UHY Hacker Young
Chartered Accountants

Cobtree Manor Estate

Audit Findings Report
Year ended 31 March 2023

Helping you prosper

Contents

Introduction

Cobtree Manor Estate

Purpose of this audit findings report

The purpose of this report is to provide constructive observations which have arisen from our audit of the financial statements of Cobtree Manor Estate (“the Charity”) for the year ended 31 March 2023.

This report provides an update to the matters raised in our Audit Service Plan, which was provided to the Trustees on 14 July 2023, focussing on observations that are significant to the responsibility of those charged with governance to oversee the financial reporting process as required by International Standard on Auditing (UK) 260, *Communication with those charged with governance,* (ISA (UK) 260).

Included within this Report are details of any unadjusted misstatements in the financial statements (with the exception of those deemed to be “clearly trivial”), any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures, together with any further relevant matters.

Audit independence

We are required to reaffirm our independence at the conclusion of the audit.

We confirm that no matters have arisen that impact on our previous statement made in our Audit Service Plan that there are no relationships between our firm and connected entities and your Charity and related entities that need to be brought to your attention.

Should you have any questions relating to the issue of our independence and objectivity, please do not hesitate to contact Allan Hickie on 01795 475363 or at a.hickie@uhy-uk.com.

Confidentiality and limitations

Please note the following important limitations with regards to the contents of this Report:

- This Report has been prepared for the sole use of Cobtree Manor Estate;
- The contents of this Report must not be disclosed or quoted to third parties, in whole or in part, without our prior written consent;
- We assume no responsibility to any other person;
- Our procedures are carried out solely for the purpose of our audit of the financial statements. Our audit is not designed to identify all matters that may be relevant to those charged with governance; accordingly the matters referred to within this Report may not be the only shortcomings that exist.

Recommendations

All issues raised within this Audit Findings Report have been discussed with management.

Acknowledgement

We would like to thank all staff who were involved in the audit for their help and co-operation during our audit, particularly Paul Holland and his team. It has been a pleasure to work with Paul and we are grateful for the time he has taken to assist with our queries.

Audit status

Status of the audit

Our work was carried out in accordance with our audit plan communicated to you in our Audit Service Plan dated 14 July 2023.

Throughout our work we considered the key audit risks noted in our Audit Service Plan, and no matters were identified which required us to change our approach. Further to this, no additional risks were identified. We comment on the original risks communicated in our Audit Service Plan, and our conclusion on these risks later in this Report.

Our audit is substantially complete, although we are finalising our procedures in the following areas:

Outstanding matters:	Final signed Trustees' Report;
	Signed Letter of representation.

We do not anticipate that the completion of our work in these areas will give rise to any material adjustment.

Letter of representation

We have forwarded the Letter of Representation, which we request that the Trustees approve and sign at the same time as the financial statements, under separate cover. This letter contains only standard matters with no specific representations in respect of the Charity, with the exception of the following:

- Going concern
- Valuation of assets
- MyTime debtor recoverability

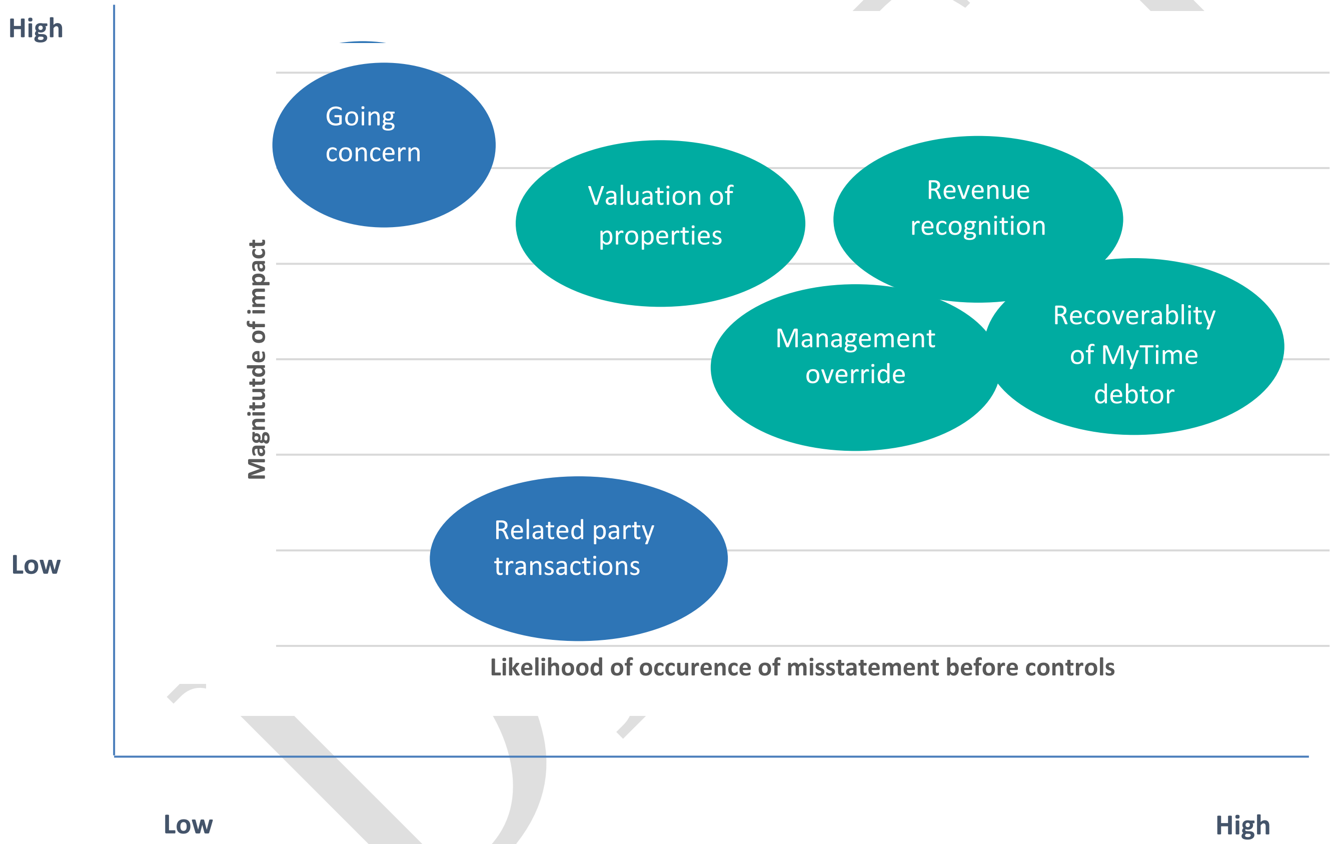
Anticipated audit report

Subject to the conclusion of the above items, we do not expect any modifications to our audit report on the financial statements for the year ended 31 March 2023. However, our responsibilities with regards to the audit report extend up to the date on which it is signed and we will advise you of any changes to this position if necessary.

Significant audit risks and other areas of audit focus

The table below set out our initial assessment of the Charity's key audit risks relating to the year ended 31 March 2023 as originally communicated in our Audit Service Plan.

Within this section we comment on the results of our work undertaken in connection with these risks previously identified at planning, together with communicating any additional risks in relation to the financial statements of Cobtree Manor Estate that came to our attention during the course of our audit fieldwork.



Key:

Significant risks

Others areas of audit focus

Updated risk

Update on risk profile

The work undertaken during the course of our audit fieldwork did not indicate that the risk profile of the above matters has significantly changed from our initial assessment.

Significant risks

(1) Revenue recognition

Assessment of risk at planning

The International Standards on Auditing (UK) consider revenue recognition to be an inherent fraud risk and on consideration of the Charity's sources of income, this cannot be rebutted.

The Charity's accounting policies for income should follow the criteria set out in FRS 102 and the Charities SORP.

Our response and conclusion

We have:

- Updated our documentation of the revenue process and controls in place, this included assessing the design and implementation of those controls.
- Assessed whether revenue was accounted in accordance with the accounting policy on revenue recognition.
- Analytically reviewed revenues and verified significant movements against expectations/performed proof in total
- Tested a sample of transactions to agreements to supporting evidence
- Reviewed the assessment made by management in relation to the application of the correct cut off processes

Based on the work performed, no significant or reportable adjustments were noted.

(2) Management override

Assessment of risk at planning

The International Standards on Auditing (UK) consider management override of controls to be an inherent fraud risk due to the possibility of financial statement bias or fraud. Whilst there were no indicators of any significant factors that would give rise for management to carry out such actions, as the Charity's finance team consists of few people and the Chief Executive has primary oversight of all key operational decisions we were unable to rebut this risk.

Our response and conclusion

We have:

- Updated our documentation around the posting of journals and formulation of key estimates and assessed the design and implementation of those controls.
- Assessed and challenged accounting estimates, judgements and decisions made by management.
- Tested a sample of journal entries, adjustments and accounting estimates for bias that could result in material misstatements.
- Review significant transactions to ensure they were in the normal course of business.

