own expenses and that checks for potential circumventions of segregation of duties, are removed or the risk sufficiently managed.

We have considered the report and findings from RSM and do not deem the findings to impact our risk assessment and our audit work as we have carried out journals testing as part of our audit work. Please find our results documented in section 2.5.

#### Incident management reporting, fraud and Serious Incidents

We have had discussions with the Risk and Assurance team at IPPF. Risk management of the Secretariat, fraud, serious incidents, whistleblowing and compliance are all under this division. All frauds are reported globally by the MAs and secretariat offices through the "SafeReport" system, which allows individuals within the IPPF Federation to share information of fraud and mismanagement. The individual raising any such information is protected under the IPPF raising a concern policy. A summary fraud report and incidents report is shared with the Finance, Audit & Risk Committee on a regular basis.

As part of our work we reviewed the summary points from the fraud report for any potential impact on the financial statements, as well as serious incidents reported to the Charity Commission. The latest safe report tracker noted 28 new financial wrongdoing concerns were logged in 2023 to date, and we understand that 9 cases remain open as at 30 April 2024. We understand that the total potential impact to IPPF funds is below materiality. We have obtained updates for all of the key ones discussed in our findings report last year, and included any further cases open as at the date of this report below.

#### Update on cases reported in the prior year audit findings report

- **Arab World Regional Office investigation**

2021 Report: Through a financial review undertaken by IPPF at this office, some financial issues and discrepancies were identified and subsequently notified to various donors. A forensic audit was requested on the historic transactions that ran through the office which is being conducted by PwC. At the time of writing this report the estimated financial loss to IPPF is unclear, but the transactions in question have been identified. The forensic review was requested by the donors and implicates unrestricted core funding. The team in charge of the office during the financial review were removed from the office following the financial review.

#### *2022 Audit update*

From our conversations with management, the Risk and Assurance team and Internal audit their belief is that there is no fraud as such, but instead there were significant control weaknesses and poor governance at the regional office. With a large portion of transactions being cash based the audit categorised a large number of transactions as ineligible expenditure. The investigation is still ongoing and IPPF are responding to the questions posed by the auditors and the donor. We understand that of the transactions in question c.70% relate to salaries which suggests that this majority is indeed eligible. However due to the poor documentation support for the amounts paid as salaries, such as payrise letters, has been difficult to locate however we understand management are continuing to locate these to support the expenditure.

We understand the areas under scrutiny for the remaining 30% is focused on expenses for meetings held in Dubai and confusions around payments made to local money agents who then transferred monies to MAs. This was required due to the cash based economies in which these MAs worked in.

We understand that to date PWC have not identified any fraudulent activity and IPPF are still in discussion with PWC in respect of the draft findings. Whilst IPPF has not received any formal request for repayment of donor funds, for one donor it is considered possible that they may request the repayment of funds if there are any findings in respect of the mismanagement of assets, although the quantum of any possible repayment is unknown. We recommend a contingent liability is disclosed in the financial statements in line with Charities SORP:

*'7.28. A charity must recognise a liability for a legal or constructive obligation as a provision when either the timing or the amount of the future expenditure required to settle the obligation is uncertain.*

7.33. ...If it becomes clear that the payment is possible but not probable, then a liability for the commitment should not be recognised. Instead, the funding commitment should be disclosed as a contingent liability'

Management estimate the investigation will be complete by June 2023. As part of our post balance sheet testing we will update on the findings from the review and consider if there is any material impact on the financial statements, report appropriately and seek representation from yourselves around any findings.

#### 2023 Audit update

The Swedish government had demanded an audit be undertaken and therefore IPPF engaged RSM to do this. This found that there were extensive issues of poor bookkeeping but no fraud. Total audit costs to IPPF were around \$400k-\$500k to complete. \$90k of ineligible transactions identified. IPPF have offered donors refund of their apportionment of the \$90k. A report was sent to the Charity Commission in March 2024. **The matter is now closed.**

- **Family Health Options Kenya (FHOK) – case since 2020**

Original report: We understand IPPF received whistleblowing allegations of corruption, misuse of funds, sexual harassment and abuse of power perpetrated by the Executive Director (ED) and others at FHOK. The estimated amount of fraud over 3 years to 2020 is \$340k. The action taken by IPPF was to suspend the Executive Director and Finance Director, and FHOK has been suspended from the IPPF membership.

#### 2022 Audit update

A decision was made to expel the MA and donors have been kept up to date with the case. Management are in the process of calculating the total financial loss to IPPF for repayment and are seeking to close this case with the donors.

#### 2023 Audit update

We understand the case is now closed, and donors have been informed. There was a final payment to Norad for \$11k. The total estimated fraud loss was around \$346k of which IPPF's allocation was \$8.5k. **The matter is now closed.**

- **Rahnuma Family Planning Association of Pakistan – case since 2021**

Original report: We understand allegations were made around malpractice at the MA surrounding the sale of contraceptives under the WISH project in the market and misappropriation of assets. After an investigation was carried out by Ernst and Young it was reported that a number of these allegations could be

substantiated, however the MA are challenging the findings. It is believed that the assets that remained at the end of the project were donated to the MA and are consulting with the WISH project team to corroborate this. The estimated fraud amounted to \$124k. We understand this has been reported to the Charities Commission and this case remains open.

#### 2023 Audit update

We understand that all funds (restricted and core funding) were suspended to Pakistan as there was a lack of segregation of duties and there were concerns surrounding the management in particular the President of the MA. An audit was carried out, with an inconclusive result as to whether funds were lost. We understand that if this is not resolved, then management's stance if they will be expelled. **We consider the matter now closed given the suspension and management's stance if there is no progress.**

- **Reproductive and Family Health Association of Fiji (RFHAF) – case since 2022**

We understand allegations were made against the Executive Director or the MA of taking funds for personal use. An external investigation was commissioned and this found that \$76.5k was unaccounted for. Management also carried out their own investigation and worked with the external auditors and found that there was \$70k misappropriated, however it is unclear how much of the missing funds related to donor funds.

We understand management are in the process of reporting this to the Charities Commission as more information is made available to them through their internal investigations.

We have been made aware of other frauds in the year at other Mas but the estimated fraud of these cases altogether total a trivial amount.

#### 2023 Audit update

IPPF decided to lodge the lost funds with the police, keeping this open until the investigation is complete in the hope that the funds might be recovered. The financial impact of this was circa \$50k, however this was recognised last year therefore no further impact this year. **Case set to be closed on conclusion of the police investigation.**

#### Africa Regional Office

At the beginning of 2023 it was found that ARO had paid a cost of living allowance to staff in January 2023 for an amount significantly higher than the level agreed by the Directors Leadership team. We understand this was due to the calculations being originally made on salaries denominated in USD rather than the agreed conversion to the local currency. The overpayment totalled \$234k to 72 staff.

The overpayments will be recovered however there is a risk that staff may take legal action.

