



Elsea Park Community Trust

Report to Management

Audit for the year ended 31 March 2014

	Contents	Page
1	Summary	2
2	Key audit issues	4
3	Taxation	4
4	Post management accounts adjustments	5
5	Unadjusted items	5
6	Systems and controls	5

1 Summary

1.1 Communications required by Auditing Standards

We have audited the statutory accounts of Elsea Park Community Trust (“Elsea”) for the year ended 31 March 2014 in accordance with the terms of our engagement letter. We draw your attention to the following points, as required by auditing standards.

a) Qualitative aspects of the company’s accounting practices and financial reporting

We have no comments to make concerning the qualitative aspects of the company’s accounting practices and financial reporting.

b) Unadjusted misstatements

Section 4 of this report details the agreed adjustments made to the financial statements during the course of the audit. We would welcome your formal confirmation to these adjustments being made.

Section 5 of this report documents potential misstatements identified during the course of the audit. We would welcome your confirmation that you do not wish to adjust the financial statements for these items, together with your reasoning.

c) Material weaknesses in the accounting and internal control systems

As you are aware from our letter of engagement, our audit procedures were directed towards testing the accounting systems in operation upon which we have based our assessment of the accounts. Section 6 of this report contains details of areas which were identified during the course of the audit and our recommendations. It is not intended to be a full list of all potential weaknesses that may be present in your systems. In addition our review for audit purposes will not be as detailed as a dedicated internal audit function.

d) Letter of representation

Appendix 1 to this report contains our proposed letter of representation which we will request from you prior to issuing the final accounts. We would be grateful if you could review this letter and let us know if there are any areas you wish to query.

We will require the letter of representation to be signed by all of the directors responsible for the financial governance of the company. Alternatively, we will require a copy of the board minute which documents the directors’ consideration and acceptance of its contents.

e) Expected modifications to the auditor’s report

Subject to receiving all the remaining confirmations, we do not propose to modify the audit report.

1.1 Communications required by Auditing Standards continued

- f) Other matters required by Auditing Standards to be communicated

There are no other matters that we are required by auditing standards to communicate to you.

- g) Other relevant matters relating to the audit

We provide accounting and taxation services to the company in addition to acting as auditors. We wish to confirm to you that in our opinion the provision of such services does not affect our independence as the additional services provided are of a routine compliance nature and the Board takes any decisions where judgement is required. For the current year, both the financial statements and tax computations have also been subject to review by staff independent of the audit team.

1.2 Outstanding matters

We draw your attention to the following information which is outstanding or requires your judgement. These items will need to be cleared prior to issuing final financial statements.

1. Signed copy of the Letter of Representation;
2. Discussion of the points raised in Section 2 below – see comments now included; and
3. Successful Completion of our work on Going Concern and Post Balance Sheet Events.

1.3 Conduct of the audit

We would like to take this opportunity to thank Rebecca Jones for her help and assistance during the audit, which was gratefully appreciated.

1.4 Purposes of the report

Please note that this report has been prepared for the sole use of Elsea. It must not be disclosed to third parties, quoted or referred to, without our prior written consent. No responsibility is assumed by us to any other person.

2 Key audit issues

The following areas are considered to be the key audit issues that arose during the year, and should be reviewed by management to ensure that these conclusions are in accordance with their understanding. The main issues arising are in relation to the accounting systems and have been recorded in Section 6 below.

2.1 Going concern

We are aware of the importance to the trust of continuing as a going concern.

As part of our audit work, we have obtained a copy of the budget for 2014 / 2015 which shows a small surplus expected for the year. As always envisaged, the trust will continue to generate sufficient income to be able to cover the costs of running the Centre.

Accordingly, we agree that no additional disclosures are included in the financial statements.

2.2 Aged debtors

The financial statements show trade debtors of £20,023. Approximately £19,000 of this balance is unpaid annual community charges for which there is a legal obligation for payment. We acknowledge that due to the nature of the majority of debtors, it is not prudent to make provision against debtors. However, we wish to highlight the trust's exposure as at the year end, which we noted is lower than the previous year.

A meeting to discuss the key points above was held between Matthew Johnson of Streets and Angela Bailey (Chairman), Barry Cook (Trust Manager), Rebecca Jones (Finance Officer), and from Elsea Park Community Trust. During the meeting:

Explanations were provided for the overspend in 2014 and reasons were given why the trust was considered to be a going concern; and

The aged debtor situation was noted. It was pointed out that the number of properties had also increased and therefore the percentage of debtors outstanding had been significantly reduced in comparison to the previous year.

3 Taxation

The draft corporation tax computation has been based on the previous year where only bank interest receivable was subject to corporation tax. We have not been informed of any changes to the trust's corporation tax position during the year. Please could you advise, and provide documentation where necessary, if it has been agreed that the trust is exempt from Corporation Tax?

The draft tax computation shows £4.60 as due to HM Revenue & Customs which has been included in the draft accounts.

