haysmacintyre

International Charity Financial Benchmarking Report 2021

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Introduction

We are pleased to introduce our fourth annual benchmarking report on international charities based in the UK.

In last year's report, we noted the unprecedented times that international charities faced due to the COVID-19 pandemic. One year on, and the challenges facing charitable organisations, both in the UK and around the world, remain significant. The pandemic has presented international charities with many difficult moments over the course of the last 12 months and we expect further challenges to come.

When the additional factors of Brexit, the high-profile challenge of safeguarding, the merger of DfID and the FCO, the cut to the foreign aid budget, and cyber attacks are added to the equation, it has been a challenging year for organisations to get through. The Government departmental merger and overseas aid cuts has led to some charities seeing a substantial reduction in institutional funding, which has caused cash flow pressures and forced some to make significant redundancies over the course of the last year. On the other hand, some organisations have in fact had a relatively successful year, with fundraising holding up well and even increasing in some cases.

The need for international charities and the work they undertake remains substantial. With many organisations having now achieved short-term survival throughout the pandemic, we are seeing some re-evaluate their future plans by adapting their focus and priority areas for the coming years. For some, this has meant a fundamental change to their operational model, with affected organisations having to make cutbacks in particular activities or locations that they operate in.

This report considers a selection of the areas that we, in our experience, see as the most significant in achieving good financial governance for an international charity. These include risk, fundraising, reserves, and value for money. Following the successful inclusion last year of a supplementary survey to complement our desk research, we have carried out a similar survey this year to enhance our findings on a range of the areas in the report.

We do hope the results of this report will be useful, along with helping to inform debate.

We also hope that our findings will help you to benchmark your own organisation against your peers, in addition to supporting the sector in adopting best practices for the future. As in previous years, we welcome feedback on our findings and on the contents of the report, as well as suggestions for future publications.

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Methodology and overview

This report examines the accounts of a selection of the UK's international charities, organisations that are based in the UK but have a primary international focus.

As in previous years, we have continued to focus on charities that have an income of more than £500,000. Our review incorporated 181 charitable organisations, the majority of which were included in last year's research. Where a charity's income fell below £500,000, it has been replaced within the sample.

The most recent accounts were obtained from Companies House where appropriate (October 2021). Those accounts cover accounting periods ending between 31 December 2018 and 31 March 2021. The sample includes organisations with a total income of £7bn. All information has been taken from publicly available accounts and, as last year, we have not sought to verify this information or enhance it with any supplementary enquiries.

We have taken the information disclosed in the Charity Commission or Companies House data at face value, however, in certain instances where the information disclosed is not clear, we have made assumptions when analysing the data. There is a wide range of charities included within the sample, deploying a variety of operating models. In the following pages we have distinguished charities based on the size of organisation, but not the operating model.

For the purpose of this analysis, we have categorised the entities included in the following income brackets: less than £2m (41); £2m - under £10m (68); £10m - under £50m (47); and £50m and over (25). Income is one measure of size and activity and we have used this to group organisations. However, we acknowledge that it is not the only indicator of measurement.

As with last year, in addition to the desktop research we undertook a survey to supplement our research. This survey was completed by a range of organisations across all of our income categories.

Income

There was an average increase in income of 7% compared with the most recent set of accounts. Whilst the average across the sample was an increase in income, 46% of organisations recorded a decrease, and 39% of organisations recorded an overall deficit for the year. This is a small decrease compared with last year, when we found that 41% of the sample recorded a deficit.

Risk

Managing risks effectively in order to sustain the future of an organisation and allow it to fulfil its objectives is arguably one of the most important roles of a charity's trustees and management.

All charities face risks which can affect their ability to deliver their work, finances, reputation, and most severely, the safety of their own teams or those who they support.

This year charities have had to contend with the consequences of the pandemic, as well as the reduction in the UK's international aid budget, and an ever-increasing focus on safeguarding issues.

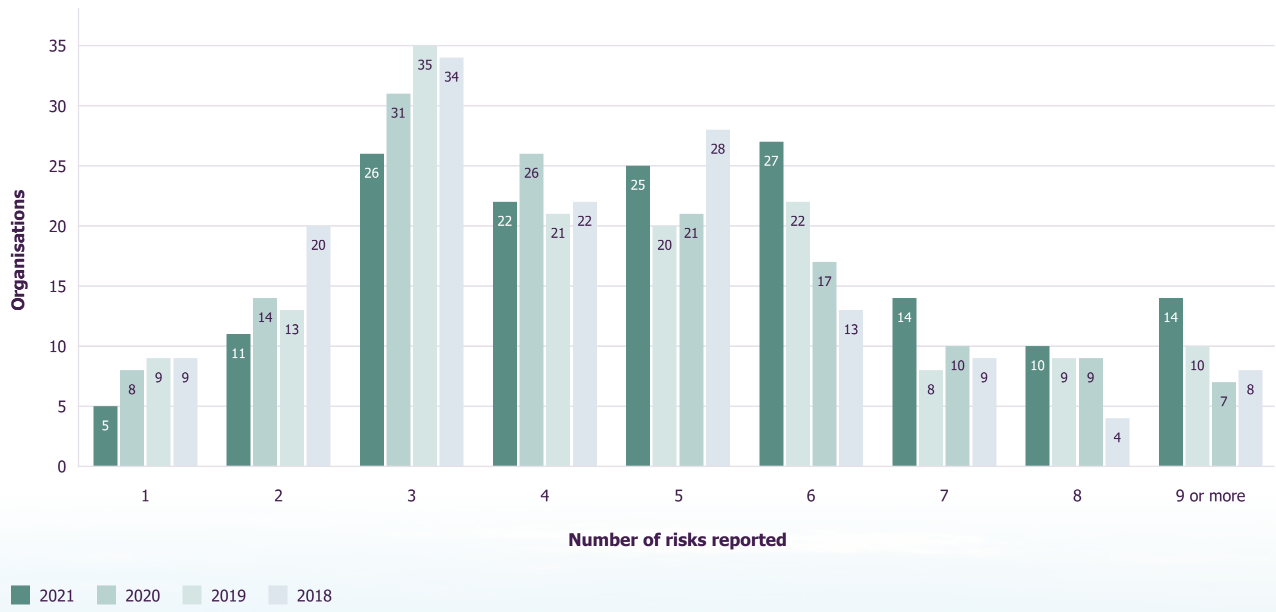
In this context, our research points to an increase in the number of risks that charities have reported on: up to 4.6 on average, an increase from 3.9 in 2020.