#### *2023 Audit update*

The overpayments made have now been recovered and we understand controls have been introduced to safeguard against this going forwards. **The matter is now closed.**

#### New cases raised since prior year

Through discussions with Victoria Sadler, head of risk, we understand that there are no open cases as at 30 April 2024 which are expected to give rise to any financial impact to IPPF. We have therefore briefly summarised our understanding of the new cases which have arisen and remain open to date:

- Botswana (Apr 23): *There was widespread fraud at the MA ranging from cashing cheques, lack of supporting documentation and conflicts of interest. We understand that an investigation was carried out into the MA and was completed in November 2023. The total frauds and potential repayments to donors is estimated to be around \$100k and donors are in the process of being repaid if IPPF are requested to.*
- Guinea-Conakry (Sept 23): *There are concerns over 'project bonuses' and salaries of executive and finance directors at the MA – IPPF have hired an investigator this month to lead an investigation into this report.*
- Thailand & Cambodia (Mar 24): *Following the appointment of a new executive director last year they have raised concerns surrounding a culture of falsifying receipts. We understand a report was raised to put a stop this culture. We understand the amounts in question were small and related to junior staff.*
- Kenya (Mar 24): *This was raised by the Safe Abortion Action Fund (SAAF) who are hosted by IPPF. Allegations were raised about a partner using this organisation, raising a historic allegation from an ex-employee about losing*

*their job. We understand IPPF are working with SAAF, carrying out a field visit, with a further visit planned in 2024 and IPPF are moderating the reports.*

- Solomon Islands (Apr 24): *We noted an allegation of the president of this partner trying to run a campaign to be in parliament/an equivalent and has used their position as president of charity to provide a platform, including a low level of embezzlement, including using MA resources to for their political activities, such as printing posters. We understand IPPF are planning to send an investigator. IPPF intend to suspend the funds here, with a notification due to be sent imminently.*

#### Legality questionnaires

For the 2021 audit we produced legality questionnaires that we requested management and regional offices to complete as there is a risk that local offices may not be fully complying with local regulations.

We recommended management review the results of these questionnaires in detail, in addition to ensuring these are completed and reviewed on an annual basis. They can be used as a monitoring tool to identify areas where capacity is lacking in the area of legal compliance. Where weaknesses are identified, they should be followed up with the country teams, to ensure adequate support is provided to decrease risk of legal non-compliance to an acceptable level.

In our audit work for 2022 we noted that although these legality questionnaires were not directly used to monitor risks on an ongoing basis, they were completed at year end and reviewed by management for our audit and there were no issues identified and continued to recommend that these are developed into a monitoring tool for use across the year. We understood that a compliance officer role was included in the updated structure who would be able to develop processes in this area once appointed.

Through our 2023 audit, we understand this process again is focused around year end, with these being completed between November 2023 to February 2024. We have discussed any findings with management, however have no notable issues to report on. Again, we recommend that these are completed periodically throughout the year to ensure sufficient continual oversight.

### **3.5 Cost allocation**

In addition to the cost allocation within IPPF central office, is the issue of cost allocation to its subsidiaries and branches.

Our audit work included the following:

- Obtaining details of the basis of cost allocation applied by and between the charity and its subsidiaries;
- Performing a specific review of the basis and the details of the allocation;
- Verifying that the basis is consistent with prior years; and
- Ensuring recharges to and from branches are eliminated on consolidation.

No issues arose from our work in this area.

### 3.6 Other balance sheet items

In addition to our focus on the areas detailed above we carried out our standard audit procedures on the other material balance sheet amounts. Our work included testing key control account reconciliations; testing bank reconciliations, a review of post year end transactions where these help to confirm the year end position and confirmation of assets held (e.g. cash at bank) to third party confirmations.

#### Equity Investments

We noted the investments note included a line “Investment transferred to Subsidiary” moving the equity investments balance from the Charity to IPPF Worldwide Inc. On investigation of this, we understand this was a posting error last year and these investments have always been held by IPPF Worldwide Inc. Given this was an immaterial balance, the total Charity investments balance was correct (with a classification error), and this has been corrected for the 2023 accounts, we are satisfied that this has now been resolved and is appropriately presented.

#### Foreign exchange management

Through our audit work we noted there was a number of large foreign currency exchange gains and losses in the year. A notable transaction being a \$3m deficit to the WISH deficit to ARO as a result of forex changes. We have discussed this with management and understand that this arose due to expenditure being recorded in USD at a monthly rate, whereas income being recorded in the local currency. Due to this, the system had been calculating the gain and loss based on the timing differences between income and expenditure.

This had in turn build up over time, resulting in a highly material figure, which management are reviewing and adjusting for in the financial statements.

We have discussed going forwards, that regular oversight of these adjustments should be monitored and analysed every year, as a minimum, to avoid these being carried forward year on year and building up over time to a material sum.

Our review of funds in deficit (see section 3.7 below) highlighted a particular fund with a deficit of \$1.4m. We understand this is due to the accumulated foreign exchange losses in the fund totalling \$2m. We have raised an adjustment for this in Appendix 1.

*However, our review of the journals and workings are still outstanding at the time of writing this report.*

#### Fixed assets

Through our audit work on fixed assets and discussions with management we noted that a revaluation was done for the freehold land and properties held in London and Kuala Lumpur. The revaluation exercise indicated an increase in value on the KL office c\$367k and an impairment on the UK office of c\$262k resulting in a net gain of \$105k. On review of the accounting entries and support we noted that the revaluation had been posted to the revaluation reserve and the accumulated depreciation had been transferred to the revaluation reserve from the general reserves. If IPPF implemented a revaluation policy for fixed assets this treatment would be correct, however the policy states that assets are held at cost less depreciation:

*‘Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. All assets are depreciated in line with their expected useful lives using the straight-line method’.*

We understand that the asset revaluation reserve was borne out of the one-time opportunity for IPPF to revalue their assets when transitioning to FRS102, which occurred in 2015, rather than this being a result of their normal accounting policies.

As the accounting policy is to hold land and buildings at cost we have raised an adjustment in [Appendix 1](#) to remove the revaluation.

### 3.7 Funds

IPPF operates a number of different funds subject to various restrictions and designations. IPPF 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. Our audit work included the following:

- Tracing restricted contributions, legacies and grants found in our income testing to the relevant fund account;
- Reviewing a sample of expenses allocated to restricted funds to ensure that the expenditure was spent in accordance with the objects of the fund;
- Reviewing the analysis of net assets to ensure that it has been correctly allocated across the funds; and
- Reviewing 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.

#### Funds in Deficit

Through our audit work, we identified three, non-trivial, funds in deficit:

1. United Kingdom (\$1,393k) (*due to the build-up of foreign exchange gains and losses discussed under section 3.6 above, 'Foreign exchange management'*)
2. European Commission (\$197k)
3. United Nations Fund for Population Activities (UNFPA) (\$164k)

Where there are funds in deficit, there is a risk that the funding needs to be recovered from unrestricted funds. We have discussed the above with management who have confirmed that the European Commission deficit has arisen from timing differences and the UNFPA deficit will be recouped as these are held with ongoing member associates.

