

Audit Findings Report

Wormwood Scrubs Charitable Trust

Audit for the year ended 31 March 2023

Presented to the Trust Committee on 12 December 2023

Now, for tomorrow

Contents

1. Introduction.....	1
2. Matters arising from the audit.....	2
3. Audit misstatements.....	8
4. Audit findings.....	10
5. Fees.....	11
Appendix A: Other findings, independence and responsibilities.....	12
Appendix B: Sector developments.....	14

Audit Partner

Stuart McKay FCA DChA

T: 0207 429 0516

E: stuart.mckay@mha.co.uk

Audit Manager

Drushnee Rajanah ACA

T: 0207 429 0505

E: drushnee.rajanah@mha.co.uk

1 – Introduction

We have pleasure in setting out in this Report our comments and recommendations on various matters which came to our attention during the course of the audit of the financial statements of the Wormwood Scrubs Charitable Trust (hereafter referred to as 'WSCT' or 'the Charity') for the year ended 31 March 2023.

In order to comply with the provisions of International Standards on Auditing we are required to report to you our audit findings and in particular:

- The nature and the scope of audit work we have undertaken
- Views about the qualitative aspects of your accounting practices and financial reporting
- Unadjusted and adjusted misstatements
- Matters specifically required by Auditing Standards to be communicated to those charged with governance (such as fraud and error)
- Expected modifications to our auditor's report
- Material weaknesses in the accounting and internal control systems and
- Any other relevant and material matters relating to the audit.

This Report has been prepared for the sole use of the Trust Committee, on behalf of the Trustee, in line with the charity's governance structure, and must not be shown to third parties without our prior consent. No responsibilities are accepted by MHA towards any party acting or refraining from action as a result of this report.

We would be grateful if you will in due course advise us what action you propose to take on the recommendations in the report and also if you would like our further assistance on these or any other matters.

Finally, we would like to express our thanks to all the Charity's officers and staff who assisted us in carrying out our work – particularly Nick Falcone and Carmen Lomotey.

We are looking forward to attending your meeting on 12th December 2023 to present this Report, review the accounts, and agree the Letter of Representation.