Based upon the work undertaken, we found no indication of management bias or significant transactions outside the normal course of business.

(3) Valuation of properties

Assessment of risk at planning

Given the movement in the property market there is the risk that there has been a material change in value in the land and buildings that has not been reflected in the accounts. Buildings are valued by chartered surveyors. Due to the nature of the assets and the valuation of the buildings is very high in value.

Our response and conclusion

We have:

- Agreed valuations to third party reports.

Based upon the work undertaken, we found properties were not materially misstated in the accounts.

Other areas of audit focus

Related parties

Transactions with related parties outside of the normal course of the Charity's activities are considered to be a significant risk under the International Standards on Auditing (UK). At the planning stage, no such transactions were anticipated from our discussions with management and accordingly, related parties were not included as a significant audit risk.

We undertook work to ensure that related party disclosures have been correctly made in accordance with both the Financial Reporting Standard 102 ("FRS 102") and the Charities SORP. This included providing management with our standard related parties questionnaire template to be completed by Trustees and members of key management personnel, together with review of the Charity's own procedures for identifying potential conflicts of interests to ensure that they are adequate. In addition we verified the information supplied to external sources such as the registers maintained by Companies House and the Charity Commission.

Related party disclosures included within the financial statements appear to be complete from our work performed.

Accounting practices and financial reporting issues

Qualitative aspects of accounting practices and financial reporting

During the course of our audit, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements.

Accounting policies

We have reviewed the accounting policies adopted by the Charity and have found them to be appropriate and applied consistently.

There have been no changes to the accounting policies, nor changes to the activities of the Charity necessitating changes to accounting policies, since the previous period.

Unusual transactions

The extent to which the financial statements are affected by any unusual transactions during the period and the extent to which such transactions are separately disclosed in the financial statements. There were no matters arising.

Throughout the course of our audit fieldwork, we considered the timing of transactions and the period in which they are recorded. We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised. Specifically, we confirm that based upon our testing, income appears to have been appropriately accrued or deferred as required and appropriate accruals for expenditure have been included.

Accounting estimates and judgements

We reviewed the appropriateness of accounting estimates and judgements, including the consistency of assumptions and degree of prudence reflected in the accounting records. There were no matters arising.

Going concern

We considered material uncertainties related to events and conditions that may cast significant doubt on the Charity's ability to continue as a going concern. There were no matters arising.

Trustees' Annual Report and Strategic Report

We reviewed the Trustees' Annual Report and Strategic Report to ensure consistency with the financial statements, and to ensure that all necessary disclosures have been made. There were no matters arising.

Disagreements

There were no disagreements about matters that, individually or in aggregate, could be significant to the Charity's financial statements or our auditor's report. We are required to report to the Trustees any such matters, whether they have or have not been resolved and the significance of these matters.

Significant difficulties

We encountered no significant difficulties during the course of the audit that we feel necessary to bring to your attention.

Significant matters

There were no significant matters arising from the audit that we have discussed, or were subject to correspondence with management which have required us to obtain written representations from management.

Other matters

As part of our audit work we consider the potential effect on the financial statements of any uncertainties, including significant risks and disclosures, such as pending litigation that are required to be disclosed in the financial statements.

Adjusted and unadjusted misstatements

Under the requirement of ISA (UK) 260, we are required to report to you all adjusted and unadjusted misstatements, with the exception of those deemed to be 'clearly trivial'.

Below sets out the misstatements identified as part of this year's audit.

Audit adjustments agreed with management

		Effect on net income
	£	**£**
Surplus per Sage		49,777
Investment revaluation movement	54,117	(54,117)
Fixed asset revaluation movement	274,999	(274,999)
Write off duplicated invoice for MBC	12,736	(12,736)
Write off irrecoverable VAT from control account	18,099	(18,099)
Reanalysis of costs from prof fees to repairs/maintenance	4,744	-
Reanalysis of 2/9ths owed to MBC re golf club	38,642	-
Reanalysis of income from licences to car park	19,200	-
Revised surplus/(loss)		**(310,174)**

All journals noted above have been processed through the financial statements.

Unadjusted items

		Effect on net income
		£
Unadjusted audit differences		
Understatement of Café income (Q4 inv not accounted for)		2,182
Adjustment for overstated loan interest		8,069
Under accrual for UHY fee		(835)
Extra accruals identified		(5,079)
Impact of unadjusted audit differences		**4,337**

It has been agreed with management that the above unadjusted misstatements are immaterial, both individually and in aggregate, and therefore do not necessitate revision to the audited financial statements.