No other issues arose from our work in this area.

### **3.8 Consolidation**

The IPPF group comprises of the following entities requiring consolidation into the Group financial statement:

- The International Planned Parenthood Federation
- The International Planned Parenthood Federation - Africa Region
- The International Planned Parenthood Federation - Europe Network

- IPPF Worldwide Inc.
- International Contraceptive & SRH Marketing Limited (trading as ICON)

\*

\* *Understood to be dormant since 2021.*

Our audit work included the following:

- Reviewing the consolidation schedule and ensure that each entity's results included in the calculation of group numbers are consistent with our audit work on the individual entity financial statements;
- Reviewing the workings for the group accounts to determine if all intercompany transactions and balances have been eliminated on consolidation and all significant consolidation adjustments have been processed correctly; and
- Reviewing the accounting policies applied within each entity and ensure that, where appropriate, adjustments have been performed in order to bring accounting in-line with group policy.

No issues arose from our work in this area.

### **3.9 Related parties**

In line with the ISAs which direct our audit work (ISA 550) we are obliged to ensure that any related parties are identified and that any transactions involving these parties 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 Trustees, 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 have therefore reviewed IPPF's procedures for identifying potential related parties and ensuring all transactions are complete, including reviewing any annual declaration of interested completed by trustees and senior management.

No issues arose from our work in this area.

### 3.10 IT assurance review

As part of the 2023 audit, the Crowe IT assurance team carried out a high level review of the key IT systems and general IT control environment of IPPF. A draft report has been completed and share with management for comment. We have summarised the audit findings in [Appendix 2](#) of this report.

## 4. Fraud and irregularities and our audit reporting

### Audit reporting on detecting irregularities, including fraud

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

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

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

IPPF has systems in place for the review and authorisation of expenditure and journals by management, including dual authorisation and segregation of duties between those posting transactions and those approving payments.

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

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

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

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

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

We have also included in [Appendix 6](#) some fraud risks that Trustees and management should be aware of.

### Trustee responsibilities

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

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

- The trustees acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and errors, and the trustees believe they have fulfilled those responsibilities.
- The trustees have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
- The trustees are not aware of any fraud or suspected fraud affecting the charity involving management, those charged with governance or

employees who have a significant role in internal control or who could have a material effect on the financial statements.

- The trustees are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, affecting the charity's financial statements.

We draw your attention to bullet point 2 above which presupposes that an assessment has been made. We have not been made aware of any actual or potential frauds which could affect the 2023 financial statements, or in the period since the previous year end.



## Appendix 1 - Reporting audit adjustments

### Unadjusted misstatements

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

We are pleased to report that there are no remaining unadjusted items identified from our audit in excess of the above trivial limit.

### Adjusted misstatements

The following misstatements, which have been corrected by management, were also identified during our audit work and up to the date of this report. No further adjustments to the financial statements are required for these items and this information is provided to assist you in understanding the financial statements completion process and to fulfil your governance responsibilities.

Adjustment description	Increase / (decrease) in net income \$'000	Increase / (decrease) in assets \$'000	Increase / (decrease) in liabilities \$'000	Increase / (decrease) in reserves \$'000
<i>FACTUAL</i>				
Reversal of the revaluation of freehold land and property in London and Kuala Lumpur Dr General Reserve Cr Revaluation Reserve Dr Revaluation gain Cr Fixed assets	(105)	105		(1,399) 1,399
Transfer of the accumulated foreign exchange losses on the United Kingdom - Women Integrated Sexual Health Lot 2 fund Dr unrestricted reserves Cr restricted reserves				(2,042) 2,042

## Appendix 2 - Systems and controls

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

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

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

High	These findings are significant and require urgent action.	(0 comments in this category)
Medium	These findings are of a less urgent nature, but still require reasonably prompt action.	(1 comment in this category)
Low	These findings merit attention within an agreed timescale.	(6 comments in this category)

Audit finding and recommendation	Priority	Management response
<p><b>1. Transaction Mapping Maintenance – Legacies</b></p> <p>Through our testing, we noted all the legacy income was booked to the cash donations income code as and recognised at the point it was received into bank. These transactions were then reclassified in bulk at the year end. This raises the risk of delayed year end procedures and incorrectly allocated transactions leading to misstated income reported in the accounts. Additionally, under Charity SORP legacy income cannot be recognised on a cash received basis only.</p> <p><u>Recommendation</u></p> <p>We recommend that a monthly reconciliation is prepared between the legacy tracking system and the nominal ledger to ensure this is appropriately maintained throughout the year. We understand that management have already implemented this.</p>		<p><a href="#">Legacy income is tracked separately by individual giving team in the US with full control on the stage of maturity of each legacy. At the end of the year an assessment is carried out to identify legacies that require income recognition if these are measurable and probable to be received.</a></p> <p><a href="#">As mentioned, in 2023, income generated by individual giving team was initially recognised as cash donation and at the year-end, the legacy income was identified separately and transferred to the GL code for legacy income in NetSuite.</a></p> <p><a href="#">From 2024, the finance team is reconciling the income generated by individual giving team monthly and recognising cash donations and legacy income separately in NetSuite.</a></p>

Audit finding and recommendation	Priority	Management response
<p><b>2. Transaction Mapping Maintenance – Payroll</b></p> <p>During the testing of payroll expenditure, it was found that rather than booking each of the respective transactions to the relevant expenditure code, for multiple of the regions, these had been booked in bulk to a select few codes and then a secondary exercise was conducted to reallocate these across the appropriate headers. This resulted in delays to our audit work and raises the risk of delayed year end procedures and incorrectly allocated transactions.</p> <p><u>Recommendation</u></p> <p>We recommend that a monthly reconciliation is prepared between the payroll reports and the nominal ledger to ensure this is appropriately maintained throughout the year. We understand that management have already implemented this.</p>		<p><a href="#">These transactions primarily were for rectification of the activity codes and GL codes for redundancy payment. However, monthly salaries are directly recorded in the activity codes where the cost is to be allocated.</a></p> <p><a href="#">Monthly review process has also been put in place to validate correct charging of salary.</a></p> <p><a href="#">Also, IPPF will be moving to recording of payroll transactions directly through the timesheet module during the second half of 2024.</a></p>
<p><b>3. Closed Bank Accounts not reflected in the Trial Balance</b></p> <p>Through our work we came across two trial balance codes which remained open at year end. Where a bank account was closed and a petty cash pool was confirmed no longer in use but the trial balance codes remained open. This leaves IPPF susceptible to fraud.</p> <p><u>Recommendation</u></p> <p>We recommend that all bank accounts and petty cash pool are regularly monitored and reconciled, and any inactive accounts/pools are closed to help mitigate fraud risk.</p>		<p><a href="#">All bank accounts are reconciled monthly by the finance team at Shared Service Unit – Finance Hub in Delhi or by a dedicated project finance team. Petty cash reconciliations are now being performed monthly by all regional offices.</a></p> <p><a href="#">It is ensured by the Shared Service Unit – Finance Hub that monthly bank and petty cash reconciliations of all the active bank accounts and petty cash balances are performed. Bank accounts that are closed are made inactive in NetSuite to ensure no further entries can be posted in the same.</a></p>
<p><b>4. Payroll documentation</b></p> <p>As part of our detailed testing of payroll we noted that there was no formal confirmation of salaries following role changes or pay changes. Instead the changes were communicated through the HR portal but did not confirm the new salary after the change.</p> <p>We recommend that new salaries are communicated to employees to avoid any confusion with regards to pay.</p>		<p><a href="#">Agreed. This will be implemented in 2024.</a></p>

## IT assurance review

### 1. Administrators with Finance Roles

Administrator accesses to systems should be fully segregated from users with finance roles. Where this is not possible, monitoring controls should be introduced to ensure that any changes to the systems in terms of user access remain appropriate. This can be performed via the use of periodic formalised user access reviews, among other controls.

