

Audit Findings report

Folkestone Parks and Pleasure Grounds Charity

Year ended 31 March 2021



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The matters raised in this and other reports that will flow from the audit 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.

01 Introduction

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 Folkestone Parks and Pleasure Grounds Charity ('FPPGC') ("the Charity") for the year ended 31 March 2021.

This report provides an update to the matters raised in our Audit Service Plan dated 23 November 2021, 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.

This report provides an update to matters which arose during the course of our audit.

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 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

Audit scope

Our terms of engagement are set out in our engagement letter dated 15 October 2019. This sets out our audit responsibilities and their limitations and the responsibilities of the Corporate 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 the 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.

Confidentiality and limitations

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

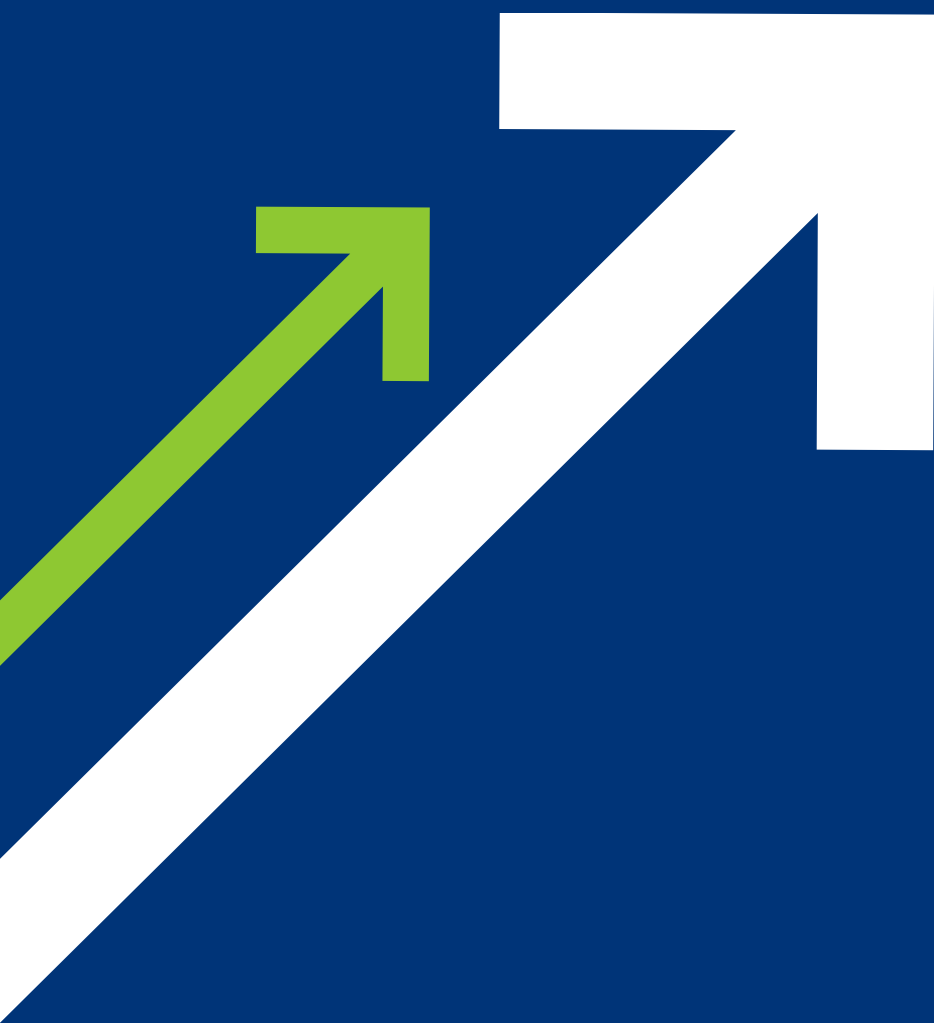
- This report has been prepared for the sole use of the FPPGC;
- The contents of this Report must not be disclosed or quoted to third parties, in whole or in part, without our prior written consent;
- We assume no responsibility to any other person;
- Our procedures are carried out solely for the purpose 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.

Acknowledgement

We have received full co-operation from all the finance staff. We wish to thank in particular Patricia Phillipson, as well as the wider team for the helpfulness and co-operation during the course of the audit process.