4 Post management accounts adjustments

The reconciliation below provides details of the agreed adjustments made during our audit:

	Assets Increase / (Decrease)	Liabilities Increase / (Decrease)	Surplus / (Deficit) Increase / (Decrease)
Deficit per the Client Sage Backup			(10,545)
Depreciation Charge per the Registers	(37,357)		(37,357)
Agreed FA Addition Adjustments	574		574
Agreed Prepayment of Insurance	1,611		1,611
Purchase Ledger Debit Balance – Invoices Posted		74	(74)
Agreed Audit Accrual		4,250	(4,250)
Invoice for 2014 / 2015 Deferred		229	(229)
C\Note for Invoice in April 2014 Posted March	(46)	(275)	229
PAYE on Additional December Pay		228	(228)
Corporation Tax Charge		5	(5)
Agreed Audit Adjustments	(35,218)	4,511	(39,729)
Deficit per the Accounts			(50,274)

5 Unadjusted items

During the audit there were no non-trivial potential adjustments identified. Trivial errors are considered to be those less than £1,500 in value.

6 Systems and controls

As part of our audit we are required by auditing standards to review the main systems and controls operated by the company, and report any weaknesses to those charged with governance. Our procedures are designed primarily with a view to the expression of an opinion on the accounts. Our comments cannot therefore be expected to include all possible improvements in the internal controls that a more extensive review might identify.

1. VAT – an invoice was posted during the financial year backdating charges to 2003 due to a late receipt. This invoice was posted T9 as exempt when some of the charges relate to when the entity was VAT registered. An estimate of the VAT due was reached with Rebecca at £70. Whilst this is not material to the accounts and we do not recommend adjustment, may we advise that the exact amount due to HM Revenue & Customs is calculated and paid over on the next available VAT Return?

We also identified that unreconciled VAT transactions were not included on the March 2014 VAT Return. Would you ensure that all transactions are included on the next return?

2. Sales and Purchase Ledger Control Accounts – both the aged debtors and aged creditors report obtained from Sage Line 50 did not agree to the nominal ledger - £944 for debtors and only £9 for creditors. As the differences were not considered material, they have not been investigated. May we advise that you ensure that the reports and nominal agree on a monthly basis?
3. Payroll – due to the systems and controls in payroll, the additional PAYE and NIC due in December was not identified. We do note that new systems have been introduced to post by journal rather than invoice which should prevent any issues in the future.

Streets Audit LLP
Tower House
Lucy Tower Street
Lincoln
LN1 1XW

(date)

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of the company for the period ended 31 March 2014.

We confirm that the following representations are made to the best of our knowledge and belief, having made appropriate enquiries of other directors and management with relevant knowledge and experience and, where appropriate, inspection of supporting documentation sufficient to satisfy ourselves that we can properly make each of the following representations to you:-

- 1) We have fulfilled our responsibilities as directors under the Companies Act 2006 for the preparation of financial statements that give a true and fair view and for making accurate representations to you as auditors, as set out in the terms of the audit engagement.
- 2) We confirm that all accounting records have been made available to you for the purpose of your audit and that all transactions undertaken by the company have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and shareholders' meetings, have been made available to you. The financial statements are free from material misstatements, including omissions.
- 3) We confirm that the company had no liabilities or contingent liabilities other than those disclosed in the financial statements. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you.
- 4) We confirm that there have been no events since the balance sheet date which require disclosing or which would materially affect the amounts in the financial statements, other than those already disclosed or included in the financial statements.
- 5) We confirm that the company has had, at no time during the period, any arrangement, transaction or agreement to provide credit facilities for directors, nor to guarantee or provide security for such matters, except as disclosed in the financial statements.

- 6) We confirm that all related party relationships and transactions have been appropriately accounted for and disclosed in the accounts in accordance with UK GAAP that we have disclosed to you the identity of all related parties and transactions with them relevant to the company; and that we are not aware of any further related party matters that require disclosure.
- 7) We confirm that the company has not contracted for any capital expenditure other than as disclosed in the accounts.
- 8) We confirm that there are no companies associated with this company for tax purposes

We understand that companies are associated for tax purposes if they are under the control of the same person or persons. We also understand that for this purpose a person might be treated as one and the same person as: a close relative; or a business partner; a trustee of a settlement of which the person or a relative was the settler; and any company in which any of these is also a shareholder, if the two companies are substantially commercially interdependent.

- 9) We confirm that there are no laws or regulations that are central to the company's ability to conduct its business, and the company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
- 10) We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud. We confirm that we have disclosed to you the results of our own risk assessment that the financial statements may be materially misstated as a result of fraud.
- 11) We confirm that there have been no irregularities involving management, employees who have a significant role in internal control, or others where the irregularity could have a material effect on the financial statements, other than as has already been disclosed to you. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- 12) We confirm that in our opinion the company's financial statements should be prepared on the going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the company's needs.
- 13) We acknowledge that there were no non-trivial misstatements identified during the course of your audit. We can therefore confirm that we believe the effects of all the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and therefore would like them to remain unadjusted.
- 14) We have reviewed the list of proposed journal adjustments attached to your report to management. We agree that these adjustments are required to ensure that the financial

statements present a true and fair view and have been allocated in accordance with our accounting policies.

- 15) We acknowledge the weaknesses in our systems and controls highlighted during the audit and we will implement the changes agreed with you, where applicable.
- 16) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 17) We have not received any reports in respect of fraud and error from the service organisations other than those that have already been notified to you.
- 18) We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that:
 - so far as each director is aware, there is no relevant audit information of which you are unaware; and
 - each director has taken all the steps they ought have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Signed by:-

ORIGINAL SIGNED
The signed copy is held in the Trust Office
and can be viewed upon request.

Director

Date