It was noted that on NetSuite there are 4 finance users with administrator access.

As administrator accounts can override common inbuilt system controls including noted segregation of duty controls in place at IPPF, such as the approval matrix and self-approval prevention controls, there is an increased risk of unauthorised actions where these accounts are assigned to finance users, who have direct access to financial processes.

It is recommended to:

- Segregate administrator access from finance users where possible, for example via the use of an independent team (such as IT)
- Where this is not possible, additional monitoring controls should be enforced such as periodic formalised user access reviews, which can be over specific high-risk events only.

[Admin access to 4 finance users was provided for specific projects that were being undertaken and also as a backup in case the NetSuite Manager is not available. However, following recommendation by the auditors, these access rights have now been withdrawn effective 9 May 2024.](#)

## 2. NetSuite User Access Process

When a new employee joins the entity, there should be formally documented approved requests sent from an appropriate requestor to system owners advising of access required by the user.

Whilst a user access request process is in place on NetSuite, we noted for a walkthrough of one user who was provisioned with access to the system in the audit period, they were granted additional access which had been requested via a Microsoft Teams message and not through the formal request process documented.

There is a risk of unauthorised access to the entity’s network and systems if a user’s access is not appropriately approved.

It is recommended to:

- Follow the documented process in place for all new users so that access provisioned is approved and requested in line with this.

[We will make sure that the change requests for role or permissions come via helpdesk ticket to track. This will be implemented by end of June 2024.](#)

## 3. Audit Logging and Monitoring

Audit logging should be enabled on all systems, where possible, and all databases, where possible. Audit logs should be periodically monitored. This can either be via continuous monitoring through a SIEM type product, manually periodically (for certain systems), or via a review of flagged high risk events.

We noted that whilst audit logging exists within Cascade, these logs are not being monitored.

Where logs are not monitored, a detective control over anomalous actions is not being used, and therefore there is an increased risk of such actions remaining unidentified and unremedied for extended periods of time.

It is recommended to:

- Periodically monitor audit logs on Cascade to identify any anomalous actions.

[NetSuite user login audit is being undertaken monthly. Emails are being sent to the user with copy to their line manager if any user has not logged in more than a month to keep a check on all individuals who are dormant on the system.](#)

We have set out below the systems and control issues on which we reported after our audit last year together with an update on how the points raised have been addressed including information on the progress made at the time of the audit of the 2023 financial statements.

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

Observations and recommendations in 2022 or prior periods	Priority	Status	Update 2023
<p><b>1. Fixed Asset Register</b></p> <p>From discussions with the IPPF Finance Team, we identified that overseas offices were posting fixed asset journals to the nominal ledger but were not including them in the Fixed Asset Registers. Therefore there is a risk of no proper log kept of assets held by the charity.</p> <p><u>Recommendation</u></p> <p>We recommend that the regional offices are reminded on the policies for recognising fixed assets and how to treat them appropriately in both the nominal ledger and the Fixed Asset Register.</p>	Low	Closed	<p>Through our testing of fixed assets we did not note any reconciling items between the trial balance and fixed asset register as such we deem this matter closed.</p> <p><b>Status: Closed</b></p>

Observations and recommendations in 2022 or prior periods	Priority	Status	Update 2023
<p><b>2. Centralised register and log for donor and grant audits</b></p> <p>We understand there is no centralised register maintained in respect of donor audits that are due to take place or have taken place, instead responsibility of these sit with project leads.</p> <p>Having central oversight of these audits would allow management to track when audits are due to take place and ensure relevant country office has the staff and resources to manage the audit. A system to log all issues from the audits would allow management to identify recurring themes to share throughout the organisation to improve the control environment or identify training needs.</p> <p><u>Recommendation</u></p> <p>We recommend a central register is maintained and kept up-to-date. It should note the following:</p> <ul style="list-style-type: none"> <li>Country offices and institutional funded programmes requiring an audit together with the full audit timeline. This will allow management to obtain the reports from the country offices as soon as they are available and chase when overdue.</li> </ul> <p><u>2022 Management Response</u></p> <p>IPPF are still looking to implement this and will be looking to introduce a centralised register log.</p>	<p>Low</p>	<p>Open</p>	<p>We understand that with the restructure in 2023 work on centralising the findings from donor and grant audits has been delayed. As such we continue to make this recommendation</p> <p><b>Status: Open</b></p>

## Appendix 3 - Materiality

### Materiality and identified misstatements

As we explained in our Audit Planning Report, we do not seek to certify that the financial statements are 100% correct; rather we use the concept of “materiality” to plan our sample sizes and also to decide whether any errors or misstatements discovered during the audit (by you or us) require adjustment. The assessment of materiality is a matter of professional judgement but overall a matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

Our overall audit materiality for the financial statements as a whole took account of the level of activity by IPPF and was set at approximately 2% of income.

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

Entity	Materiality calculation	Planning Materiality \$'000	Final Materiality \$'000	Reporting threshold
Group	2% of income	2,425	To be confirmed on receipt of final accounts	5% of materiality
Charity including WWI	2% of income	2,235	To be confirmed on receipt of final accounts	5% of materiality
Africa Regional Office (component materiality)	10% of income	440	To be confirmed on receipt of final accounts	5% of materiality
European Network (component materiality)	10% of income	650	To be confirmed on receipt of final accounts	5% of materiality



## Appendix 4 - Draft Representation Letter

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

Dear Sirs

We provide this letter in connection with your audit of the financial statements of International Planned Parenthood Federation for the year ended 31 December 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the group and of the charity as at 31 December 2023 and of the results of the group's and the charity's operations for the year then ended in accordance with UK Generally Accepted Accounting Practice ("UK GAAP").

We confirm that the following representations are made in respect of the group and the parent charity on the basis of sufficient enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation and that, to the best of our knowledge and belief, we can properly make each of these representations to you. If completion of the audit is delayed we authorise Varun Anand, Director, Finance and Technology to provide an update to all representations sought.