MHA

6th Floor, 2 London Wall Place
London
EC2Y 5AU

T: 0207 429 4100

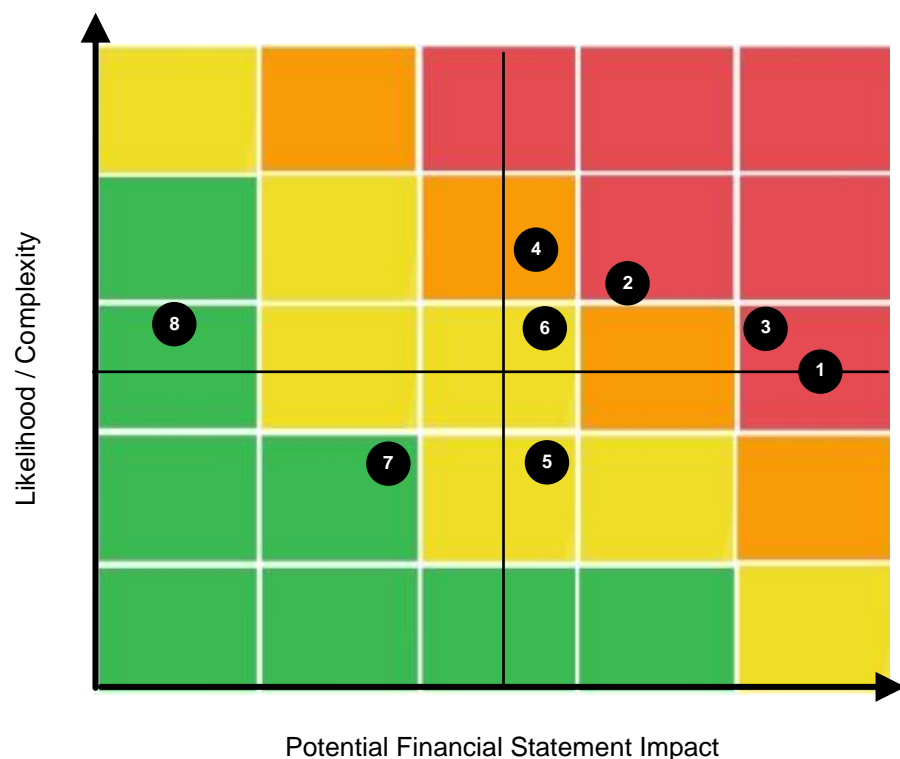
F: 0207 248 8939

www.mha.co.uk

2 – Matters arising from the audit

2.1 Audit Approach

Detailed below are the key audit risks that we identified at the planning stage of the audit and communicated in our Audit Planning Memorandum. We considered the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement should that misstatement occur, and with the audit now substantially complete, we note that our assessment has not changed.



Key Audit Risks	
1	Fraud risk in Revenue Recognition
2	Management Override
3	Related Party Transactions
4	Donated services
5	Income recognition – Rental income
6	Authorisation, categorisation and allocation of expenditure (payroll and non-payroll costs)
7	Going concern
8	Financial reporting

■ Significant risks

2 – Matters arising from the audit

2.2 Matters identified at the planning stage

The key areas of audit focus which we had identified as part of our overall audit strategy and how they have been resolved, are as follows:

	Audit area and key risks as presented	Our approach as presented	Resolution
1	Fraud risk in revenue recognition International Auditing Standard 240 requires us to presume that fraud in revenue recognition is a "significant audit risk", unless this presumption is specifically re-butted.	We will consider the risk of fraud in all income areas including where required an assessment against the three aspects for income recognition for each material income stream: <ul style="list-style-type: none"> • Completeness (has all income been included in the accounts) • Recognition (this considers three criteria of; "probable" (e.g. more likely than not), "entitlement" and "measurement") • Fund accounting (are there restrictions on use and are these correctly recorded?) 	Audit work performed as planned – no exceptions.
2	Management override In accordance with ISA 240 (UK) management override is presumed to be a significant risk. The ability to override controls puts management in a unique position to perpetrate or conceal the effects of fraud. This may take a number of forms such as falsifying accounting entries in order to conceal misappropriation of assets or other manipulation of accounting entries intended to result in the production of financial statements which give a misleading view of the entity's financial position or performance. We are required to design and perform audit procedures to respond to the risk of management's override of controls.	We will: <ul style="list-style-type: none"> • Document our understanding and evaluate the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements, and test the appropriateness of a sample of such entries and adjustments. • Review accounting estimates for biases that could result in material misstatement due to fraud. • Obtain 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 the Charity and its environment. 	Audit work performed as planned – no exceptions.

2 – Matters arising from the audit

3	<p>Related party transactions</p> <p>In order to comply with ISAs, we are required to consider the risk of fraud through related party transactions and our audit planning and detailed work will address the fraud risks arising from related party transactions. This is in recognition of the fact that many significant corporate frauds utilised related party transactions to some degree.</p> <p>This is also a key area of regulatory concern for the Charity Commission and is listed as an area on which charity auditors should report under their Charities Act statutory duty to identify matters of material significance.</p>	<p>We will make enquiries as to the identity of related parties in respect of the Charity and management's systems of identifying and recording related party transactions, including reviewing any related party declarations prepared and signed by Key Management Personnel. This means that the Charity should have a comprehensive list of all related parties and details of all transactions with them.</p> <p>We will also look to identify any significant transactions outside the course of business – we are not expecting this to be an issue for the Charity, but will need to undertake specific procedures if these are in fact identified.</p>	<p>Audit work performed as planned – no exceptions.</p>
4	<p>Donated services</p> <p>During the year, Groundwork UK has made an award for funding to Hammersmith & Fulham Council for improvements to be made to the Braybrook Street Play Area, which we understand is owned by WSCT.</p> <p>There is a risk that these donated services have not been correctly accounted for in WSCT's financial statements.</p>	<ul style="list-style-type: none"> • We will confirm the justification for inclusion of donated services within the financial statements, in line with the Charity SORP guidance. • We will scrutinise appropriate documents to ensure that the amounts disclosed in the financial statements is not materially misstated. • Assess that there are appropriate disclosures in the financial statements in relation to the donated services. 	<p>Audit work performed as planned – exceptions noted below.</p> <p>We have raised a material classification misstatement in section 3 to reclassify restricted funds that had been incorrectly recognised as unrestricted funds in line with the terms of the agreement.</p> <p>Disclosure adjustments have also been made to the accounting policy to reflect that whilst the grants received were not awarded in the name of the Trust, the Trust is in controls of those funds, and is therefore able to recognise the income within its financial statements.</p>