Organisations by average number of risks reported

When we examine these figures in relation to the size of charities, we see that it is among charities with an income of less than £2m where increases in the number of risks reported is most significant.

There is an upward shift in the number of principal risks reported. Only five charities reported a single risk (down from eight organisations last year), whereas 14 reported nine or more – a rise from 10 last year.

Organisations by number of risks reported



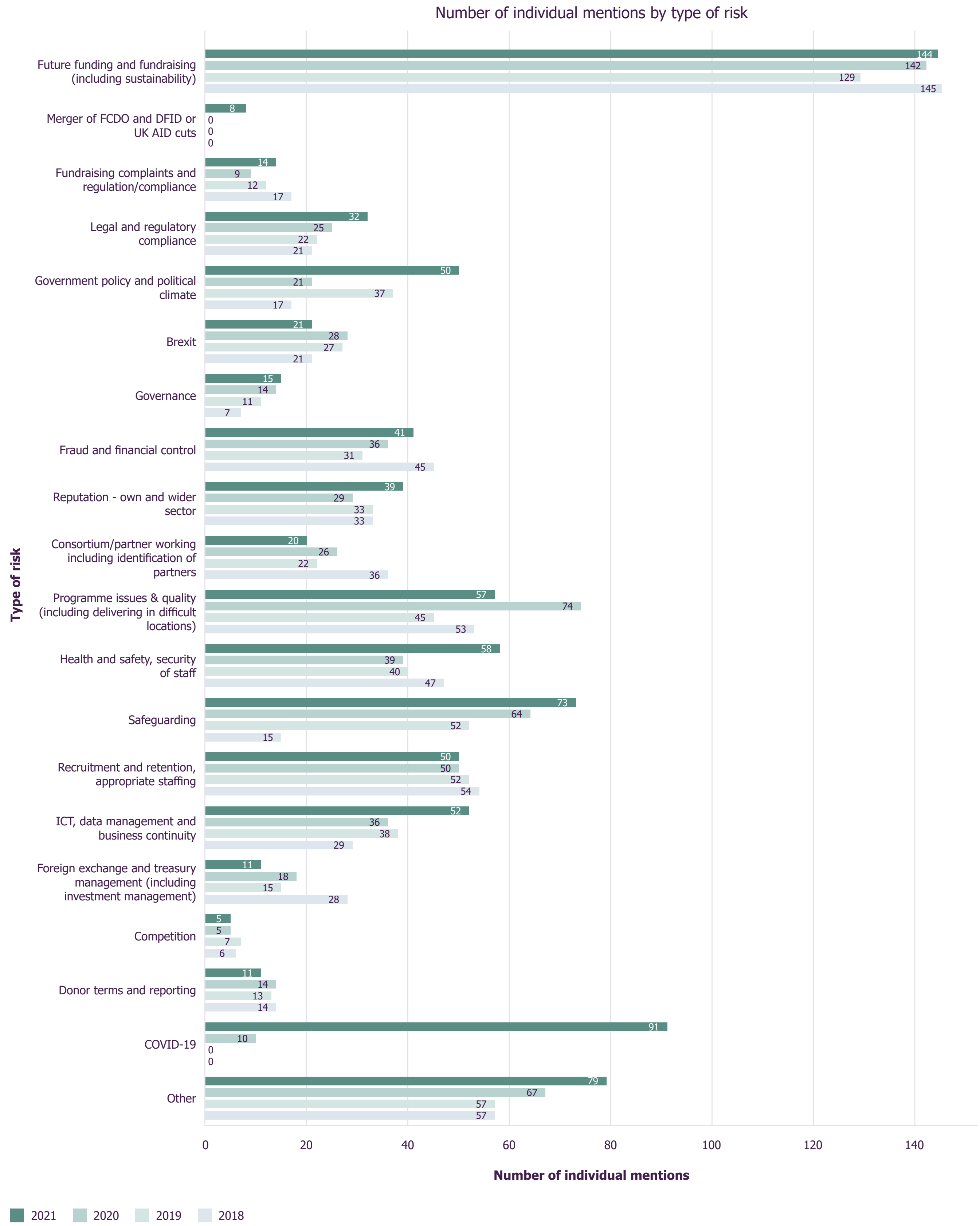
What were the principal risks reported in annual reports?
Just like 2020, the most commonly reported risk continues to be future funding and fundraising, with slightly more organisations reporting on this in 2021 than 2020.

This year, a much higher number of organisations cited COVID-19 as a key risk, which is reflective of the timespan of the reports in our research with the majority covering a period since the pandemic began to impact the sector.

The risk cited third most often was safeguarding – an area which shows an upward trend with 73 mentions in 2021 compared to 64 in 2020. We also found an upswing of IT related risks, rising to 52 instances from 36 in 2020.

What did our survey respondents tell us?
The shifts seen in risks reported in annual reports are broadly reflected in our survey responses. We asked respondents of our survey to choose up to three key risks facing their organisations.

Unsurprisingly the most common risks identified were in relation to sustainability of future funding and the COVID-19 pandemic. Both risks were selected by around half of the organisations – 53% reported future funding and 47% reported COVID-19 (though these are clearly interrelated). The next most commonly reported were programme-related risks, which were reported by 29% of organisations. Fewer organisations (21 mentions in contrast to 28 last year) reported Brexit as a principal risk this year than last year – and in our survey no respondents placed Brexit in their selection of top three risks. This is likely to be for a number of reasons. In particular, many charities have now identified the impact that Brexit will have on their organisation and have reacted accordingly.