1. We have fulfilled our responsibility for the fair presentation of the financial statements in accordance with UK GAAP.
2. We acknowledge as trustees our responsibility for making accurate representations to you.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud and errors, and we believe we have appropriately fulfilled those responsibilities.
4. We have provided you with all accounting records and relevant information, and granted you unrestricted access to persons within the entity, for the purposes of your audit.
5. All the transactions undertaken by the group and the charity have been properly reflected and recorded in the accounting records or other information provided to you.
6. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting standards.
7. We have considered the adjustments in Appendix 1, proposed by you. In our judgement, these adjustments are appropriate given the information available to us. We further confirm that we have now made these adjustments to the financial statements.
8. We do not wish to adjust the financial statements for the actual errors set out in Appendix 1 as we believe that the errors are immaterial, both individually and in aggregate, to the financial statements as a whole.
9. We have disclosed to you any known actual or possible litigation or claims against the charity whose effects should be considered when preparing the financial statements and these have been reflected in the financial statements in accordance with applicable accounting standards.

10. We confirm the existence and ownership by IPPF of the property in the East, South East Asia & Oceania Regional Office and are satisfied with its value carried forward at the year-end of \$4.3m, and there are no there are no indicators of impairment.
11. We confirm that we have considered the Charity Commission and HMRC guidelines relating to charities that operate internationally and that there are no matters that need to be brought to your attention.
12. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
13. We are not aware of any breaches of our charitable trusts and have advised you of the existence of all endowments and funds maintained by us.
14. There have been no events since the balance sheet date which require disclosure or which would materially affect the amounts in the financial statements. Should any material events occur which may necessitate revision of the figures in the financial statements, or inclusion in a note thereto, we will advise you accordingly. We specifically authorise Varun Anand, Director, Finance and Technology, to provide an update for you to cover the time period between the signing of this letter and the date of your audit report.
15. We have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
16. We are not aware of any fraud or suspected fraud affecting the group or the charity involving those charged with governance, management or other employees who have a significant role in internal control or who could have a material effect on the financial statements.
17. We are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, which would have an impact on the financial statements.
18. We are not aware of any frauds that have not been included in the fraud log/ register provided to you.
19. We are not aware of any known or suspected instances of non-compliance with those laws and regulations which provide a legal framework within which the group and charity conducts its business.
20. We confirm that complete information has been provided to you regarding the identification of related parties and that we are not aware of any significant transactions with related parties.
21. We confirm we have appropriately accounted for and disclosed related party relationships and transactions in accordance with applicable accounting standards and with the recommendations of the applicable charity SORP'.
22. The group and charity have complied with all aspects of contractual agreements that could have a material effect on the consolidated and parent charity's financial statements in the event of non-compliance.
23. We confirm that, having considered our expectations and intentions for the next twelve months and the availability of working capital, the group and charity are a going concern. We are unaware of any events, conditions, or related business risks beyond the period of assessment that may cast significant doubt on their ability to continue as a going concern.

Yours faithfully

.....

---

Trustee  
Signed on behalf of the board

Date .....

## Appendix 5 - Responsibilities and ethical standards

### Audit purpose and approach

Our audit work has been undertaken for the purposes of forming our audit opinion on the financial statements of the IPPF group prepared by management with the oversight of the trustees and has been carried out in accordance with International Standards on Auditing (UK) ('ISAs').

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

### Financial statements

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

### Legal and regulatory disclosure requirements

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

- Charities Act 2011
- The Charities (Accounts and Reports) Regulations 2008 (or updated Regulations if enacted before completion of the financial statements)
- Financial Reporting Standard 102 (FRS 102)
- The Charities SORP (FRS 102)

### Ethical Standard

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

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

As explained in our audit planning report, in our professional judgement there are no relationships between Crowe U.K. LLP and IPPF or other matters that would compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention.

### Independence

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

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

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

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

### Non-audit services

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

Grant audits     £14,250

### Use of this report

This report has been provided to the C-FAR to consider and ratify on behalf of the Board of Trustees, in line with your governance structure. We accept no

---

duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

## Appendix 6 - Fraud risks

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

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

The trustees should be aware that the Charity Commission provides guidance (updated in September 2022) on how to protect your charity from fraud including information about fraud, how to spot it and what you can do to protect against it.

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

We have shared with management our guidance and a framework on conducting fraud risk assessments.

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

- fit for purpose counter fraud controls are in place to prevent and deter fraud and minimise opportunity, and

- action plans are in place to deliver an effective and proportionate response when suspected fraud occurs including the recovery of losses and lessons learnt.

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

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

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

### Considering risks of fraud

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

The following provides further information on the three kinds of fraud that charities such as IPPF should consider.

#### a) *Frauds of extraction*

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

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

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

Staff should be made aware of the increasing use of mandate fraud. This is where when the fraudster gets the organisation to change a direct debit, standing order or bank transfer mandate by purporting to be a supplier or organisation to which the charity makes regular payments.

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

The Fraud Advisory Panel latest research shows the following as the fraud risks on the horizon:

- *Staff fraud. As people feel the effects of the cost-of-living crisis on their finances.*
- *Ransomware, particularly targeting network-attached storage. There has been a recent increase in these types of attack.*
- *E-commerce / online shopping fraud. In the lead-up to Black Friday (25 November), Cyber Monday (28 November), and the busy Christmas shopping period.*
- *Supply chain fraud. As some businesses and individuals find themselves in financial difficulty. To boost resilience, government is looking to create standard templates for supply chain contracts.*

A new survey has found that 12% of charities had experienced cybercrime in the previous 12 months, prompting the Charity Commission to highlighting this

issue to charities recently and warning them against the risk of online fraud. Furthermore, the survey also pointed to a potential lack of awareness of the risks facing charities online and note that just over 24% have a formal policy in place to manage the risk and only around 55% of charities reported that cyber security was a fairly or very high priority in their organisation. The Commission's discussion of this can be found here:

<https://www.gov.uk/government/news/charities-at-risk-of-underestimating-online-fraud-as-one-in-eight-experienced-cybercrime-last-year>

#### *b) Backhanders and inducements*

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

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

#### *c) Frauds of diversion*

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

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

## Appendix 7 - External developments

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

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

### The Charities Act 2022: Implementation

The Charities Act 2022 (the Act) received Royal Assent on 24 February 2022 and brings into force a number of key changes to the Charities Act 2011, aimed at simplifying a number of processes.

The Charity Commission are currently working through implementing the various changes brought about by the legislation, and have set out an indicative timetable here: <https://www.gov.uk/guidance/charities-act-2022-implementation-plan>

#### *Other provisions of the Act in force from 31 October 2022*

- Section 5: Orders under section 73 of the Charities Act 2011
- Section 8: Power of the court and the Commission to make schemes
- Section 32: Trustee of charitable trust: status as trust corporation
- Section 36: Costs incurred in relation to Tribunal proceedings etc
- Part of Section 37: Public notice as regards Commission orders etc.
- Part of Section 40 and Schedule 2: Minor and consequential amendments

#### *Provisions of the Act that came into force on 14 June 2023*

- Sections 9-14 and 35a: Permanent endowment
- Sections 17, 19-22: Charity land
- Sections 25-28: Charity names
- Section 38 and 39: Connected persons
- Part of Section 40 and Schedule 2: Minor and consequential amendments

#### *Provisions of the Act expected to come into force in early 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

\*Whilst section 24 and Schedule 1 will be included in the phase 3 commencement regulations, they will come into force in Spring 2025.