2 – Matters arising from the audit

5	<p>Income recognition – Rental income</p> <p>Risk that income has not been accounted for in line with the terms and conditions of the rental agreements. We note that the Kensington Aldridge Academy licence agreement is still in place during the 2022/23 year.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Ensure that rental income is accounted for in line with the respective licence agreements, noting any restrictions. • Ensure correct cut off has been applied in respect of rental advances or arrears. 	<p>Audit work performed as planned – no exceptions noted other than the unadjusted misstatement raised in Section 3 in relation to the misstatement of the accrued rental income, due to the rental payment period straddling the year end.</p>
6	<p>Authorisation, categorisation and allocation of expenditure (payroll and non-payroll costs)</p> <p>Risk that expenditure is not authorised in line with the Trust's procedures.</p> <p>Risk that allocation of costs to each activity, and then between the service lines, is not accurate or consistent.</p> <p>We understand, that during the year, the Council has employed a staff member who works exclusively for WSCT. There is a risk that the cost of this staff member is not appropriately disclosed in the financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Review the systems and controls around authorisation, monitoring and allocation of expenditure • With reference to the Council's Financial Procedures, identify and test the key controls over expenditure authorisation; payment and allocation • Review the controls in place over supplier set up and on-going due diligence • Ensure there are effective controls in place to ensure that grounds maintenance contracts are monitored against work performed • Review the cost allocation methods and sample test, noting that allocations of support costs are expected to be done on a consistent basis with the previous year • Review the allocation of the new staff member's costs • Ensure all contingent liabilities or provisions for future works/repairs are recognised as necessary or disclosed as appropriate with specific reference to any HS2 activity. 	<p>Audit work performed as planned – no exceptions noted other than the disclosure adjustment raised in Section 3 in order to include in the accounting policy reference as to why improvements to the play area and other infrastructure assets on the Scrubs are not capitalised.</p>

2 – Matters arising from the audit

7	<p>Going concern</p> <p>Going concern is defined as being able to continue in 'operational existence' for at least 12 months from the date of signing the financial statements. As per the ISA 570, there is a requirement for auditors to document robust challenge of management's assessment of going concern, including the obtaining of evidence regarding, and concluding on, whether a material uncertainty relating to going concern exists.</p> <p>ISA 570 also requires our Auditor's Report to provide a positive conclusion on the appropriateness of the going concern basis and whether material uncertainties exist. There is also a "stand back" requirement for auditors to undertake at the end of our audit work, hence this may result in further queries related to going concern near to audit completion.</p>	<p>As part of our audit work, we will need to obtain and review evidence of how the Board have satisfied themselves that the Charity will remain in operation for 12 months from the date of approving of the financial statements. Such evidence would include business plans, budgets and cashflow forecasts up to at least that date. Management will need to prepare such supporting evidence and also make it available to the Trust Committee and the Board to consider.</p> <p>We shall also consider the Charity's reserves policy and disclosures included in the Trustees' Annual Report.</p>	<p>Audit work performed as planned – no exceptions.</p>
8	<p>Financial reporting</p> <p>There is a risk that Trustees' Report and financial statements are not fully compliant with the Charities SORP or are materially misstated through errors in their compilation.</p>	<p>We will review the financial statements to ensure that they properly reflect the underlying financial records and include the disclosures required. As part of our audit, we will:</p> <ul style="list-style-type: none"> • Check a sample of accounts to ensure there is a full audit trail to the financial statements; • Review the financial statements against legal, regulatory and the SORP 2019 requirements and sector best practice; • Review the assessment by the Trustees of the risk that the financial statements may be materially misstated as a result of fraud; • Ensure that the Trustees' Annual Report is materially consistent with the financial statements and our understanding of the Charity; 	<p>Audit work performed as planned – no exceptions.</p>