Section 02

Audit status



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02 Audit status

Our work was carried out in accordance with our audit plan communicated to you in our Audit Service Plan dated 23 November 2021.

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:

- Related party questionnaires;

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 the following specific representations;

- Land and buildings being in the name of the Corporate Trustee
- Confirmation of the valuation of land and buildings, including the coastal parks that were previously treated as heritage assets.

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 2021. 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.

Our audit report is required to explicitly comment upon the extent to which our audit was directed to detect irregularities, including fraud:

Consideration of fraud

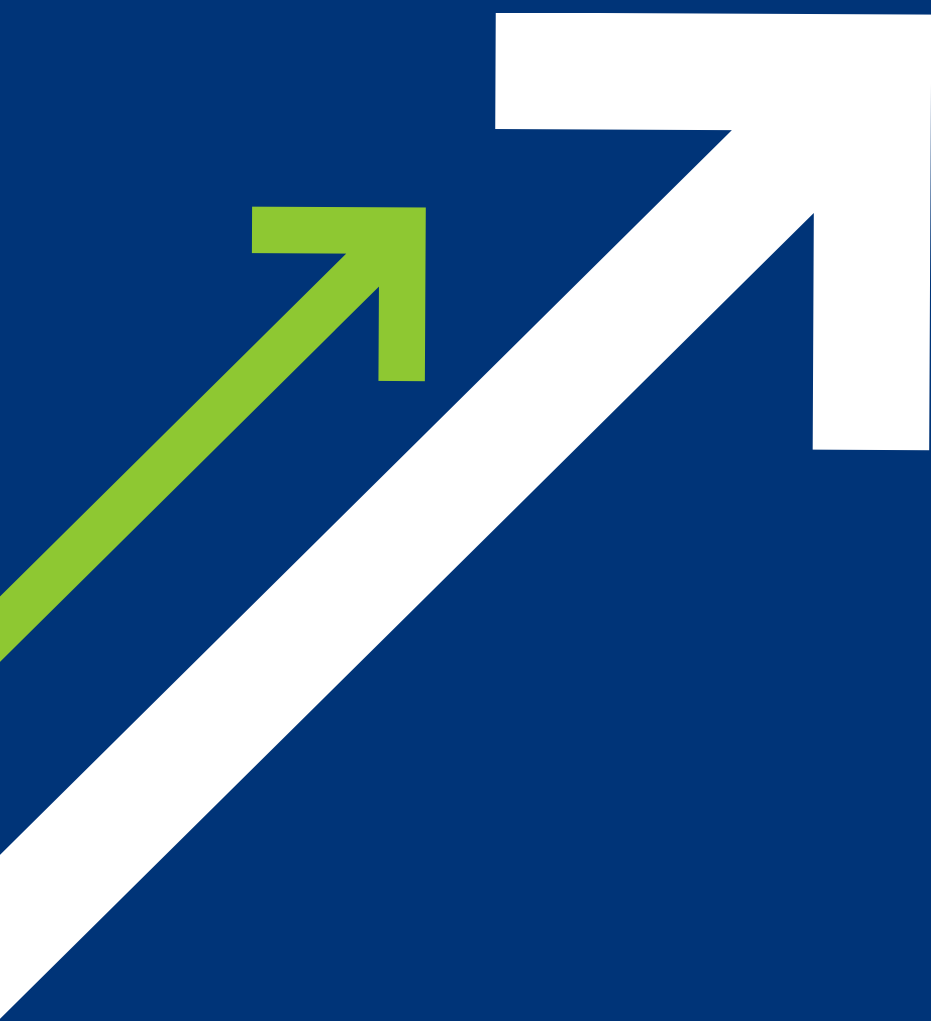
During the course of our work we found no evidence of fraud and corruption. We must emphasise, however, that the responsibility for the prevention of and detection of fraud lies with management, and our work does not remove the possibility that fraud and corruption may have occurred and remain undetected.

Laws and regulations

We are not aware of any significant incidences of non-compliance with laws and regulations.