The key provisions of the Act that have been implemented to date are set out below, and further information can be found here:

<https://www.gov.uk/guidance/charities-act-2022-guidance-for-charities>

#### *Failed appeals*

The Act introduces new rules granting the power for trustees to apply *cy-près*, allowing charities more flexibility in response to a charity appeal that has failed, allowing *donations* to be applied for another charitable purposes rather than having to be returned to donors under certain conditions:

- i) The donation is a single gift of £120 or less; and the Trustees reasonably believe that during the financial year the total amount received from the donor for the specific charitable purpose is £120 or less (unless the donor states in writing that the gift must be returned if the charitable purposes fail); or
- ii) The donor, after all agreed actions have been taken, cannot be identified or found; or
- iii) The donor cannot be identified (for example cash collections)

The Charity Commission published guidance in relation to failed appeals on 31 October 2022, which can be found here:

<https://www.gov.uk/government/publications/charity-fundraising-appeals-for-specific-purposes>

The Charity Commission has also updated its guidance [CC20 'Charity fundraising: a guide to trustee duties'](#) to reflect these changes.

The Fundraising Regulator has also published guidance, further details of which are provided below.

#### *Payments to Trustees for providing goods to the charity*

The Charities Act 2011 provided a statutory power for charities, in certain circumstances, to pay trustees for providing a service to a charity beyond usual trustee duties.

The Act extends this power to allow, in certain circumstances for payments to trustees for providing goods to the charity.

Updated guidance can be found here:  
<https://www.gov.uk/guidance/payments-to-charity-trustees-what-the-rules-are>

The Charity Commission has also updated its guidance [CC29 'Conflicts of interest: a guide for charity trustees'](#) and [CC11 'Trustee expenses and payments'](#) to reflect these changes.

#### *Power to amend Royal Charters*

Royal Charter charities are able to use a new statutory power to change sections in their Royal Charter which they cannot currently change, if that change is approved by the Privy Council.

Updated guidance can be found here: <https://www.gov.uk/guidance/royal-charter-charities>

#### *Selling, leasing or otherwise disposing of charity land*

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

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

Updated guidance can be found here:

<https://www.gov.uk/government/publications/sales-leases-transfers-or-mortgages-what-trustees-need-to-know-about-disposing-of-charity-land-cc28>.

#### *Using permanent endowment*

The Act introduces new statutory powers to enable:

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

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

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

Updated guidance can be found here:

<https://www.gov.uk/guidance/permanent-endowment-rules-for-charities>

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

### **Investing Charity Money**

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

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

- Examples of various issues which may be relevant for trustees to consider when making investment decisions, such as the potential for an investment to conflict with the purposes of the charity, or the reputational impact of an investment decision.

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

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

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

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

## The Future Charity Chair

Crowe are pleased to be involved in a new research project looking at the essential attributes that charity Chairs of the future will need to embrace. This research will explore the topic through roundtable discussions and in-depth interviews, with a thought leadership report due in Spring/Summer 2024.

The research aims 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 full report can be found here: [The future charity chair | Bayes Business School \(city.ac.uk\)](#)

## Public trust in charities 2023

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

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

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

## Defined Benefit Funding Code of Practice

The Pensions Regulator (TPR) is currently analysing responses to its second consultation on the new Defined Benefit (DB) funding code of practice. The new Code includes a requirement for a ‘funding and investment strategy’ (FIS) where trustees will be required to articulate their approach and decisions on funding and investments. Trustees must prepare a written statement of

strategy which records the FIS and supplementary details, is signed on the trustees' behalf by their chairperson, and submitted to TPR with each triennial valuation.

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

The code is now expected to come into force in April 2024, rather than 1 October 2023. Details of the consultation can be accessed via TPRs website:

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

### Charity Commission: Charity Use of Social Media

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

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

The aim of the guidance is to help trustees improve their understanding in this area, and to encourage charities to adopt a policy on social media as a way to set their charity's approach. The guidance does not introduce new trustee duties but seeks to make clear how existing duties are relevant to a charity's use of social media.

The guidance sets out that social media use can raise issues and risks for charities, relating to problematic content:

- posted or shared by the charity on its own social media channels

- posted by the public or third parties on a charity's social media channel
- posted on a personal social media account that can be reasonably associated with the charity

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

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

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

### Charity Commission: Internal financial controls for charities (CC8)

In April 2023 the Charity Commission published updated guidance "Internal financial controls for charities (CC8)"

The guidance has been updated to reflect changes in legislation and practise across the sector, including new areas such as mobile payment systems (e.g. Apple Pay) and donations of cryptoassets. Existing guidance has also been refreshed in areas such as payments to related parties and operating internationally.

An updated checklist is also included in the guidance to allow charities to assess themselves against the new guidance.

The guidance can be obtained here:

<https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8/internal-financial-controls-for-charities>

## Compliance

### Holiday Entitlement – where are we now?

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

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

- *Introduce an accrual method for calculating holiday*

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

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

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

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

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

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

#### *Irregular hours and part-year workers*

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

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

For the same group of workers the revised WTR sees a welcome return of rolled-up holiday pay. Rolled-up holiday pay is where the accrual in a pay period

is paid to the employee with their basic salary rather than when they actually take their holiday. The practice was outlawed because in the opinion of the European Court of Justice it discouraged workers from taking time off. However, for many casual work arrangements rolled up holiday pay is the only logical approach and many employers have continued to apply it.

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

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

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

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

#### *Record Keeping*

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

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

#### *Key Takeaways*

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

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

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

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

The full article can be obtained here:

<https://www.crowe.com/uk/insights/holiday-entitlements>

### **Duty on employers to prevent sexual harassment at work**

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

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

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

A copy of the guidance can be found here:

[https://www.equalityhumanrights.com/sites/default/files/sexual\\_harassment\\_and\\_harassment\\_at\\_work.pdf](https://www.equalityhumanrights.com/sites/default/files/sexual_harassment_and_harassment_at_work.pdf)

### **Increase to National Minimum Wage**

The government has announced an increase to the national living wage ('NLG') and national minimum wage ('NMW') effective from 1 April 2024, as follows:

- The NLW rate will rise from £10.42 to £11.44 per hour - this rate currently applies to workers aged 23 and over but it will be extended to also apply to 21 and 22-year-olds from 1st April 2024.
- The NMW rate for workers aged 18 to 20 will rise from £7.49 to £8.60 per hour.
- The NMW rate for workers aged 16 and 17 will rise from £5.28 to £6.40 per hour.
- The NMW rate for apprentices aged under 19, or those aged 19 and over but in the first year of their apprenticeship, will rise from £5.28 to £6.40 per hour.
- The daily offset for the provision of living accommodation to a worker will rise from £9.10 to £9.99 per day.