2 – Matters arising from the audit

	<ul style="list-style-type: none">• Review the Charity's risk register and ensure any key issues for the financial statements have been considered in the context of our audit, and appropriately managed in the context of charity's governance;• Review the Trustees' Report for consistency with the financial statements and to ensure it complies with applicable regulatory and SORP 2019 requirements.• Review the Trustees assessment of the Going Concern assumptions• Critically review and evaluate the assumptions used in forecasts and budgets• Consider the disclosure relating to going concern in the Trustees' report and accounting policies• Consider the explicit statements relating to going concern now required in our Auditor's Report.	
--	--	--

2.3 Audit Status

The audit work on the financial statements is now substantially complete and we anticipate issuing an unqualified audit opinion for the year ended 31 March 2023 for the Charity, following:

- Receipt of approved Trustee's Report and Financial Statements signed by the Trust Committee; and
- Receipt of a signed letter of representation (provided under a separate cover).

Our work to enable us to sign off the audit report comprises of:

- a final post balance sheet review and,
- review of your going concern review.

2.4 Letter of representation

We will forward a letter of representation for your review and approval, as part of your overall review of the Trustees' Report and Financial Statements. It is important that this is then reviewed and approved by "those charged with governance". We have not included any non-standard representations.

3 – Misstatements

In accordance with International Standards on Auditing, and to assist Trustees fulfill their governance responsibilities, we are required to report any material adjusting and non-adjusting misstatements arising from our work. We are also required to report any non-adjusting audit misstatements and why they are not adjusted for, other than those that are “clearly trivial”.

3.1 Adjusting misstatements

	SOFA		BALANCE SHEET	
	DEBIT £'S	CREDIT £'S	DEBIT £'S	CREDIT £'S
Surplus per draft statutory accounts		426,826		
Income from donations and grants - unrestricted	173,572			
Income from donations and grants – restricted		173,572		
Non-routine maintenance of Wormwood Scrubs – unrestricted		173,572		
Non-routine maintenance of Wormwood Scrubs - restricted	173,572			
<i>Being material reclassification of donation and grant income and related expenditure from unrestricted to restricted in line with the nature of the funding agreement for the Groundworks UK and Old Oak and Park Royal Development Corporation funding.</i>				
Net Impact (Adjusted)	-	-	-	-
Surplus per statutory accounts		426,826		

3.2 Disclosure misstatements

The following are misstatements in disclosures which have been adjusted for in the financial statements:

- *Note 1 (iii) - Fixed Assets, revaluation and depreciation:* Update to the accounting policy to include reference as to why the costs of the improvements for infrastructure assets on the Wormwood Scrubs are not capitalised.
- *Note 1 (iv) - Income Recognition and Incoming Resources:* Update to the accounting policy to reflect that, whilst funding received is in the name of the corporate Trustee (London Borough of Hammersmith and Fulham), the Trust is in control of the funding received and is therefore entitled to recognise the income in the financial statements.

In addition to the above, there were other minor disclosure adjustments that were suggested to update or clarify existing wordings in the financial statements of the Trust (including the Trustee's Report).

3 – Misstatements

3.3 Non-adjusting misstatements

The following items have not been adjusted for in the financial statements as they are immaterial.

	SOFA		BALANCE SHEET	
	DEBIT £'S	CREDIT £'S	DEBIT £'S	CREDIT £'S
Accrued income Hammersmith Hospital Car Park License <i>Being adjustment to recognise income relating to the year but not invoiced or paid until after the year, the result of the Trust's year-end and the 'rental year' per the agreement being non-coterminous (similar immaterial differences in previous years)</i>		7,203	7,203	
Net Impact (Unadjusted)		7,203	7,203	

4 – Audit findings

4.1 Significant deficiencies in internal control

We are pleased to report that we have not identified any significant deficiencies in internal control throughout our testing which we consider needed to report in our Audit Findings.

4.2 Advisory points

We have raised below matters which we consider as advisory points and to be considered for best practise.