Section 03

Significant matters



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03 Significant matters

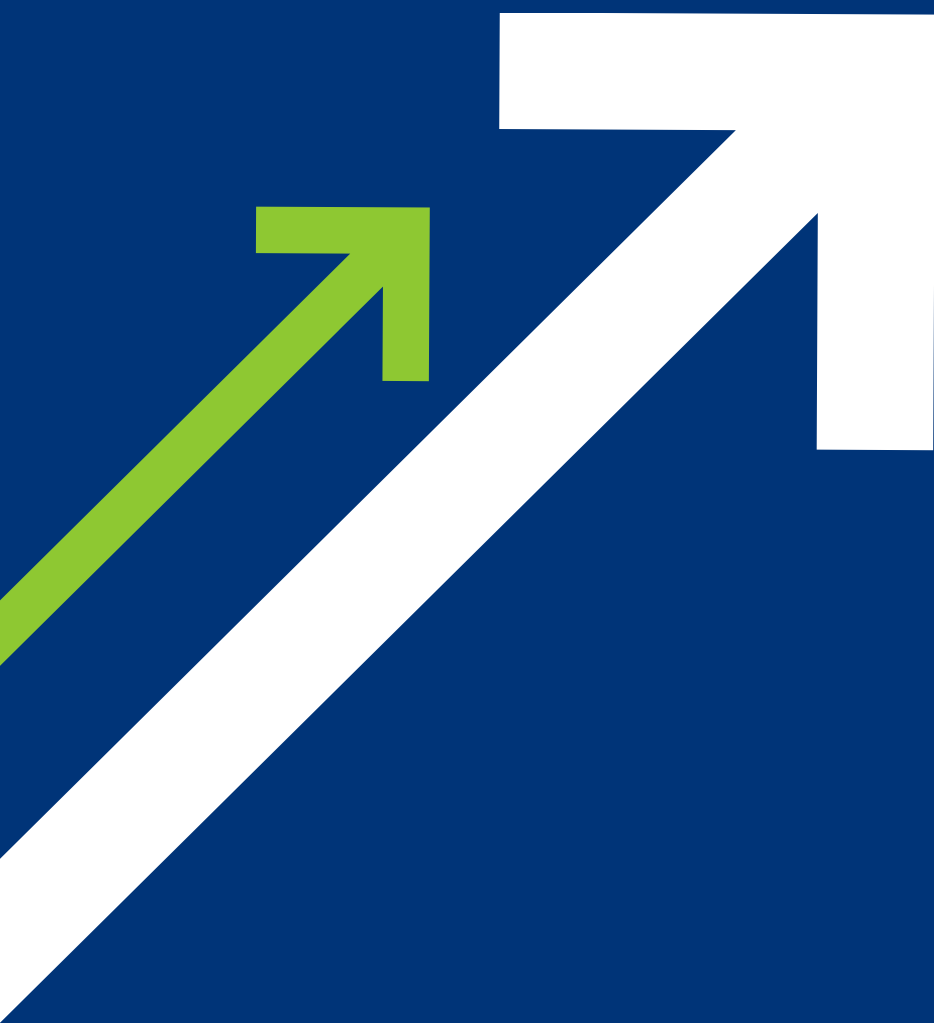
Significant matters, as identified in our Audit Service Plan:

Risks identified in Audit Service Plan	Planned audit response	Comments
<p>Revenue recognition</p> <p>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.</p> <p>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.</p> <p>The Charity’s accounting policies for income should follow the criteria set out in FRS 102 and the Charities SORP.</p>	<p>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.</p>	<p>Conclusion: We found no significant or reportable adjustments based on the work performed.</p>

Risks identified in Audit Service Plan	Planned audit response	Comments
<p>Management override of controls</p> <p>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.</p>	<ul style="list-style-type: none"> • Consider key accounting policies and whether they are appropriate to the circumstances of the group and consistent with other organisations in the sector. • Review journals during the year and confirm they are reasonable, adequately supported and accurate; • Enquire of individuals involved in the financial reporting process about any inappropriate or unusual activity relating to the processing of journal entries and other adjustments; • Evaluation of management processes for setting accounting estimates; and • Incorporate an element of unpredictability into the timing and extent of testing. 	<p>We have:</p> <ul style="list-style-type: none"> • Documented the processes regarding the posting of journals and formulation of key estimates and assessed the design and implementation of those controls. • Assessed 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. <p>Conclusion: We found no indication of management bias or significant transactions outside the normal course of business.</p>