### **Charities and terrorism**

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

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

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

The updated toolkit can be found here:

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

### **Fundraising Regulator: Annual complaints report**

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

The number of complaints to the sample charities rose proportionally for most

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

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

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

## Charities and campaigning

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

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

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

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

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

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

The Electoral Commission has produced guidance to support organisations which can be found [here](#).

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

## Fundraising Regulator: 'Failed appeals' guidance

Following the changes introduced by the Charities Act 2022 ('the Act'), the Fundraising Regulator has also published guidance 'What to do if you raise more donations than you need, don't raise enough, or cannot achieve your purpose'

The guidance includes practical measures that can be taken to avoid triggering the legal requirements of the Act, such as the inclusion of a secondary purpose in appeals literature.

The guidance should be read in conjunction with the guidance issued by the Charity Commission noted above.

The guidance is available here: <https://www.fundraisingregulator.org.uk/more-from-us/news/what-do-if-you-raise-more-donations-you-need-dont-raise-enough-or-cannot-achieve>

## Gender pay reporting

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

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

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

## Failure to prevent fraud and other economic crimes

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

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

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

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

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

Full details of the legislation can be found [here](#).

## Financial and other reporting

### FRC Consultation: Amendments to FRS 102

On 15 December 2022 the Financial Reporting Council issued FRED 82 “Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review”.

FRED 82 proposes a number of changes resulting from the second periodic review of FRS 102 and other Financial Reporting Standards. The proposals 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); and various other incremental improvements and clarifications.

The consultation closed on 30 April 2023, and the FRC has since announced that the publication and effective date of the changes has been delayed, with publication expected in the first half of 2024 and the implementation date will be periods commencing on or after 1 January 2026.

The consultation documents can be obtained here: <https://www.frc.org.uk/consultation-list/2022/fred-82>

### Dispelling common myths about charities

ICAEW, with input from Crowe, has published guidance exploring ten myths surrounding charities and their operations, with a view to encourage

transparent communication in areas where these misconceptions are prevalent. The ten myths considered are:

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

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

The Guidance can be found here: [Dispelling common myths about charities | ICAEW](#)

### Charity Digital Skills report

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

The report highlights that:

- Three quarters (78%) of charities say that digital is more of a priority for their organisations
- 1 in 5 charities say their IT provision is poor
- 8 out of 10 (79%) of charities see improving their website, digital presence or social media as the greatest priority for the next year
- Improving data security, privacy and GDPR compliance has become more of a priority since 2022.



- Almost half (46%) of charities say they do not have anyone with digital expertise on their board

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

[Digital Skills Report for the Charity Sector - Introduction \(charitydigitalskills.co.uk\)](https://charitydigitalskills.co.uk)

### NCSC publishes “Cyber Threat Report: UK Charity Sector”

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

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

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

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

A copy of the report can be obtained here:

<https://www.gov.uk/government/statistics/cyber-security-breaches-survey-2023/cyber-security-breaches-survey-2023#summary>

### FRC publishes "What makes a good Annual Report and Accounts" report

In December 2022, the FRC published its latest report on the attributes of a good Annual Report and Accounts ('ARA') from their perspective as an improvement regulator. It draws on previous FRC publications alongside their day to day work.

The report states that 'A high-quality ARA:

- *complies with relevant accounting standards, laws and regulations, and codes;*
- *is responsive to the needs of stakeholders in an accessible way; and*
- *demonstrates the corporate reporting principles and effective communication characteristics outlined in this publication.'*

Whilst the report is focused on corporate reporting, there are a number of quick tips and pointers, along with examples, which might be of interest when preparing your Trustees' Annual Report.

The full report can be found here:

<https://www.frc.org.uk/getattachment/d3e86b16-22b6-4aa7-a6fe-1dc83657335f/What-Makes-a-Good-Annual-Report-and-Accounts.pdf>

### Guidance on Fundraising Reporting Requirements

The Fundraising Regulator has published new research and updated guidance to support compliance with the fundraising reporting requirements in the Charities (Protection and Social Investment) Act 2016).

The Fundraising Regulator has reviewed the annual reports of almost 200 charities with income over £1m to provide a benchmark for the sector and highlight good practice and identify areas for improvement.

The research had noted that an increasing number of charities reported on their fundraising approaches and complains compared to previous years, however only a low proportion of the reports reviewed included a statement on how fundraising carried out on their behalf is monitored or a statement of how they protect the public and vulnerable donors.

The results of the review can be found here:

<https://www.fundraisingregulator.org.uk/more-from-us/resources/charities-act-2016-analysis-july-2022>

and the updated guidance can be found here:

<https://www.fundraisingregulator.org.uk/more-from-us/resources/charities-act-2016-fundraising-reporting-requirements-guidance>

## Charity Commission: Guidance on accepting donations

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

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

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

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

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

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

The full guidance can be obtained here:

<https://www.gov.uk/guidance/accepting-refusing-and-returning-donations-to-your-charity>

## Taxation

### Consultation: Charity tax compliance

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

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

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

It is important that charities have their say and engage with the consultation, to ensure that the relevant considerations can impact decision making.

The consultation closed on 20 July 2023, and HMRC are analysing the feedback received.

The consultation can be found here:

<https://www.gov.uk/government/consultations/charities-tax-compliance/consultation-charities-tax-compliance>

### VAT: Changes to Penalty Regime

For VAT accounting periods starting on or after 1 January 2023 there are new penalties for VAT returns that are submitted late and VAT which is paid late, in addition the way interest is charged has also changed. The changes are aimed at simplifying and separating penalties and interest.

The system has changed to a penalty points system, where for each return submitted late, a penalty point is issued. The penalty point threshold is determined by the accounting period, with a higher threshold for more frequently submissions. When the threshold is reached, a penalty of £200 will be issued, with a further £200 penalty for each further late submission.

Penalty points will have a lifetime of 2 years, after which they will expire. The period is calculated from the month after the month in which the failure

occurred, e.g. submission due January 2024, so the penalty point will expire in February 2026.

Once a taxpayer reaches the threshold, all points accrued will be reset to zero when the following conditions are met:

- A period of compliance; and
- The taxpayer has submitted all submission in the previous 2 years (even if late).

The new late payment penalty will apply in instances where the return is submitted on time but the payment is not. This penalty considers the length of the delay in making payment and the penalty increases over time.

As part of the new penalty regime, HMRC has also updated its Late Payment Interest ('LPI') rules to bring these in line with other tax regimes.

Full details of the updated regime can be found here:

<https://www.gov.uk/guidance/penalty-points-and-penalties-if-you-submit-your-vat-return-late>

## Appendix 8 - Going concern

The Charity Commission guidance “Managing financial difficulties & insolvency in charities” (CC12) stresses the importance for “a trustee body to have a good knowledge and understanding of the charity and its finances so that, as far as possible, the continued viability of the charity and its charitable activities can be assured.”.