Mitigating risk
Alongside the importance of setting out risks affecting their organisation, the annual reports of larger charities (being those with income over £500,000) must also show how they are working to mitigate those risks. Here we look in more detail at the adopted approaches in the sector around COVID-19, cyber-security, safeguarding, and foreign exchange.

COVID-19
The pandemic has affected almost every aspect of charities' operations. Responding to our survey, international charities indicated the COVID-19-related measures they put in place. In what we read to be a positive in terms of how this sector has stepped up to support those in need during the past 18 months, the measure most cited was new projects to react to COVID-19 (82%). Following this, the next most cited response was furloughing staff (70%) and postponing the planned implementation of programmes (65%). All of the measures reported, from most to least cited order, are:

- New projects to react to COVID-19 (82%)
- Furloughing staff (70%)
- Postponing planned implementation of programmes (65%)
- Adapting programmes to online delivery (53%)
- Reducing grants to partners (41%)
- Redundancies (35%)
- Limiting income sent to overseas programme (29%)
- Other staffing measures (29%)
- Closure of country programmes (11%)

Our findings indicate that any changes made as a result of COVID-19 are unlikely to be temporary and seem more likely to be an illustration of the 'new normal', with nearly all those organisations that responded (~90%) indicating that they anticipated permanent changes to the delivery of programmes following the pandemic. Most of these (70%) cited 'moderate' changes with a smaller number suggesting significant changes. The sheer range of measures employed across the sector in response to the pandemic is interesting to note, and it seems clear that the effects of the adaptations that charities have made in 2020 and 2021 will be pervasive and long-lasting.

Cyber-security
As part of our survey, we asked organisations how concerned they were about cyber-security. Over 80% of organisations reported that they were very or somewhat concerned. Given the fact that over 40% of charities report that they have been the target of a cyber attack over the last year, it is concerning that there are still some 20% of respondents that are reportedly not concerned at all about cyber-security. Of those attacked, there was a broadly even split between those who had successfully prevented the attack and those that had not. Given the apparent high likelihood of attacks, it is interesting to note that only 59% of charities plan to review cyber-security measures in the next 12 months, with 41% saying that they had reviewed these measures in the last 12 months. We strongly recommend regular reviews of cyber-security measures.

Safeguarding
Safeguarding is clearly a major area of concern for international charities. 63% of organisations had a significant risk identified on safeguarding, and/or a dedicated section on this topic in their trustees' report, an increase on last year's figure of 56%.

Responses to our survey indicate that 59% of the sample would be reviewing their safeguarding policy in the next 12 months, and over three quarters had done so over the previous 12 months.

In a related area, serious incident policies are key management tools for charities, and something that every organisation should have in place. Charity Commission guidance is very clear about what constitutes a 'serious incident' for a charity – spanning fraud, financial loss and data loss, and encompassing anything that has the potential to damage the finances or reputation of an organisation. Our survey results indicate that most, but not all, charities – 82%, up from 70% in last year's survey – have a serious incident reporting policy in place.

Foreign exchange
Managing foreign currency risk is a key focus for many organisations in this space. This year, just under two thirds (65%) report they take action to mitigate risk in this area (compared to just over half in our report of last year) – interesting in that it indicates that around one third are not doing so and potentially therefore absorbing costs. This could be explained by the fact that many organisations have measures in place that are good business practice, without considering them specifically as risk mitigators for foreign currency. Our respondents reported that the most common mitigation was forward contracts (41%), natural hedges (29%), and contracting in own currency (24%).

Fundraising

Fundraising in particular has been a core challenge for many charities this year. With COVID-19 posing a financial threat to charities, and the DfID and FCO merger meaning that some organisations had to reduce their reliance upon institutional funding, many charities launched emergency appeals to bolster their voluntary income.

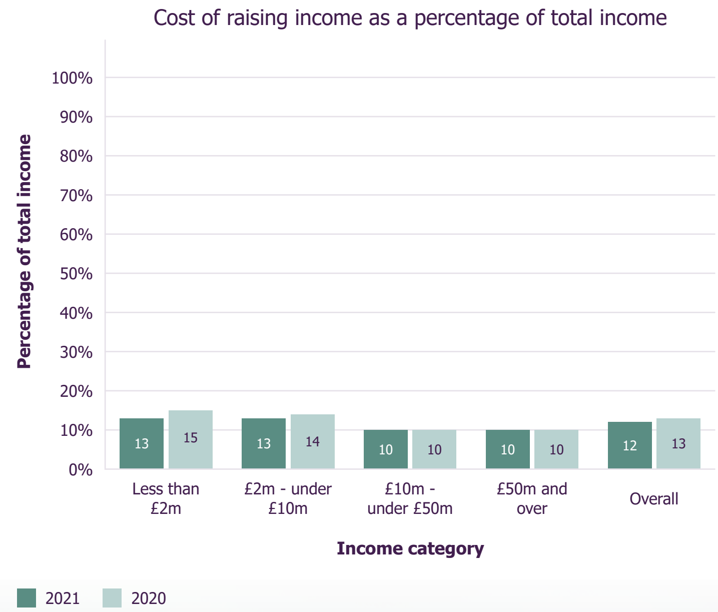
As a result, we saw the proportion of voluntary income for organisations rise this year, with 58% of income being disclosed as voluntary, up from 53% last year. We also found that most income brackets increased their reliance upon voluntary income, with those in the £2m - under £10m bracket showing the greatest increase, reporting voluntary income at 66% compared to 59% in 2020.

