



Folkestone Parks and Pleasure Grounds Charity

Audit Findings Report
For the year ended 31 March 2020

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Strictly Private and Confidential

The matters raised in this Report to the Board are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for and is not intended for any other purpose.

Introduction

Folkestone Parks and Pleasure Grounds Charity

Purpose of this report

The purpose of this report is to bring to your attention the salient points which have arisen from our audit of the financial statements of the Charity for the year ended 31 March 2020.

This report provides an update to the matters raised in our Audit Service Plan, which was provided to you on 29 October 2020 together with any other matters that arose during the course our audit work.

Audit scope

Our terms of engagement are set out in our engagement letter dated 15 October 2019. That letter sets out our audit responsibilities and their limitations and the responsibilities of the Trustee in relation to the financial statements.

Our Audit Service Plan set out in detail the key issues and risks identified at the planning stage and our related planned audit responses. It also explained that our audit approach concentrates on areas of material risk of misstatement in the financial statements to allow us to reach our opinion in accordance with auditing standards.

Communication with those charged with governance

International Standard on Auditing 260 “Communication of audit matters with those charged with governance” (“ISA 260”), is an auditing standard designed to ensure that there is effective two-way communication between auditors and those charged with governance of the Charity. In the context of ISA 260 “those charged with governance” means the representatives of the Corporate Trustee, Folkestone and Hythe District Council.

Matters relating to the planning, conduct and results of the audit are communicated to those charged with governance of the charity on a sufficiently prompt basis to enable the recipients to take appropriate action. During the audit, regular communications were made by us to Cheryl Ireland.

Audit independence

In accordance with the requirements of ISA 260 and the UK Ethical Standard issued by the Financial Reporting Council (FRC), we confirm the matters set out below.

We discussed the specific threat to you posed by our involvement in the services provided and how we mitigate such threats in our Audit Planning Report. We have not identified any further threats during the audit.

We confirm that: We are auditors of Folkestone Parks and Pleasure Grounds Charity.

The audit is subject to our internal independent quality control procedures, and reviews by the ICAEW as part of their inspections.

We confirm that, in our professional judgment, UHY Hacker Young is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

Should you have any questions relating to the issue of our independence and objectivity, please do not hesitate to contact:

Allan Hickie
t: 01795 475 363
e: a.hickie@uhy-uk.com

Limitations

We have prepared this report for your use within the Charity. It is part of our continuing communication of audit matters with those charged with the governance of the Charity and, accordingly is addressed to the Board.

It is not intended to include every matter that came to our attention. For these reasons, we believe that it would be inappropriate for this report to be made available to third parties. If such a third party were to obtain a copy, we would not accept any responsibility for any reliance that they might place on it.

UHY Hacker Young

5 January 2021

Acknowledgement

We wish to thank all staff for their helpfulness and co-operation during the course of the audit process.

Audit status

Audit structure

We have carried out the audit of the Charity. The audit working papers have been reviewed by the audit manager and audit partner. Any significant issues arising during our audit were discussed with Cheryl Ireland and have been included in this report if deemed necessary.

The audit was planned and conducted to concentrate on the high risk areas in the financial statements. The key audit issues arising in these areas are explained further below.

The accounting systems were documented and the controls over those systems evaluated. Using these assessments we designed and conducted detailed tests of transactions and balances.

During our audit we undertook substantive tests of the Charity's financial records and conducted analytical review procedures to compare the Charity's results and year end position with our planning expectations.

The Charity's financial statements were audited and reviewed for compliance with UK GAAP FRS 102, the Charities Act 2011 and the Charities SORP (FRS 102) (second edition).

Current position

The audit of the Charity is substantially complete. All queries arising during the audit were dealt with as the audit progressed. There were no limitations on the scope of our audit work completed to date.

There are, however, at the time of writing some outstanding audit matters which are set out below and which may have an impact on our audit opinion on the Charity's financial statements.

We expect to be able to sign our audit report as soon as practicable after clearing the outstanding matters.

Outstanding audit matters:

Approval of the financial statements on behalf of the Trustee;

Post balance sheet events review to the date of signing the financial statements, including review of the latest minutes and management accounts;

Receipt of signed letter of representation.