This is a theme that runs through the Charity Commission’s updates and alerts including its guidance on whether charities can use reserves and restricted funds to help the charity through the crisis.

The Charity Commission guidance highlights a number of factors the trustees need to consider.

- Trustees should review what are their short, medium and longer-term priorities, including whether or not certain projects, spends or activities can be stopped or delayed.
- The guidance recognises that reserves can be used to help cope with unexpected events like those unfolding at present.
- If the trustees have previously decided to earmark certain funds for a particular purpose they may be able to re-prioritise these.
- Restricted funds which cannot be spent at the trustees’ discretion may only be used for a particular and defined purpose. In some instances, there may be ways to amend these restrictions, but accessing or releasing restricted funds should only be considered if other options such as reserves are not possible.
- All decisions on such financial matters should normally be taken collectively, and significant decisions and action points noted in writing.

### d) *Liquidity and resilience*

The Charity Commission guidance goes on to explain that “*The overall responsibility for effective governance and the implementation of proper financial management rests with the trustees, but may well involve all staff members whether paid or volunteers.*”

As well as the level of available reserves the trustees will also need to understand and consider the charity’s liquidity.

- Proper consideration needs to be given to cash flow forecasts and debt and project management based on realistic assumptions set. There should be a budget including cash projections and business plans produced at least annually and monthly monitoring against the plans.
- There is a need to extend cash flow forecasts to evaluate issues that may arise after the end of the period covered by existing cash flow forecasts.
- There should be processes in place to ensure that appropriate procedures and controls have been applied to models used to generate cash flow and valuation information, including the choice and consistent use of key assumptions.
- Appropriate sensitivity analysis needs to be applied to address the potential impact of reasonably possible events. Sources of income and expenditure should be analysed with consideration of uncertainties around grant funding, voluntary or earned income.
- The sensitivity analysis should properly flex assumptions to identify how robust the model outputs are in practice and that the assumptions are free from bias.

In December 2022 the Charity Commission published additional guidance [“Manage financial difficulties in your charity arising from cost of living pressures”](#), recognising that many charities are facing difficult circumstances as a result of rapidly increasing costs. At the same time, some charities are also experiencing an increase in demand, in particular those charities providing services to people in need, further compounded by donors also suffering from the similar issues thereby leading to reduced income for some charities.

The guidance reminds trustees of their responsibilities in providing effective financial stewardship and ensuring that any decisions made are in the best interest of the charity. Key is the evaluation of the charity’s financial position, and robust and regular reviews of the cashflow forecasts, to ensure the charity is able to continue to carry out its charitable activities, identifying any potential shortfalls and enabling actions to be taken in a timely manner.

CC25: “Charity finances: trustee essentials” emphasises the need for charities to be resilient. This is a key theme for much of the Commission’s guidance is

also discussed in the updated CC19 guidance entitled “Charity reserves: building resilience”.

In the section on ‘managing financial difficulties and insolvency’, CC25 explains that if charities face financial difficulties then the trustees must:

- *“have the appropriate skills and time to ensure the proper running of the charity and lead or manage it through difficulties,*
- *ensure that they regularly receive and consider robust and up-to-date financial management information to enable them to recognise at an early stage when the charity is facing financial difficulties,*
- *find out which charity funds are restricted in their use by their donors and which can be used for any of its aims - this is crucial to the proper understanding of the charity’s overall financial position,*
- *take prompt action when they think insolvency is a possibility – professional advice in writing should be taken at an early stage because any corrective action needs to be carefully planned,*
- *consider changing, cutting or restricting the charity’s activities, reviewing funding sources and commitments or refinancing,*
- *think about merging or collaborating with another charity,*
- *have an understanding of (and if necessary take advice about) insolvency law and how it applies to charitable companies, and what voluntary options there are for other types of charity,*
- *recognise that once the charity has reached the stage of liquidation or winding up their primary duty is to pay the charity’s debts, and*
- *tell the Commission if the charity closes or is no longer active so that it can be removed from the register of charities (legal requirement).”*

#### e) Insolvency

There are normally two tests of insolvency – the balance sheet test (positive net assets) and the cashflow test. The key issue is, can the organisation pay its debts as they fall due? The cash flow test is of particular importance and a charity can be insolvent even if it has positive net assets. Careful consideration is required of many factors, such as what values can be realised in time to meet debts and what assets can be used to meet liabilities. Understanding is needed of the implications of the different restricted and endowed funds held by the

charity. The position for trustees of an unincorporated charity is different and the risks are usually higher.

Directors and shadow directors can be guilty of wrongful trading if they continue to trade and incur liabilities they knew or ought to have known that there was no reasonable prospect of avoiding insolvent liquidation.

Fraudulent trading is also a risk. Section 213 of the Insolvency Act provides that on the application of the liquidator of a company the Court may order that any persons who were knowingly party to carrying on the business of the company with intent to defraud creditors must make a contribution to the company’s assets. For a fraudulent trading action, intent to defraud creditors must be proved and the onus of proof is on the liquidator. There must be evidence of actual dishonesty. For an insolvent charitable company, senior management, and not just the trustees, could also be made liable for fraudulent trading. The charity should avoid entering into preferential transactions which put another party in a better position to the detriment of other creditors. The court will recognise mitigating circumstances. For example, if the directors took proper steps to minimise the potential loss to the company’s creditors.

#### f) Finalising the financial statements

Where boards identify possible events or scenarios, other than those with a remote probability of occurring, that could lead to failure, then these should be disclosed. Boards may take account of potential responses open to them to mitigate such events or scenarios although would need to consider the likely success of any response.

On September 2021 the FRC published a thematic review [‘Viability and Going Concern’](#), which provides guidance for companies to improve their disclosures on going concern, following a review of a number of main market and AIM listed companies annual reports. Whilst this guidance refers to “directors” and “companies”, a number of the recommendations are relevant to all other entities.

In particular, the review recommends that going concern disclosures:

- Explain the sensitivity analysis, stress and reverse stress tests carried out to support the assessment and provide details of the inputs (quantitative as well as qualitative detail) and outcomes of any such analysis.
- Highlight the significant judgements made by management in determining whether or not the adoption of the going concern basis is

---

appropriate and whether or not there are material uncertainties in respect of going concern to disclose

**Follow us on:**

@CroweUK

**[www.crowe.co.uk](http://www.crowe.co.uk)**

Crowe U.K. LLP is a limited liability partnership registered in England and Wales with registered number OC307043. The registered office is at 2<sup>nd</sup> Floor, 55 Ludgate Hill, London EC4M 7JW. A list of the LLP's members is available at the registered office. Crowe U.K. LLP is registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. All insolvency practitioners in the firm are licensed in the UK by the Insolvency Practitioners Association. Crowe U.K. LLP is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Crowe U.K. LLP and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global.

This material is for informational purposes only and should not be construed as financial or legal advice. Please seek guidance specific to your organisation from qualified advisors in your jurisdiction.