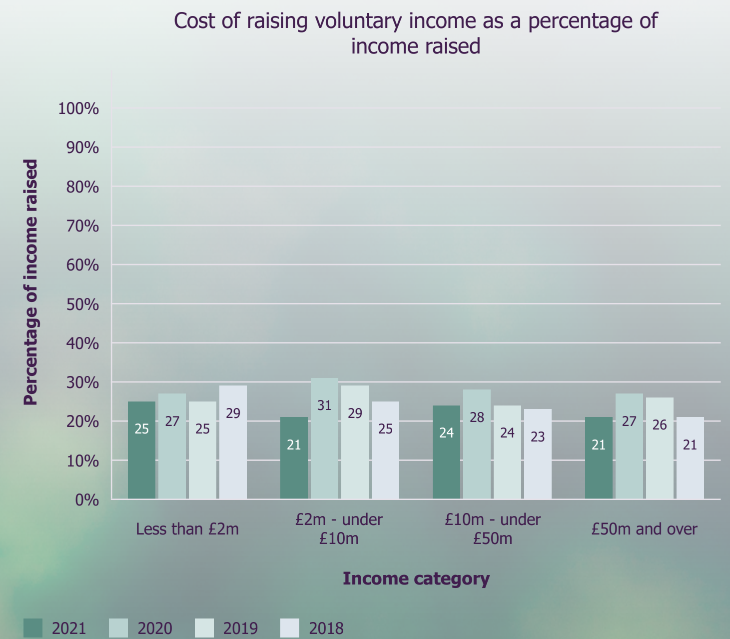
Interestingly however, the smallest organisations (less than £2m bracket) actually reported a slight reduction in their proportion of voluntary income – at 57% in 2021 compared to 60% in 2020. Nevertheless, we found that organisations of this size are still proportionately more reliant upon voluntary income than the largest charities.

Cost of fundraising

Our research in previous years has shown gradual increases in the cost of raising funds (when compared to the actual funds raised). However, this year in particular we have noticed an overall fall, with the cost of raising funds equivalent to 12.1% of all income, compared to 12.7% in 2020. For voluntary income in particular, fundraising costs fell significantly from 28.5% in 2020 to 22.8% this year of the income raised.

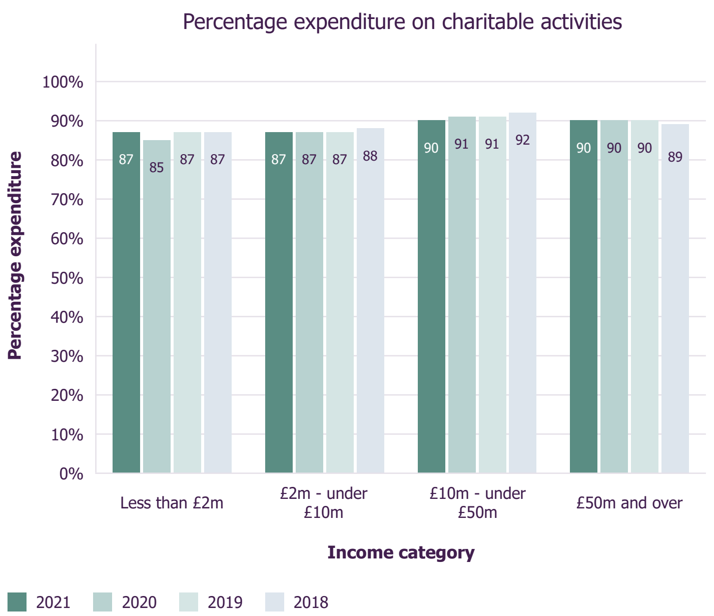
These figures could well have been driven by a temporary shift to higher return on investment fundraising tactics, such as effective emergency appeals, and the dropping off of other forms of fundraising such as fundraising events. As the world re-opens post-pandemic and large-scale events return, it may well be that the cost of raising funds could return to similar levels of previous years.





It can also be useful to look at the percentage of an organisation's spend on charitable activities – this does not include cost of fundraising or other disclosed expenditures. Our research found that international charities spent 88.6% of the total spend on their charitable activities – a slight increase from 88% last year.

This year, two organisations reported that less than half of their spend was on charitable activities – a figure that has remained stable since 2019. However, on the flip side, 6% of our sample reported that all of their spend was on charitable activities, down from 6.7% last year.



Forms of fundraising

For many organisations, the issue of fundraising is a consistent concern and COVID-19 has thrown a spanner in the works for many typical fundraising methods such as face to face fundraising and events.

In our survey, we asked organisations if they were considering any new forms of raising funds. The majority of respondents indicated that they were considering corporate donors (65%) and international fundraising (53%) – the latter being a trend we have noticed in the sector, as many charities explore fundraising in the US specifically, due to the nation's culture of philanthropy.

We also found that a minority of survey respondents are considering innovative forms of fundraising, such as social enterprises or impact development bonds.

Regulation

Charity fundraising practices remains a core focus area within the sector. Charitable organisations, who have their accounts audited for periods beginning on or after 1 November 2016, are required to include information on any fundraising practices in their trustees' report, as per Section 13 of the Charities (Protection and Social Investment) Act 2016. This regulation was introduced to ensure charities were undertaking appropriate fundraising techniques, and to avoid vulnerable donors from being approached by charities excessively.

Our research shows that 75% of organisations in our sample included a section in their trustees' report on the requirements – an increase on last year's findings, which showed 69% included this in the report. Those organisations which did not include a section on fundraising practices in the trustees' report are predominantly smaller-scale charities or those with less (or no) fundraising activity from individual donors.

Value for money

It is well-recognised in the charity sector that measuring impact is hard, far more so than quantifying outputs or outcomes.

It is relatively straightforward to map funds spent against, for example, wells successfully dug, or school buildings completed. Where the process becomes more difficult is assessing the wider impact – for example to beneficiaries and whole communities' quality of life, health, or economic standing. Understandably, many charities find this hard to do.

When we asked our respondents how they perform in this area we found that while 94% reported they were 'excellent' or 'good' at measuring outputs, this fell to 76% for those who were 'excellent' or 'good' at measuring outcomes. Much lower figures were found of 47% for those who were 'excellent' or 'good' at measuring impact, and only 41% who felt the same about how they measure value for money.

Reserves

The events since the start of the pandemic have undeniably had a significant financial effect on charities, and as a result a spotlight has been shone on the need for carefully managed cash flow in reserves for the sector.