	Risk and recommendation	Management Response
1	<p>Reserves Policy</p> <p>During the audit, we noted the reserves policy does not state the target level of reserves to be held by the Trust. We would recommend that the reserves policy is reviewed to state the target level of reserves identified by the trustees as appropriate given their plans for the future activities of the charity.</p>	<p>The Trust's target level of reserves is currently being considered to align with its strategic objectives and future plans. An updated reserves policy (including a target level) will be presented to the next Committee meeting in March 2024.</p>

5 - Fees

5.1 Fees

For the purposes of transparency, we have provided below our fees charged to Wormwood Scrubs Charitable Trust over the course of the last 12 months:

Our initial fee quote was provided in our Audit Planning Memorandum dated September 2023 which was based on audit deliverables and draft accounts being supplied in accordance with the agreed timetable.

Fee for the audit of the financial statements of Wormwood Scrubs Charitable Trust for the year ended 31 March 2023 (PY: £9,950):	£10,900
---	---------

We are happy to report that the audit has been conducted as planned and therefore our initial fee quote remains unchanged.

Appendix A: Other findings, independence and responsibilities

A1 Risk of fraud and error in the financial statements

We are required under International Standards on Auditing to consider fraud risk throughout the audit. In particular we must consider management arrangements for preventing and detecting fraud and error.

Fraud risks may include asset sales at under value, suppliers over billing for goods or services, misappropriation of assets and cheque frauds, as well as manipulation of financial results.

Our work has not identified any matters which we wish to draw to your attention.

A2 Accounting policies

Financial Reporting Standard FRS102 and FRS102 Charities SORP, requires that entities should review their accounting policies regularly to ensure that they are appropriate to their particular circumstances for the purpose of giving a true and fair view.

We have reviewed the Charity's accounting policies, as stated in the financial statements, and confirm that they are appropriate to provide relevant, reliable, comparable and understandable information.

A3 Accounting estimates

As auditors, we are aware that the selected basis of an accounting estimate may have a significant impact on the financial statements so in our work we need to identify all accounting estimates and the basis of the estimate and, where we consider there to be a high estimation uncertainty, we must ensure our audit work challenges the basis of the estimate.

We are also required to consider the outcome of accounting estimates in prior periods as a basis for our risk assessment in the current year.

In the Charity's accounts most significant accounting estimates concern: contingent liabilities (and assets), provisions, asset valuations and certain aspects of income recognition.

We have reviewed the accounting estimates for the Charity and conclude that they have been calculated on a basis that is consistent with our knowledge of the Charity and expectations.

A4 Independence

Auditing Standards require us to communicate at least once a year regarding all relationships between MHA and the Charity that may reasonably be thought to have a bearing on our independence and objectivity.

We have reviewed our independence, including consideration of whether:

- The firm is dependent on the Charity as a client due to the significance of the audit fee to the firm
- The firm is owed significant overdue fees
- There is any actual or threatened litigation between the firm and the Charity
- Any benefits have been received by the audit team which are not modest
- The firm has any mutual business interest with the Charity
- Any members of the audit team have any personal or family connections with the Charity or officers; or
- Independence is impaired through the provision of services other than the statutory audit.

A5 Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the financial statements, have included the examination of the transactions and the controls thereon of the Charity. The work we have done

Appendix A: Other findings, independence and responsibilities

was not primarily directed towards identifying weaknesses in the Charity's accounting systems other than those that would affect our audit opinion, nor to the detection of fraud.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all weaknesses that may exist or improvements that could be made.

To a certain extent the content of this paper comprises general information that has been provided by, or is based on discussions with, management and staff. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.

A6 Responsibilities

The Trustees are responsible for preparing the Trustees' Report and Financial Statements. MHA as auditors of Wormwood Scrubs Charitable Trust are responsible for forming an opinion on those Financial Statements, as detailed in our engagement letter.