Identified key risk areas and our responses

Key audit risks

We have identified the following key risk areas as part of our audit planning processes. During our audit we focused on these areas, in addition to our other normal audit procedures, and we set out below our comments and the results of our testing.

Management override of controls

Explanation of risk

Auditing standards require that the risk of management override of controls should be considered a significant risk for all audit engagements.

Audit response to risk

We will review transactions in the year for unusual items outside the ordinary course of business and test journals raised to ensure that such entries are relevant to the Charity's activities.

Outcome

Audit testing of a sample of nominal ledger entries posted in the year and other significant transactions did not indicate any instances of management override of controls occurring in the accounts.

Revenue recognition and cut-off

Explanation of risk

Auditing standards consider that revenue recognition should be treated as a risk in all audits as it is deemed to be the driving component of the Charity's activities in the year.

The Charity receives from various sources such as donations and legacies, charitable activities and investment income. There is a risk that revenue may not be complete if transactions have not been recorded in the correct accounting period.

Audit response to risk

We will review each income stream, ensuring it is correctly recorded and will consider the specific risks associated with the various income categories. We will also ensure that the revenue has been recorded in the correct accounting period.

Outcome

The results of our audit testing indicate that income has been recognised in the financial statements in accordance with its stated accounting policies.

Other matters

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 Representatives of the Trustee that it has done so. Our audit is tailored to our assessment of the risk of material misstatement, considering the inherent risk of error or fraud and our assessment of the effectiveness of controls in eliminating or reducing those risks.

International Standard on Auditing (UK) 265, *Communicating deficiencies in internal control to those charged with Governance and Management*, (ISA 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). However we have identified some recommendations for improvement as set out in Appendix 2.

In addition to those matters identified during the course of this year's audit, we have also followed up on the status of issues raised in our prior year's Audit Findings Report. Details of these are set out in Appendix 1.

The matters dealt with in this Audit Findings Report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purposes 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 that a more extensive special examination may highlight.

Accounting policies

We have reviewed the accounting policies adopted by the Charity in the preparation of its financial statements and consider that they are appropriate and suitable for the Charity's circumstances.

As required by FRS 102, the Trustee should formally review the Charity's accounting policies and treatments to ensure that they remain the most appropriate to the Charity's circumstances for the purposes of giving a true and fair view.

Significant subsequent events

Other than the possible effect of COVID-19, no significant subsequent events which would require disclosure in the financial statements have been noted to date.

Consideration of fraud

We have discussed fraud with key management. During the course of our work we found no evidence of fraud and corruption. We must emphasise, however, that the responsibility for the prevention of and detection of fraud lies with management, and our work does not remove the possibility that fraud and corruption may have occurred and remain undetected.

It was confirmed
that:

There have been no instances of fraud during the year; and

Those charged with governance of the Charity consider there to be a low risk of fraud occurring.

Summary, adjustments and audit report

Audit adjustments agreed with management

We received the draft accounts for the Charity in accordance with the audit timetable.

No adjustments were identified during the course of our audit which necessitated the financial statements to be revised.

Unadjusted items

Only one unadjusted item was identified in respect of this year's audit, regarding the revaluation of land and buildings included in tangible fixed assets. This arose as the revaluation adjustment was made based on the net book value meaning that depreciation, which had been correctly attributed to the assets in the financial statements, had not been then subsequently cleared out. This is a reclassification journal only and does not have any impact on the carrying value of land and buildings included in the Balance Sheet. The impact would have been to have reduced the depreciation charge for the year by £10,600 and increased the revaluation amount by the same value

Audit report

Subject to the conclusion of the items noted earlier in our Report, we do not expect any modifications to our audit report on the financial statements for the year ended 31 March 2020. However, our responsibilities with regard 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.



Remaining timetable



We are in a position to finalise the statutory accounts subject to the outstanding matters noted on page 3 of this report.