Historically many charities have linked their reserves policies to their expenditure. In more recent years, we have seen a positive trend towards charities considering risk based policies. Our survey this year found a broadly equal split between charities reporting reserves policies linked to risk and expenditure, with a smaller number using closure costs as a basis.

Of those organisations in our sample, none showed a deficit in their total reserves this year – a figure that has remained stable from our research last year. Similarly, those organisations that show a deficit in their unrestricted funds – namely, the funds which can be spent freely by the charity – remained unchanged from the previous year's research, at three in both 2020 and 2021. While this stability could indicate that many charities have done well to mitigate the challenges faced over the past 18 months, it could also be that some organisations' reports do not yet reflect the events over 2020 and 2021.

Free reserves

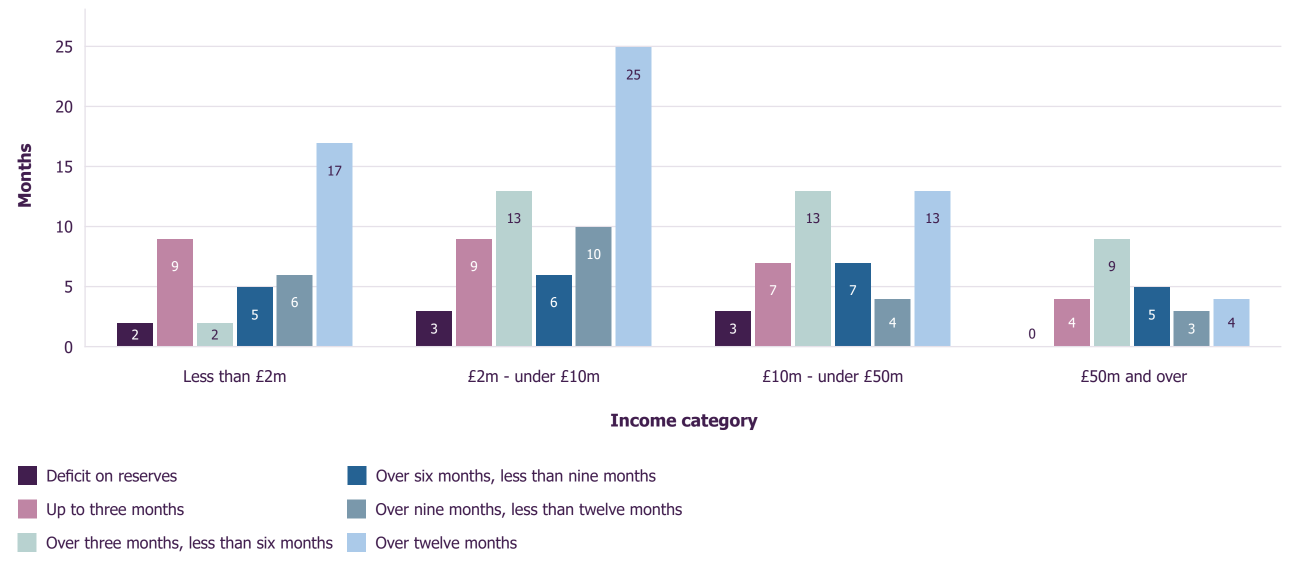
Our research over the past four years has found that the level of reserves held by different charitable organisations can vary greatly, with some holding a few months' worth of reserves, and others for several years. As in our previous research, we compared organisations' reserves by measuring their free reserves specifically.

To ensure a consistent approach, we looked at each organisation's unrestricted funds (to include any designated funds) and removed any unrestricted fixed assets from this figure – this showed us their free reserves. These figures for free reserves were then compared to each charity's unrestricted expenditure for the current year.

Contrary to previous years, our 2021 research found that fewer organisations show a deficit in their free reserves, at just 4.4% of our sample (eight organisations) – down from last year, which found that 6.1% (11 organisations) reported a deficit in free reserves.

There was a slight increase year on year in those organisations with free reserves equivalent to one month or less of unrestricted expenditure. In our 2021 research, 11.1% of our sample reported reserves equal to this amount of expenditure, compared to 10.6% in 2020. Similarly, we saw an increase in the number of organisations that reported over one year of unrestricted expenditure in reserves. This year, 33% of charities showed free reserves equal to one year or more of unrestricted expenditure, compared to 31% in our research last year. Furthermore, our 2021 findings indicated that 17% of charitable organisations hold free reserves equivalent to over two years of unrestricted expenditure – an increase on 9% in 2020.

Unrestricted reserves less unrestricted fixed assets, expressed in months of unrestricted expenditure



Overall, the average level of unrestricted reserves across organisations of all sizes increased this year, reaching the equivalent of 10.6 months of unrestricted expenditure – up from 9.8 months in 2020. As in previous years, the smallest charitable organisations in our sample showed the largest average level of unrestricted reserves, at 14.8 months this year compared to 13.4 months in 2020. Conversely, those organisations with income in the £2m - under £10m and £50m and over brackets both saw the levels of free reserves fall this year, at 8.9 months and 6.5 months respectively – compared to 9.6 and 6.8 months last year. The organisations that noticed the most notable increase in free reserve levels were those with an income of £10m - under £50m, rising from 8.2 to 11.1 months on average.

Nevertheless, it is worth noting that within each income group, there are significant variations in the level of free reserves held.

Unrestricted funds (less unrestricted fixed assets) in months of unrestricted expenditure

Unrestricted funds and total expenditure

Alongside unrestricted funds, which can be used for any purpose, many charities receive restricted funds. These funds are restricted by the donor to be used for a specific project or cause – and thus are not considered part of a charity's free reserves.

In theory, the level of restricted funds available should be sufficient for the planned restricted expenditure, however, in reality it's not so straightforward. For example, if a charity's long-term grant funding were to end, and additional restricted funds could not be found to replace the lost income from the grant, the organisation may opt to use unrestricted funds for the project.

We therefore also consider how the level of unrestricted funds compares with months of total expenditure – factoring in those occasions where restricted funds cannot fully cover the specific purpose they are for. To do so, we calculated organisations' unrestricted reserves using the same method as in the previous section and compared this to total expenditure (as opposed to unrestricted expenditure).