Trustees' representations regarding the non-adjustment of the above unadjusted misstatements will be included in the Letter of Representation.

Recommendations to processes and internal controls

The Charity's management is responsible for the identification, assessment and monitoring of risk, and for developing, operating and monitoring the systems of internal control and for providing assurance to the Board of Trustees that it has done so. During the course of our audit of the financial statements for the year ended 31 March 2023, we examined the principal internal controls which management has established to enable it to ensure, as far as possible, the accuracy and reliability of the Charity's assets.

International Standard on Auditing (UK) 265, *Communicating deficiencies in internal control to those charged with governance and management*, (ISA (UK) 265) requires us to report separately where we identify missing or ineffective controls which, in our judgement, are of sufficient importance to bring to the attention of those charged with governance.

During our work we identified no such weaknesses in controls (described as "significant deficiencies" per the ISA). We have however identified some recommendations for improvement as set out below.

The matters dealt with in this Audit Findings Report came to our attention during the conduct of our normal audit procedures which are primarily designed for the purpose of expressing our opinion on the financial statements of the Charity. In consequence it cannot be relied upon necessarily to disclose possible frauds or other irregularities, or to disclose all possible weaknesses or improvements in internal control that a more extensive special examination may highlight.

Our observations from the audit are set out below together with our recommendations and suggested timescale.

Key to risk ratings:


High

Urgent, potential impact on accuracy of financial reporting


Med

Important and could impact within six months


Low

Less urgent, requires attention

Advisory

1.	PRIOR YEAR: Accounting records information
Observation	The 2021/22 audit was started in July 2022 with the accounts information provided. During the audit process a number of large differences were identified between the accounts and other information provided, mostly relating to bank, debtors and creditors. A new version of the accounts was provided in December 2022 with these corrected, however the balance sheet did not balance by £70k. This difference was discussed with your key management, and after further work by UHY the difference was partially resolved, subject to the inclusion of a £30,000 debtor for accrued income. This £30,000 debtor was written off in the final accounts because there was no justification for carrying it forward, and it did not seem to relate to money that would be received.
Recommendation	We recommended that your internal accounts preparation is streamlined so that the accounts are not prepared from a combination of Sage, Agresso and an accounts spreadsheet. The current approach is causing differences to occur and delays in the audit process. Once you have posted an opening balance journal to Sage to bring the system into line with the 2023 statutory accounts, we recommend that you ensure all transactions for 2023/23, including property and investment revaluations, and also all transactions with Maidstone Borough Council, are posted to Sage. It is important that regular reconciliations are made to the Council's own system to ensure that the "inter-company" balance between CME and MBC is always reflected accurately.
Status in the prior year	 High This has been graded as High because of the importance of ensuring the issues that occurred in 2023 do not repeat in the future.
Status now	***Resolved.*** An opening balance journal was produced by UHY and posted by the client. The trial balance for 2023 was therefore taken from Sage and able to be used as the starting point for the accounts preparation. This meant that the whole audit was able to be performed more efficiently.

Sector developments

Periodic review of Financial Reporting Standard 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)

FRED 82 was published in December 2022 and proposes a number of changes resulting from the second periodic review of FRS 102 and other financial reporting standards.

The proposals for FRS 102 include a new model of revenue recognition and a new model of lease accounting, together with other various incremental improvements and clarifications. In developing FRED 82, the Financial Reporting Council (FRC) has considered changes to International Financial Reporting Standards and other developments in corporate reporting.

The intention behind the changes include more transparent reporting of lease obligations, as well as a clear five-step model for determining the recognition of revenue from all contracts with customers. The changes have been designed to be proportionate to the size and complexity of the entities applying the standard.

The Exposure Draft is currently out for public consultation with comments invited by 30 April 2023. The proposed effective date of the amendments is for accounting periods beginning on or after 1 January 2025.

New Charities SORP (FRS 102)

The Charity SORP making committee is currently in the process of drafting the new SORP and will be required to consider the changes proposed to FRS 102 as a result of the periodic review, highlighted above. It is assumed from the last published minutes of the SORP Committee that the draft SORP will be issued in October 2023 – however this was based on the revised FRS 102 having an effective date of 1 January 2024, and that has now been pushed back to 1 January 2024. It is therefore highly possible that we will not see any consultation of the new Charities SORP until 2024.

We would expect that the new Charities SORP would be effective for accounting periods beginning on or after 1 January 2025.

2023 Charity Commission Annual Return

In February 2023 the Charity Commission published its guide to questions included in the 2023 Annual Return. This iteration of the Return is required to be completed by all charities with financial years beginning on or after 1 January 2023.