Appendix 1

Recommendations to processes and internal controls raised in the prior year

Below details the matters that were brought to your attention as part of our previous year's audit and advises whether any further action is required:


1. Cash sales East Cliff Sports Pavilion	
<p>Observation</p>  <p>Med</p>	<p>Our testing of the East Cliff Pavilion income identified that the cash collected from sales of pitch and putt/ bowls tickets is open to manipulation.</p> <p>With the current system in place, it is fully reliant on tickets being issued to all customers that partake in the activities that are on offer. There are no controls to identify if cash has been collected and a ticket not issued.</p> <p>As part of our audit work, we checked to see if the closing ticket numbers on the Waybill for the last day of the season tallied with the opening ticket numbers for the opening weekend of the season in April 2019. There were discrepancies which could not be explained.</p> <p>Our review of the income received for the year against the budgeted income has not highlighted any significant variances, therefore we have not rated this as a high risk item.</p>
<p>Recommendation</p>	<p>We noted from a review of the internal audit report dated 17 September 2019 that there were considerations of the possibility of providing credit card payment facilities at the pavilion. This would help to reduce the risk surrounding the handling of cash, we therefore recommended that the credit card facility be considered further.</p> <p>The matter regarding the ticket numbers was discussed with the Grounds Maintenance Technician responsible for the collection of cash from, and the provision of tickets to the pavilion. At the close of the season, all unsold tickets for all activities on offer will be collected from the pavilion and stored at the Civic Centre until the start of the new season</p>
<p><i>Follow up comments and status of issue.</i></p>  <p>Med</p>	<p><i>During the current audit, it was noted that the opening ticket numbers for the 19/20 season did not tally with the closing ticket numbers for the 18/19 season.</i></p> <p><i>In addition, during our testing, it was noted on one of the Waybills reviewed that there was a difference between the cash takings and the calculated income due to an incorrect ticket being issued for the activity being paid for.</i></p> <p><i>We continue to recommend that a credit card payment facility is explored further. In addition, we recommend that care is taken to ensure that all tickets are securely stored at the end of the season to ensure that no tickets are lost or misappropriated.</i></p> <p><i>This recommendation was discussed with Cheryl Ireland at the audit clearance meeting on 17 December 2020 and we were advised that card machines have been ordered and are expected to be in place from April 2021.</i></p>

2. Deposits	
Observation  Low	<p>Our testing of income identified that deposits received from customers for miscellaneous lettings are recorded within the income nominal code. When the deposit is returned, it is then debited to the income nominal code.</p>
Recommendation	<p>Income should only be recognised by the charity when the revenue recognition criteria as set out in the accounting standard FRS102 have been met. As such, deposits should be recognised on the balance as creditors until the point they are either repaid to the customer, or circumstances arise where the deposit is no longer repayable.</p>
<i>Follow up comments and status of issue.</i>  Low	<p><i>There has been no change in how deposits are recorded, we continue to recommend that deposits are recognised within creditors.</i></p> <p><i>We understand from our discussion with Cheryl Ireland at the audit clearance meeting on 17 December 2020 that deposits have been recorded within creditors in the 2020/21 financial year.</i></p>

Appendix 2

Recommendations to processes and internal controls

We wish to draw your attention to the following matters that arose during the course of our audit of the Charity's accounts for the year ended 31 March 2020.

1. FilmFixer income admin charges	
Observation 	Our review of miscellaneous income identified that admin fees had been offset against the income received from FilmFixer during the year, resulting in income and admin fee expenses being understated.
Recommendation	The amounts involved are considered to be trivial in value, therefore no amendments have been made to the financial statements. We do however recommend as best practice, that income is recognised in full and associated costs, such as admin fees are charged to an appropriate expenditure account.
<i>Management response</i>	<i>We will look to record the gross income and expenditure relating to activities in the ledger going forward.</i>

Appendix 3

Key to risk ratings

Throughout the report the following risk ratings are used:



Serious concern

Where action needs to be taken to ensure this risk is managed - such as:

High

- where there is potential for significant impact on operational performance;
- a major failure of your internal control processes and/ or imminent risk to charitable funds;
- significant monetary or financial statement impact; or
- breach in laws and regulations that could result in material fines or consequences.



Medium concern

Less significant failure of internal control processes or the other bullet points listed under High Risk, but where the finding would have only a moderate impact.

Med



Low level concern

Minor issues relating to immaterial items or more isolated failures where little on-going risk arises.

Low



Advisory

This point has been raised merely to bring something to your attention, for example to highlight areas of inefficiencies or good practice, or forthcoming changes in legislation.