Section 04

Going Concern



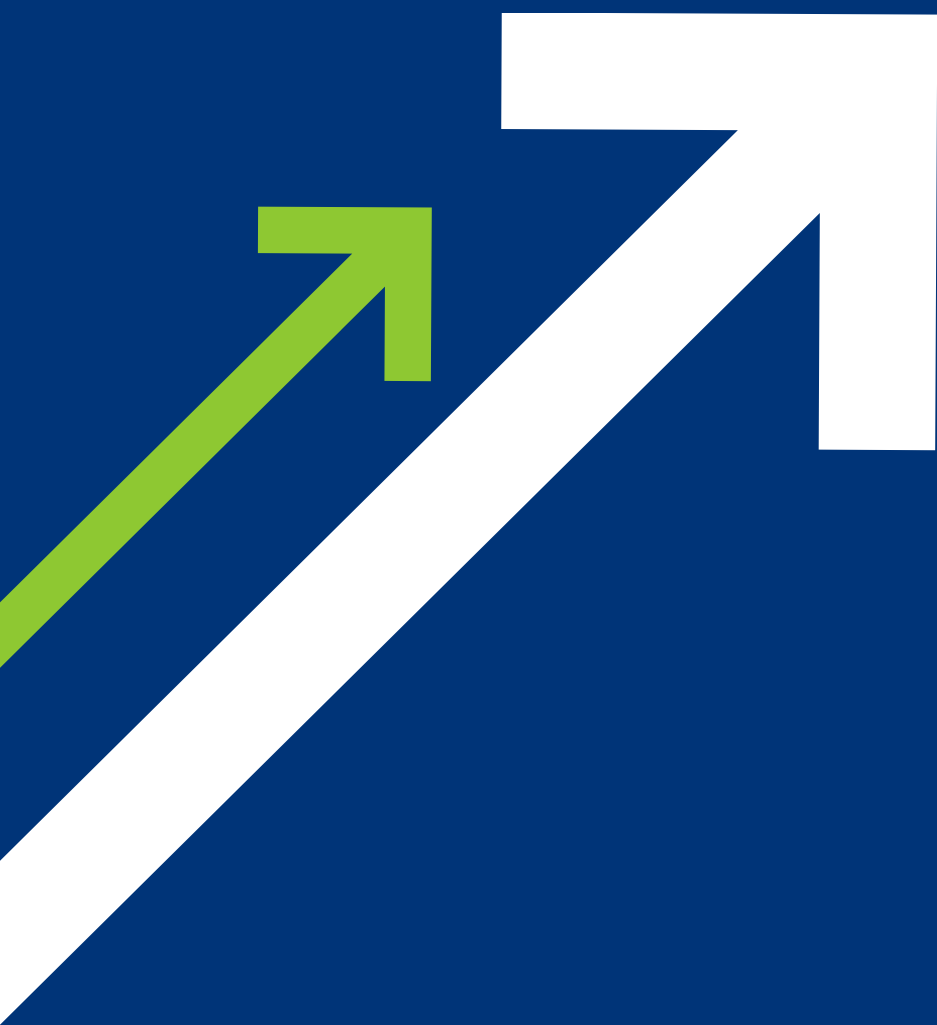
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04 Going concern

Management's assessment	<p>Management were to evaluate whether the Charity is trading as a going concern.</p> <p>Management were required to provide a budget up to 2023 which confirmed their assessment of the going concern principle.</p>	<p>We inspected the budget provided by management, checking that the assumptions made were reasonable and that the calculations were accurate.</p> <p>Conclusion: We concur with management's assessment that the going concern principle is applicable.</p>
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Section 05

Other matters (non-significant risks)