Appendix B: Sector developments

AI Responsibilities

The [UK government has recently published a white paper](#) on Artificial Intelligence (AI) regulation, which outlines the government's approach to regulating AI in the charity sector. The paper states that sector-specific regulators will be responsible for implementing the government's AI framework, which will be underpinned by "a set of principles that will drive consistency across regulators while also providing them with the flexibility needed". At a Charity Forum event in September 2023, sector consultant Zoe Amar said that the Charity Commission and Fundraising Regulator will be responsible for issuing guidance on the technology and regulating it. The aim of the regulations is to support innovation whilst providing guidance to help identify the associated risks of AI. The government's approach is based on five principles that the regulators should consider to enable the safe and innovative use of AI in the industries they monitor. These principles include transparency, security, robustness, safety, accountability, and fairness. This new approach is a significant step forward in regulating AI systems and outputs that have an impact in the sector.

Charities Act 2022: changes due to be introduced in Spring 2023

1. 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 will simplify some of these legal requirements. The changes will 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
- clarifying the legal requirements that apply when a charity is selling, leasing or otherwise disposing of land to another charity
- updating the statements and certificates that must be included in disposal or mortgage documents for charity land.

2. Using permanent endowment

Put simply, permanent endowment is property that a charity must keep rather than spend. The Act will introduce new statutory powers to enable:

- charities to spend the capital, 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.

Do note however, if a charities constitution prohibits these new statutory powers, Charity Commission authority will still be required.

Also, a new statutory power will enable charities that have opted into a total return approach to investment, to use the permanent endowment to make social investments with a negative or uncertain financial return, provided any losses are offset by gains from other investments within the endowment.

3. Charity names

The Commission can currently direct a charity to change its name if it is too similar that of another charity or if the name is offensive or misleading. The Act now goes further and will enable the Commission to:

Appendix B: Sector developments

- direct a charity to stop using a working name if it is too similar to another charity's name or is offensive or misleading. A working name is any name used to identify a charity and under which the activities of the charity are carried out. For example, 'Comic Relief' is the working name of the charity 'Charity Projects'
- delay registration of a charity with an unsuitable name or delay entry of a new unsuitable name onto the Register of Charities
- use its powers in relation to exempt charities in consultation with the principal regulator.

4. Other provisions

The definition of a connected person will be updated to remove outdated language. This may require charities to review the terminology used in their conflicts of interest policy.

Charities and the use of social media

After a formal [consultation](#) which ran from January to March 2023, the Charity Commission released in Autumn 2023 their '[Charities and social media](#)' guidance.

The guidance highlights the importance of Social media and, if used effectively, can be a very powerful tool for charities, helping them raise awareness of its activities, raise funds and engage with beneficiaries. However, it also introduces risks, with the posting of content potentially harming a charity's reputation; content can also be difficult to remove once it has been posted.

The guidance makes clear that if a charity uses social media, it is responsible for:

- agreeing and putting in place a social media policy so that it has internal controls that are appropriate and proportionate for the charity's needs and which are clear to everyone at the charity using social media;
- ensuring its social media policy is regularly reviewed to check it is working effectively and fits the charity's needs;
- ensuring the charity's social media use helps it achieve its purpose and in a way that is in its best interests;
- complying with relevant laws;
- ensuring any campaigning or political activity that it performs on social media complies with the rules on political activity and campaigning (noting the relevant [CC9 guidance](#));
- ensuring its processes help it keep people safe online including any extra considerations when dealing with vulnerable users.

The primary focus of the guidance arguably surrounds that of a social media policy; details are given on how important it is to have clear guidelines for staff using social media on behalf of the charity, how to engage with the public on social media, and how having a policy will allow users to direct their use of social media in a way that benefits the Charity. However, determining the purpose of, and setting any new policy can often be a difficult task, and so the Commission have included in the guidance a [checklist for developing a social media policy](#). Furthermore, CharityComms, the membership organisation for charity communications professionals, have produced a [social media policy template](#) to assist charities looking to implement such a policy.

The guidance also highlights associated topics such as managing the potential risks of social media use, how to engage on emotive topics, campaigning or political activity on social media, and fundraising on social media. For example, when a charity uses social media to fundraise, they should consider the relevant legal rules (set out in the [Code of Fundraising](#)

Appendix B: Sector developments

[Practice](#)) and how any potential criticism of a campaign might be amplified through social media. Charities should also be aware of the VAT risks of fundraising on social media under the reverse charge regulations.