Our research found that 29% of organisations held unrestricted reserves that could cover the equivalent of one month or less of total expenditure – an increase on last year's figure of 27%. This highlights the need for organisations to ensure they fully understand the nature of their restricted funding – namely, what it is used for and if it is likely to come to an end – and put plans in place to cover the funds should the restricted income cease.

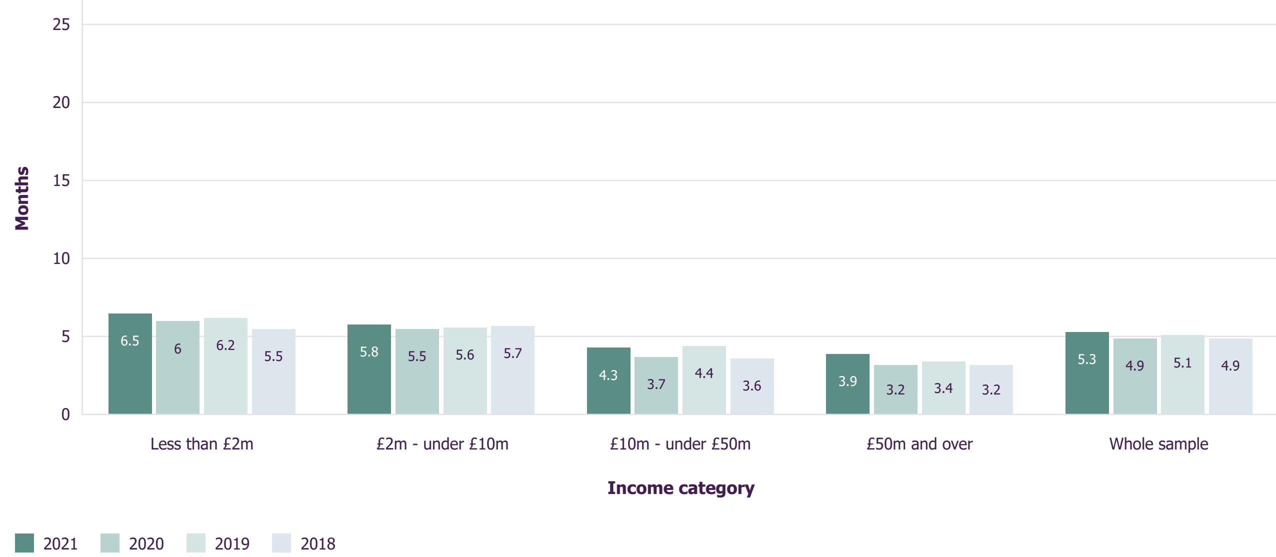
Cash held

Against the backdrop of a challenging year, the need to hold sufficient cash alongside effective management of total reserves has become ever-more important for charitable organisations. With international charities in particular facing difficulties with cash flow management across multiple locations, or with some donors paying in arrears, cash has typically been an area of concern for the sector.

However, our research this year revealed that the average level of cash held was equivalent to 5.3 months of expenditure – an increase from 4.9 months the previous year. Similarly, when factoring in any long-term investments, the average level increases to 5.9 months, up from 5.6 months in 2020. We noted this year a small number of organisations (4.4%) holding cash sufficient to cover less than one month of expenditure, which was a decrease compared to last year (8.3%).

As in previous years, smaller organisations held more cash proportionate to their spend than their larger counterparts – an unsurprising finding, given the likelihood that the largest charities tend to have a wider range of income streams and more resource for effective fund management.

Average cash and short term investments in months of expenditure



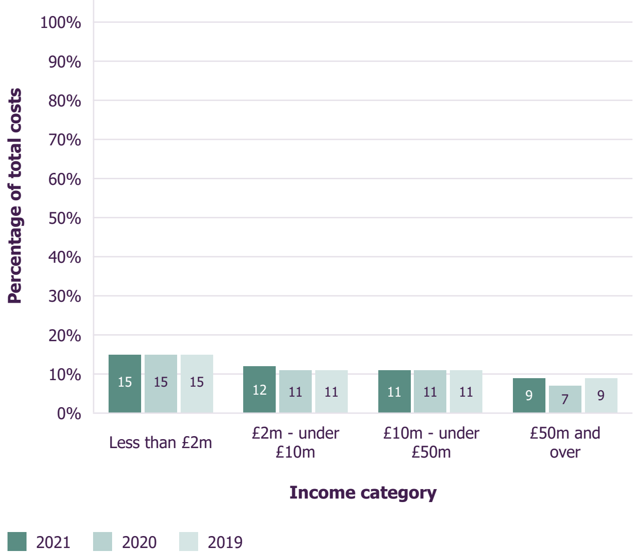
Support and governance costs

For most charities, keeping support costs as low as possible continues to be a significant challenge. Many charities often use this as a benchmark to measure themselves against their peers, but from our experience, it can be difficult to obtain an accurate reflection as different organisations take different approaches to how they allocate costs within their accounts.

Within our survey, the majority of organisations reported a strong knowledge of their cost base, with 76% reporting that their knowledge of their support cost base was either comprehensive or very comprehensive (compared to all respondents last year). It is vital for any organisation to have an accurate understanding of its costs. When this is done effectively, it can help keep costs to an appropriate level and ensure that its costs are used in the right way.

There has been a slight increase in the average level of expenditure that relates to support costs, rising from 11% last year to 12% this year. In a similar guise to previous years, the data shows that smaller organisations proportionally spend more on support costs than larger charities. As a general rule, support costs decrease as the organisation grows in size, likely due to the large economies of scale that larger organisations operate within.

Support costs as a percentage of total costs



Our research shows that charities with a reported income of less than £2m have support costs averaging 15% of their expenditure. This is in comparison to charities with an income of £50m and over, which reported support costs average just 9% of total expenditure, although this is up on the average of 7% that this group reported last year.