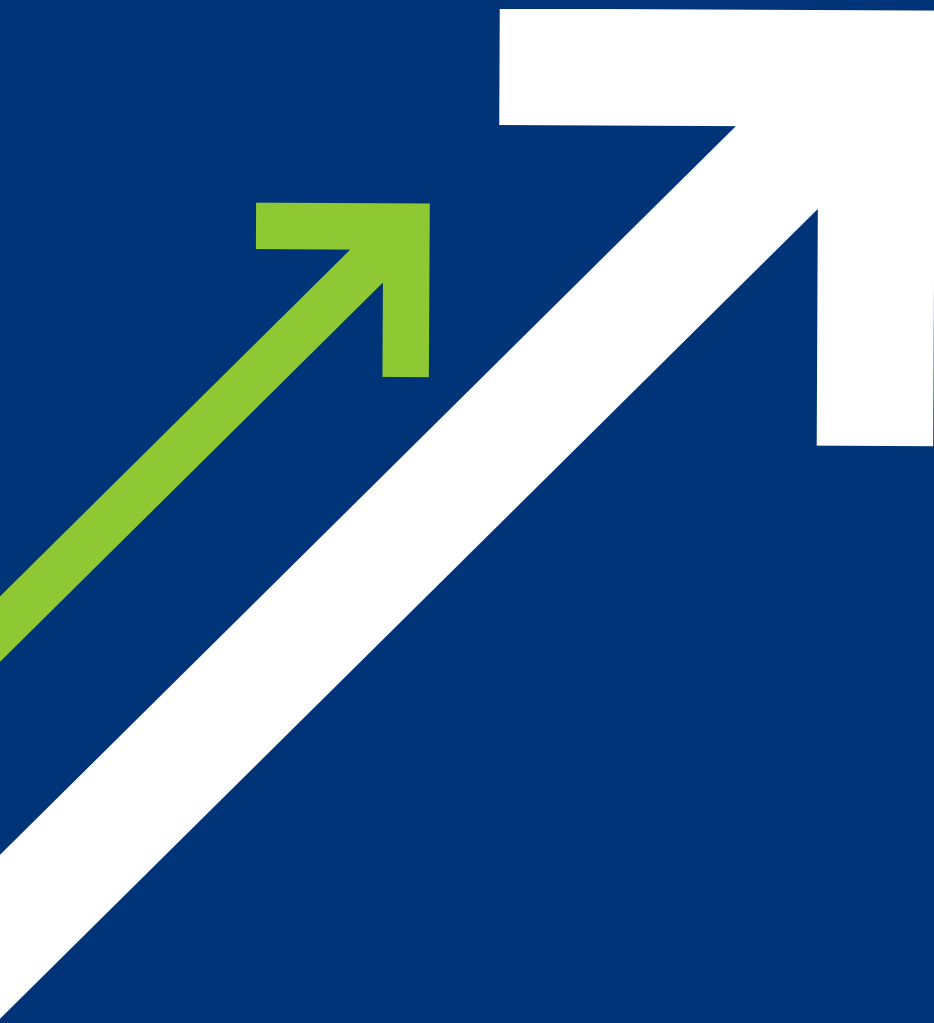
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05 Other matters (non-significant risks)

Other Risks identified in our Audit Service Plan	Planned audit response	Comments
<p>Related party transactions</p> <p>Work is required to ensure that related party disclosures are correctly made in accordance with both the Financial Reporting Standard 102 (“FRS 102”) and the Charities SORP.</p>	<p>We planned to review completed questionnaires, issued by UHY, and other external sources of information such as Companies House and the Charity Commission to identify any potential related party transactions requiring disclosure.</p>	<p>No additional related party transactions were highlighted, on review on questionnaires.</p> <p>Conclusion: Related party transactions are considered complete and accurately disclosed in accordance with UK Generally Accepted Accounting Practice (UK GAAP).</p>

Section 06

Accounting practices and financial reporting



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06 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.

Trustees' Report

We reviewed the annual trustees' 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