New areas being asked on the Return include:

1) Providing a breakdown of income across the classifications specified by the Charities SORP

2) For grant making charities – to provide a breakdown of the categories charities aided such as: individuals; other charities; other organisations that are not charities; whether any of the grant recipients were related parties.

This is to determine financial risk, as if a charity to charity grant-maker was unable to fulfil its grant commitments, this could lead to financial instability in the wider charity sector.

3) Spending outside the United Kingdom
4) Charity addresses

To increase public trust in the charity sector and enhance accountability by ensuring the Commission's Register of Charities is up to date, charities will be asked to confirm whether their address is correct and whether it is the same as their administrative headquarters.

5) Whether property is held on behalf of the charity by Custodian Trustees.
6) The Charity's structure and membership
7) Employees and volunteers

Additional questions will be asked about the types of employees the charity has, including those who are self-employed and on fixed-term contracts. The Charity will also be asked to provide the total spend on employee payroll during the financial period.

8) Governance

Charities will be asked to confirm whether they have policies on the following at the end of the financial period of the Return:

- internal charity financial controls policy and procedures
- safeguarding policy and procedures
- financial reserves policy and procedures
- complaint's policy and procedures
- serious incident reporting policy and procedures
- internal risk management policy and procedures
- trustee expenses policy and procedures
- trustee conflicts of interest policy and procedures
- investing charity funds policy and procedures
- campaigns and political activity policy and procedures
- bullying and harassment policy and procedures
- social media policy and procedures
- engaging external speakers at charity events policy and procedures

The Charity Commission expects most charities to have policies and procedures on:

- internal charity financial controls
- financial
- risk management
- trustee expenses
- trustee conflicts of interest
- serious incident reporting policy

It may also be appropriate for your charity to have policies on:

- investing charity funds

- engaging in political activity
- bullying and harassment

9) Safeguarding and risk

Charities Act 2022

The first set of provisions from the Charities Act 2022 came into force on 31 October 2022 after the Act received Royal Assent in January 2022. The Charities Act 2022 is not a consolidating Act and so charities statutory accounts will still refer to the Charities Act 2011.

The provisions now in force include:

- An extended power for charities to pay trustees for providing goods to the charity under certain circumstances (in addition to services, and goods connected to services)
- A reduction in the administrative complexities surrounding fundraising appeals that do not reach, or exceed, fundraising targets (often known as 'failed appeals').
- A new statutory power for Royal Charter charities to change sections of their Royal Charter which they could not previously change, with the approval of the Privy Council.

The next set of provisions came into force on 14 June 2023 and centered around the spending of permanent endowments. Further provisions are expected to come into force by the end of 2023. The full Charities Act can be found at Charities Act 2022 (legislation.gov.uk).

'5 minute' guides

The Charity Commission launched a series of '5-minute' guides which it considers covers a core-syllabus of basics which it expects all trustees to be aware of. These have been launched to help trustees run their charities in line with the law. The guides cover:

- Charity purposes and rules
- Making decisions at a charity
- Managing charity finances
- Managing conflicts of interest in a charity
- What to send to the Charity Commission and how to get help

UHY resources

Charity insights

As part of our commitment to keep our clients informed and up-to-date with the latest developments and ideas in the sector, we have a long-established charities sector blog which covers the latest issues, including any announcements from the Charity Commission, and explains how these issues could affect you. Latest blogs include:

- Framing the work for prosperous Boards
- How passion can help your charity overcome today's challenges
- Updated guidance on managing financial difficulties in your charity

- VAT recovery by charities – time for change?

Visit our insights page to view our latest charity resources. www.uhy-uk.com/insights.

Charity and not-for-profit sector outlook

Our annual Charity Outlook aims to bring you the salient issues relevant to the sector at this time.

Our latest Charity Outlook for 2023/24 was released in May 2023 can be found at www.uhy-uk.com and covered various topics, including:

- Cashless giving
- Increasing financial resilience and sustainability
- Upcoming changes to UK accounting standards
- Charities and the recovery of VAT
- Keeping your charity cyber safe
- What to do if your charity becomes a victim of fraud
- Volunteers, employees and contractors for charities – the legal considerations
- Protecting your charity's reputation

The CEO of ShelterBox, Sanj Srikanthan, also gave us a fascinating insight into the day-to-day issues facing their Charity. ShelterBox have recently completed their time as UHY's National Charity of the Year which was concluded by over 125 UHY team members, friends and family from around the country tackling the 3 Peaks Challenge to raise money for the Charity.