As in previous years, governance costs remain substantially lower than support costs as a percentage of total expenditure, despite rising slightly from an average of 1.1% last year to 1.2% this year.

Overhead costs recovery

Whilst maintaining a strong knowledge of an organisation's costs is one challenge for charities, the recovery of support costs from funders is perhaps an even more significant obstacle that organisations face. Organisations that are primarily supported by institutional donors may face significant challenges in recovering support costs whilst at the same time being reliant on such cost recovery.

Within our sample, only 36% of organisations reported they were either very effective or effective at recovering costs from funders.

Annual reports

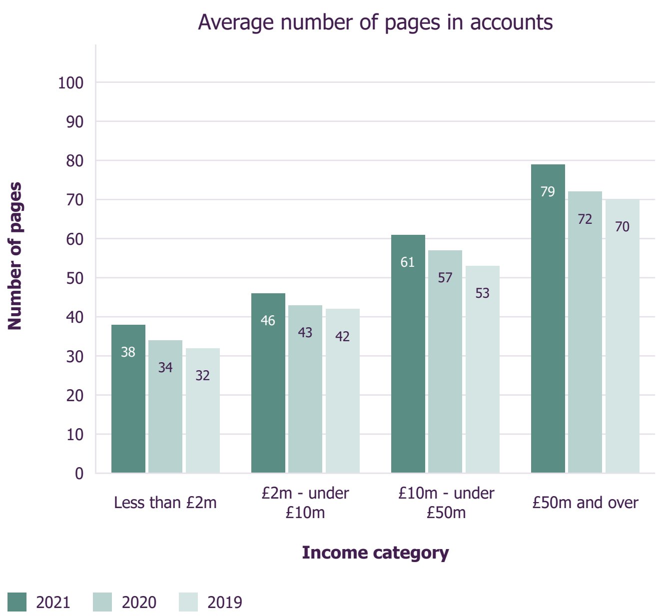
Many charities treat their annual reports as a communication tool that fulfils objectives above and beyond the statutory requirements. Our research highlights the wide variety of length, style, and scope of annual reports in use in the sector.

Length
Across charities of every size, reports are getting longer. The average length this year is 53 pages, up on the figure of 48 last year. This is illustrative of the fact that the statutory requirements on charities are growing in terms of what their reports must cover. Furthermore, we are seeing an increasing trend of charities adopting optional disclosures in areas such as: safeguarding; environmental matters; and equality, diversity, and inclusion.

Where charities have pressing issues to address, an example this year being the impact of COVID-19, they must include this in addition to – rather than at the discretion of – other elements of the report.

This year the shortest report we reviewed was 19 pages, five of which were the trustees' report. The longest was 160 pages (of which 129 were the trustees' report). On average, the trustees' report made up 27.5 pages, a very slight increase on the figure of 26 in 2020.

Our data indicates that the length of reports is reflective of the size of organisations, with the largest charities publishing the longest reports.



A powerful story to tell
A personal introduction or report from the chair or chief executive is not a requirement, but we advise that it can be a powerful tool for charities to 'set the scene' and deliver a narrative that conveys their passion and commitment, major achievements, and gratitude to their funder and volunteer base.

This message seems to be one that the sector is embracing. We've seen an increase this year in the number of organisations using a chief executive's report, increasing from 31% in 2020 to 37% this year. There has also been a rise in the number of charities using a chair's report, from 55% last year to 60% this year.

A thousand words
We reviewed how charities choose to illustrate their reports with graphs, infographics, and pictures. While very nearly half (49%) of those we reviewed use pictures, that figure falls to 33% for graphs and 33% for infographics. Reviewing the figures for the use of these visual elements of the report against the size of organisation reveals that large charities are likely to use one or more of them.

Beyond statutory requirements
Charities of course are fulfilling a statutory requirement when they publish their report, but our survey data indicates that the majority of charities who responded regard this document as a tool for achieving more than simply ticking a legal box.

Only 12% of organisations said the annual report was prepared purely for statutory purposes – with others citing a variety of uses including marketing and communication with stakeholders, including UK and international government departments, funders, or beneficiaries. Of the organisations that responded to our survey, almost all (88%) publish an annual review or an impact report in addition to the annual report. Around three quarters publish an annual report and around a quarter publish an impact report. A small minority (12%) publish both.

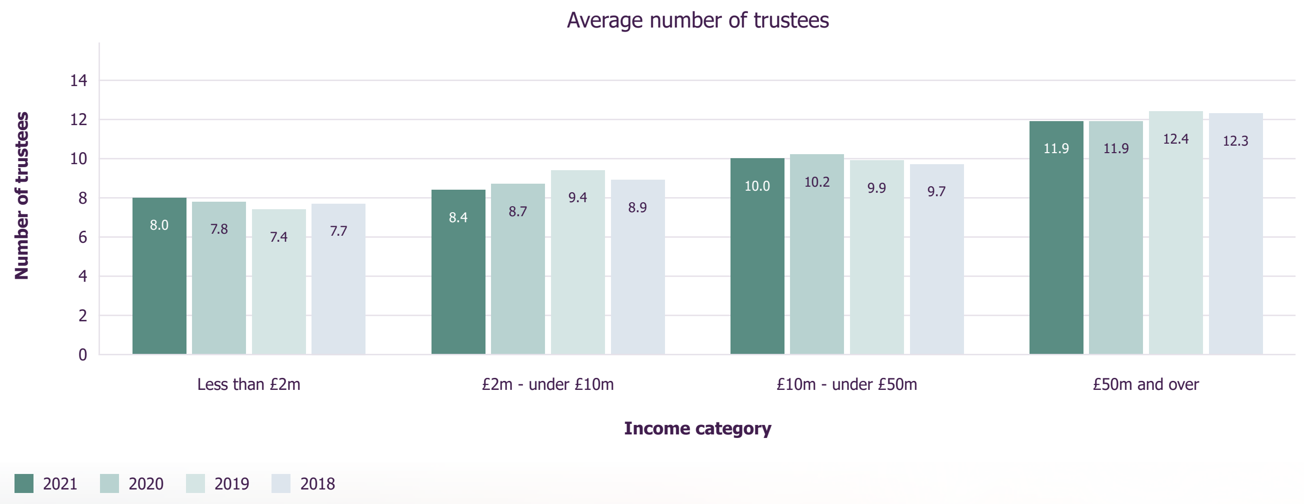
Titles and terminology in relation to content can vary and there is often an overlap between the type of material covered in documents variously referred to as annual reviews of impact reports.