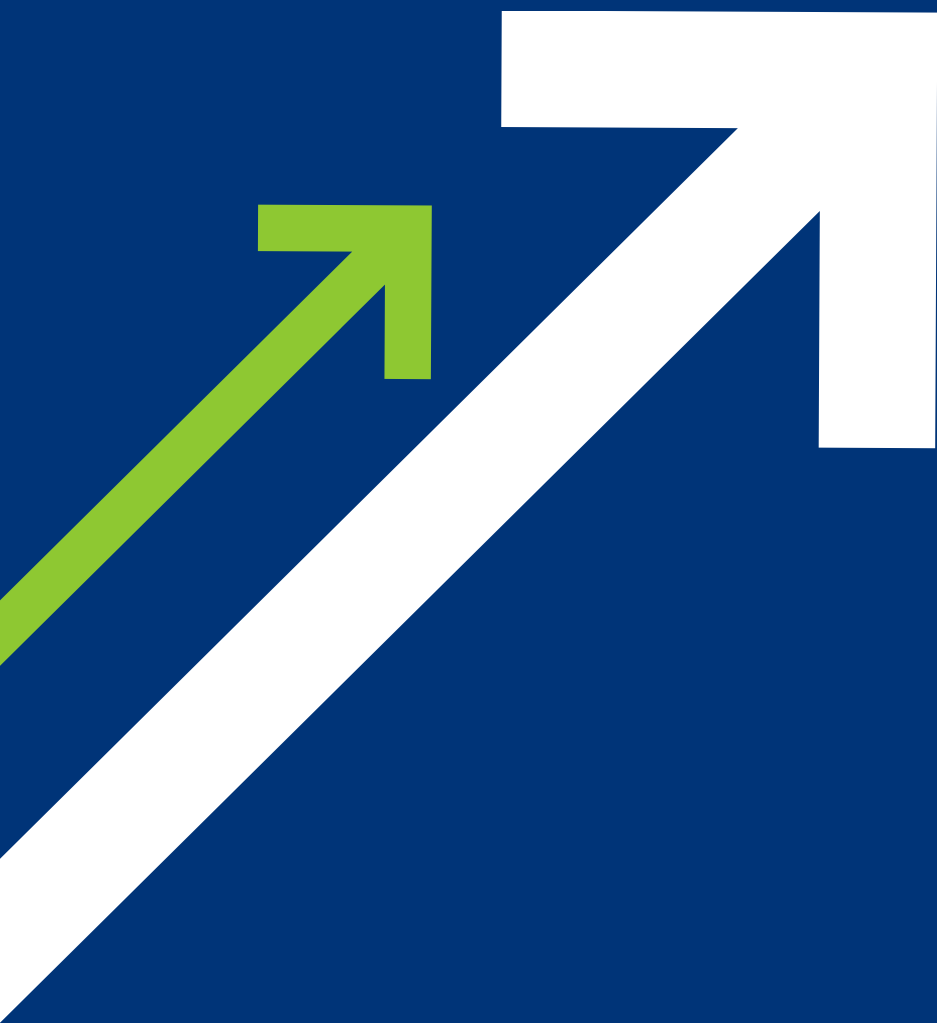
There were no significant matters arising from the audit that we have discussed, or were subject to correspondence with management which have required us to obtain written representations from management.

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. There were no matters arising.

Section 07

Audit adjustments



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07 Audit adjustments

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

During the course of the audit, we identified no adjustments which necessitated the statutory financial statements to be revised.