In acknowledgment that some charity trustees may not use social media regularly, the guidance also signposts the Commission's [online resources and events to help improve social media literacy](#). Trustees should try and be aware of the risks from using social media and how their legal duties apply in relation to such risks. So, when it comes to posting content online, trustees should be aware of their duty to act responsibly and in line with the best interests of their charity. This means that the reputation of a charity will not be threatened by the use of social media and instead can help the charity meet its objectives in a positive way.

Code of Fundraising Practice: consultation

"The Code of Fundraising Practice is the bedrock of charitable fundraising so it's vital it is accessible, up-to-date, and, crucially, provides clarity to charities, third-party fundraisers, and the general public" (Gerald Oppenheim, the Fundraising Regulator's chief executive, [reported](#) in Civil Society).

As part of ensuring the Code remains up-to-date, the Regulator is conducting a code review, which includes a public [consultation](#) running to 01 December 2023.

The consultation seeks feedback on the key themes of the Code, the Regulator's plans to expand the Code, and the Regulator's plans to amend specific rules included within the existing Code.

To give users of the Code a better understanding of how the revised Code could be presented, the consultation also seeks comments on proposed changes to the numerous sections of the Code, grouped under its three

overarching standards: all fundraising, working with others, and specific fundraising methods.

An example of one of the specific changes being proposed is that relating to the rule which requires fundraisers to be polite to people at all times. Reflecting on fundraisers who face abuse or intimidation during their work, the new Code may require fundraisers to behave 'professionally' at all times whilst allowing them to show assertiveness when engaging with the public.

A new draft of The Code of Fundraising Practice is expected in the first half of 2024, and is expected to go live in early 2025 following a final eight-week public engagement exercise.

Staff wellbeing in the Not for Profit sector

Charities are being urged to pay attention to the wellbeing of their staff, following the issuing of a report which details a reduction in the number of days of annual leave taken by those working in the sector.

Access PeopleHR, a cloud-based HR platform, recently released their [Annual Leave Report 2023: The state of annual leave in the UK by industry](#). The Report details that the number of annual leave days taken by charity workers has dropped by 4% in the last two years, from an average of 43.2 to 41.5 per year. This is despite that the average holiday entitlement having grown by 11%, from 37.2 days to 41.4 days.

Laura Millar, head of HR at Charity Finance Group (CFG), has [cited](#) possible reasons for the reduction, including:

- The ongoing impact of the pandemic and the cost-of-living crisis has increased demand for services whilst also reducing income available to many charities, requiring charities to 'do more with less'

Appendix B: Sector developments

- Difficulties recruiting staff and volunteers putting additional pressure of charity staff
- Annual leave no longer being the go-to way of taking time off, as a result of more flexible ways of working such as remote and hybrid working

With the importance of wellbeing more prominent than ever before, it is important that charities take steps to encourage their staff to book time off without having to justify it; charities should understand the reasons why staff are hesitant to take annual leave and take measures to ensure this does not become an ongoing issue.

The financial wellbeing of staff working in the not for profit sector is also of growing significance, and in some extreme cases is resulting in staff going on strike. St Mungo's staff went on strike earlier in 2023, but more recently staff at the Royal Society of Arts (RSA) have gone on strike after disputes regarding pay. An RSA union representative [reported](#) that exploitation of workers is 'all too common', part of a wider struggle of low pay, overwork and temporary insecure contracts in the sector. Striking staff at RSA are demanding a flat pay rise of £2,800 for all staff members; RSA have pledged to continue discussions in line with its fiduciary responsibilities and with staff wellbeing front and centre.

Other developments

We prepare regular updates on accounting, tax, regulations and legal changes affecting the sector. These include a monthly Not for Profit eNews update which can be found at:

<https://www.mha.co.uk/industries/not-for-profit>

Other sector publications and guidance can be found at:

<https://www.mha.co.uk/insights>

We encourage our clients to review our performance as auditors on an annual basis. To assist this, we have prepared guidance on how to do this review which can be found at:

[How-to-assess-the-performance-of-your-auditor](#)

If you would like to subscribe to receive our publications electronically, please register at:

<https://www.mha.co.uk/subscribe>