Once again, this year we have seen an increase in the number of organisations including a section on safeguarding in their trustees' report: 52% compared to 49% last year. Our usual advice to charities is that, although not required, considering safeguarding in the annual report presents the right message regarding how this important issue is being handled by the organisation.

The Charity Governance Code (the Code) was launched in 2017 and we have seen many charities, especially larger organisations, reference the Code within their report. This year it was mentioned by 45% of organisations, up from 31% in 2020.

The trustees and their committees

As part of our research, we have considered the average size of the board of trustees, which remained at last year's level of 9.2 individuals. The smallest board of trustees within our sample consisted of just one individual, whilst the largest trustee board consisted of 29 individuals. There were also two organisations within our research that had a corporate trustee.



Of the organisations sampled, 8.8% had a trustee board consisting of fewer than five individuals, marginally up on the 8.3% of organisations that did so last year. In comparison, 4.4% of charities had 15 or more individuals as part of their trustee board, down from 6.7% last year. This means we've seen a continuation of the steady reduction in charities with 15 or more trustees, from 9.4% in 2018 to 4.4% this year.

As our previous research has shown, the average size of the trustee board tends to increase as the size of the charity increases. However, this year the gap between the size of trustee boards of the largest charities and the size of the boards for the smaller organisations has narrowed.

Organisations with an income of less than £2m averaged eight trustee board members, whereas the largest charities in our sample had an average board size of nearly 12 individuals.

We asked respondents how often their board of trustees meet. 82% of organisations responded that their trustee board meets quarterly, with only 6% answering that their board meets on an annual basis.

Our survey also found that 88% of charities have fixed terms of office in place for their board trustees, up from two thirds of organisations last year. The most common term of office is 3-4 years, with 59% of charities applying this timeframe for their trustees sitting on the board.

Trustee boards are increasingly making use of committees as a key strategy to help manage business. Our desktop research found that 76% of the charities sampled disclose the use of one or more committees within their annual report. However, it is likely that there are further committees that are not referenced.

Within the annual reports, there is a varying degree of disclosure on the use of committees. Whilst some organisations only acknowledge the existence of a particular committee, others set out the detail of a committee's composition, its role within the overall governance structure, and its work during the year.

19% of charities disclosed the use of one committee, with a further 19% disclosing the use of three committees and 17% disclosing two. The number of charities reporting no committees has reduced very slightly from 26% last year to 24% this year. From our research, the single most common committee utilised is a Finance Committee.

88% of survey respondents stated that they had either a Finance Committee or joint Finance and Audit committee in place. From the survey, the most common committee reported was a joint Finance and Audit committee, with 65% of organisations in the sample reported as having one in place. Moreover, our survey results show that 35% of organisations have a Nominations Committee in place, whilst 29% have a Fundraising Committee in action.

Ensuring that trustees have the right balance of skills and experience is an increasing area of focus for all organisations. However, 24% of charities in our survey noted that they had never carried out a skills audit of the trustees, with a further 12% reporting that whilst they had carried out such an audit, it had been done more than two years ago.

To ensure that trustees have the right skills and knowledge in place, many organisations are ensuring that training programmes are made available to support them. 53% of our survey respondents reported that their trustees had received governance training, whilst 35% noted that their trustees had undertaken safeguarding training.

Conclusion

Since our last report, the full effects of the COVID-19 pandemic and its impact on international charities have become much clearer. Considering the time period that this year's research has covered, it is understandable that charities have noted the pandemic as the largest risk that they have faced.

However, it's not just the pandemic that has challenged charitable organisations in the last 12 months. The merger of DfID and the FCO and the cut to the foreign aid budget have been other significant events that have had significant consequences for the funding and cash flow of many charities.

Despite this unprecedented set of challenges that charities have faced, it has been positive to see large-scale emergency appeals in the last year proving both effective and cost-efficient for some organisations in the sector. However, as the world hopes to open up further in the coming year, combined with the challenges of rising inflation, we may see the costs of fundraising increase once again in 2022. Our experience is that the fundraising landscape for many international charities remains challenging and this may require different solutions such as new forms of fundraising or consideration of mergers.

It has also been encouraging to see that, whilst the shift to digitalisation continues at pace, a greater number of organisations are putting in place more effective cyber-security measures to combat the increasing risk of a cyber attack. Notwithstanding the progress that has been made however, it is apparent that some organisations still have a considerable amount of work to do in this area to prevent the growing cyber threats that they face.

Overall, it has been pleasing to see international charities continue with their vital work over the course of the last 12 months. On the whole, they have shown that they are both resilient and adaptable, proving that they are able to continue delivering their crucial output even in times of crises. With international charities having again shown their value and worth in 2021, it will be fascinating to see what the next year has in store.

About haysmacintyre

haysmacintyre has one of the largest charities teams in the country, and we are proud to lead our offerings for international charities and helping clients overcome challenges and achieve their goals. haysmacintyre is a co-founder and co-owner of the MSI Global Alliance, an association comprising over 250 independent legal and accounting firms operating locally in over 100 countries around the world. Collectively MSI firms represent nearly 13,000 lawyers and accountants in over 100 countries. This is a very important part of our business and helps us to support clients working internationally and to provide services to our clients across the world through a central contact in the UK. Our International Charity Financial Benchmarking Report is produced annually from the public accounts of international charities and a specialised survey distributed every autumn.

If you have any questions about the contents of this report, or our services for international charities, please don't hesitate to get in touch.

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Top ten by audit fees in the 2020 Charity Finance Audit Survey