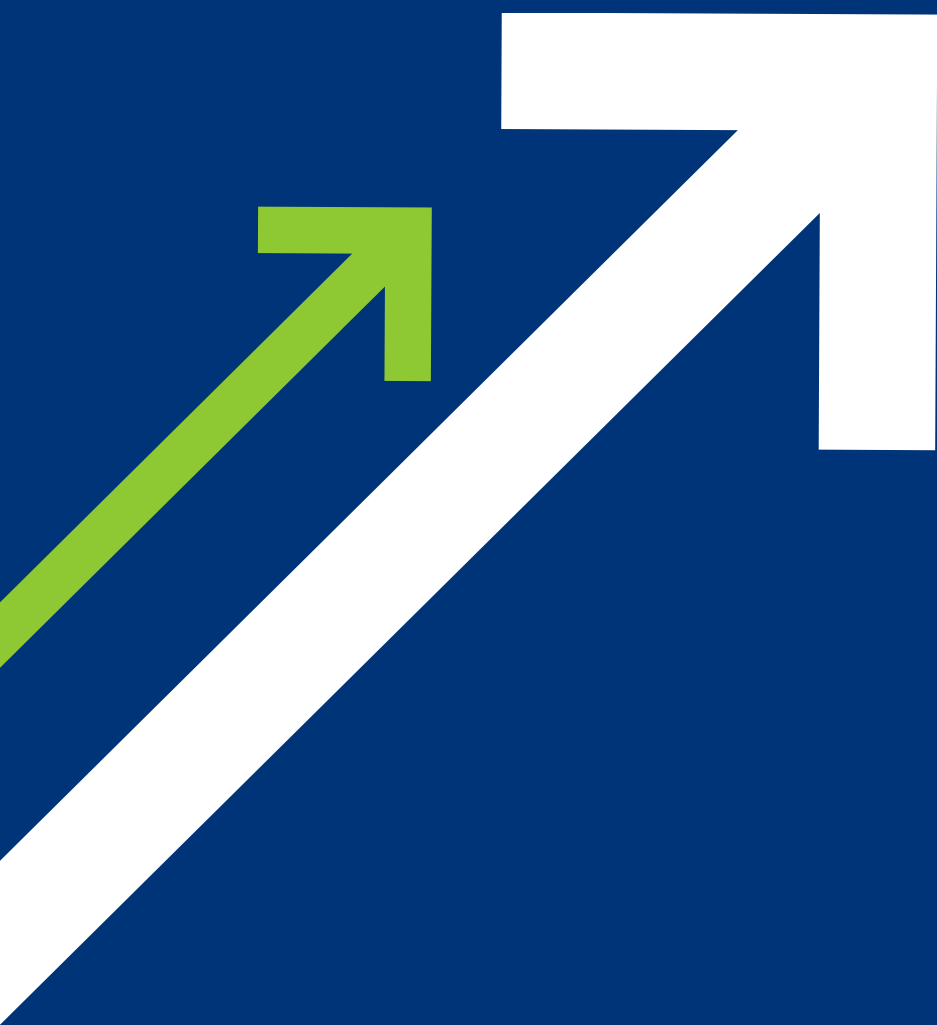
Unadjusted items

During the course of the audit, we identified no potential adjustments.



Section 08

Recommendations to processes and internal controls



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08 Recommendations to processes and internal controls

Management's responsibilities

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 Corporate Trustee that it has done so. During the course of our audit of the financial statements for the year ended 31 March 2021, 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.

Auditor's responsibilities





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:

			
Less urgent, requires attention	Important and could impact within six months	Urgent, potential impact on accuracy of financial reporting	Advisory

Follow up of previous year's recommendations

The following matters were raised as part of the previous year's audit.

1. Cash sales East Cliff Sports Pavilion	
Prior year observation	<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>
Prior year recommendation	<p>It was recommended 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.</p> <p>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.</p>
Prior year Management response	<p>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.</p>

Priority now 	<p>During the year the ticket numbers tested were sequential and total banking was in line with weekly taking sheets.</p>
Current year recommendation	<p>As above, this should be more efficient for 2021/22 and card machines are now being used.</p>
Current year Management response	

We can confirm the following prior year recommendations following the conclusion of the 31 March 2020 audit have been resolved:

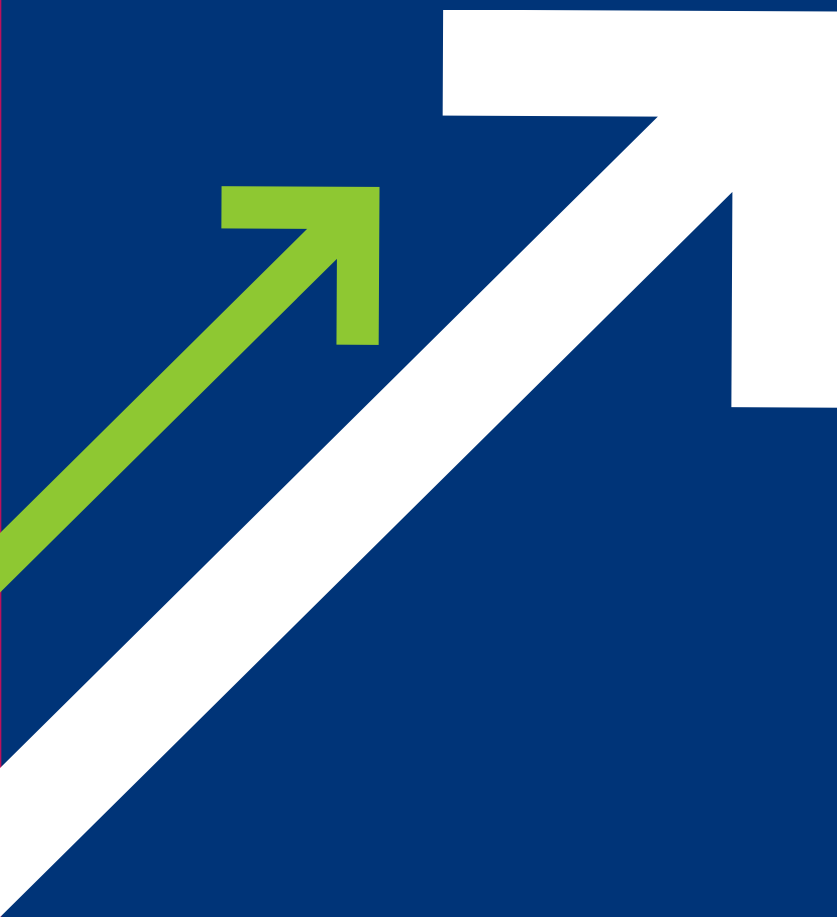
- Deposits are now recorded correctly.
- Income admin charges are now being spilt out correctly.

Recommendations made following the audit for the year ended 31 March 2021

There were no issues highlighted during the audit.

Section 09

Sector developments



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

FRS 102 is subject to a periodic review at least every five years. The last periodic review, the Triennial Review 2017, was completed in December 2017 with an effective date of 1 January 2019.

The Financial Reporting Council has now commenced its next periodic review of FRS 102 and issued its request for views on 23 March 2021. A part of this process is seeking views from stakeholders on areas that might be considered as part of the review. This may include new issues or transactions that should be addressed, or other suggestions. The review will consider recent developments in financial reporting and relevant developments in the wider reporting framework.

New Charities SORP (FRS 102)

The establishment of the new Charities SORP engagement process in the context of a global pandemic understandably led to a delayed start. The process is now fully underway with the Committee currently in the “reflection” phase of their timetable. It is during this phase that the Committee consider how well the Charities SORP, and accounting standards, meet their identified need and identify areas for change and potential solutions to effect beneficial change.

Following completion of this phase, the Committee will need to enter into a problem solving phase before drafting the new Charities SORP, based on the exposure draft of FRS 102 following its own periodic review as the new FRS 102 is a critical factor on the timing of the new Charities SORP process.

Public consultation of the new Charities SORP is expected between July 2022 and July 2023 with the SORP expecting to be finalised and published between October 2022 and January 2024. The intention is that the new Charities SORP would be effective for accounting periods beginning on or after 1 January 2024.

The future of Charity financial reporting

In May 2021 the Charity Commission for England and Wales (CCEW), the Charity Commission for Northern Ireland (CCNI) and the Office of the Scottish Charity Regulator (OSCR) wrote to the Financial Reporting Council (FRC) in their capacity as the joint SORP making body for charities in the UK. The purpose of this letter was to encourage the FRC to make changes to FRS 102 as a precursor to making a wholesale change to the financial reporting and accounting arrangements for not-for-profit organisations.

FRS 102 is primarily focused at for-profit entities, although some concessions are made to Public Benefit Entities as noted within Section 34 of the Standard.

The intention of the SORP making body is for FRS 102, which underpins the Charities SORP, is to acknowledge the differences in financial reporting required by for-profits and non-profits – particularly in cases when FRS 102 Section 1A highlights financial reporting exemptions that not-for-profits are unable to take advantage of as it contradicts the financial reporting requirements of the Charities SORP.

Other proposed changes arise from the desire to “de-clutter” charity accounts. One such example was the triennial review of FRS 102 in 2017, which clarified that comparative information be presented in respect of the preceding period for all amounts presented in the current period’s financial statements. Evidence collected from users and preparers of charity accounts found that additional information included because of this clarification, such as comparative information in respect of a charity’s Statement of Funds, has not proved informative or useful to decision making by users of the accounts.

The letter to the FRC then went further and proposed that the FRC develop a dedicated financial reporting standard for not-for-profits for the UK and Ireland. This would dispense of the need for the users and preparers of non-profit financial statements to refer to two, sometimes conflicting, financial reporting frameworks. This need has been driven to better recognise the charity sector’s reporting realities and to remove the requirement to prepare disclosures which are driven by Companies Act and other legislative requirements. The SORP making body noted that the anticipation of further developments to FRS 102, with capital markets in mind, will undoubtedly increase the number of disclosures and reporting requirements burdensome to the sector, with little or no benefit to the users of charity financial statements.

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:

- Do you have controls for your charity?
- Would your charity benefit from a robust internal audit service?
- Making the most of your Trustees’ Report
- Sourcing skilled Trustees

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

Charity and not-for-profit sector outlook

Our 2020/21 Outlook aims to bring you the salient issues relevant to the sector at this time. We cover a range of topics which take a look at the impact of COVID-19 and discuss what you can do to protect your charity. We also have a fantastic interview with Rita Akushie, Chief Financial Officer at Cancer Research UK, who shares some valuable insights. [2020-21-Charity-and-NFP-Sector-Outlook_0.pdf \(uhy-uk.com\)](#)

