

Audit Completion Report

Farnham Park Sports Fields – year ended 31 Mar 2014

17 September 2014



Strictly private and confidential

Mazars LLP
8 New Fields
2 Stinsford Road
Nuffield
Poole
Dorset
BH17 0NF

The Trustee
Farnham Park Sports Fields
Council Offices
Capswood Business Centre
Oxford Road, Denham
Bucks
UB9 4LH

17 September 2014

Audit Completion Report – Year ended 31 March 2014

We are delighted to present our Audit Completion Report for the year ended 31 March 2014. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and areas of management judgement remain.

We would like to express our thanks for the assistance of Rodney, Jenny and their teams during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 01202 688 420.

Yours faithfully



David I'Anson

Mazars LLP

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This document is to be regarded as confidential to Farnham Park Sports Fields. It has been prepared for the sole use of the Trustee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Before this document, or any part of it, is disclosed to a third party, our written consent must first be obtained

01 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2014 to the Trustee of Farnham Park Sports Fields and forms the basis for discussion at the Audit Committee meeting on 18 September 2014.

Our communication with you is important to:

- Share information to assist both of us to fulfil our respective responsibilities;
- Provide you with constructive observations arising from the audit process;
- Ensure as part of the two-way communication process we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Farnham Park Sports Fields;
- Receive feedback from yourselves as to the performance of the engagement team.

Section 3 sets out internal control recommendations and section 4 sets out audit misstatements; unadjusted misstatements total £682.

Principal conclusions and significant findings

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 3 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum of which the principal ones were:

- Going Concern;
- Management override of controls; and
- Revenue recognition.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2014.

At the time of preparing this report, the following significant matters remain outstanding:

- Confirmation of the nature of the loan agreement between the Charity and SBDC and the classification of the outstanding balance in the financial statements
- Classification of the Sport England grant as restricted income
- Approval of the financial statements by the Corporate Trustee
- Letter of representation signed by the Corporate Trustee

At the time of issuing this report and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, as set out in Appendix B.

02 Significant findings

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 5 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- Other significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

Management override of controls (Mandatory risk)

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

From the work performed, we have not identified any incidences of management override of controls. Journals tested were considered reasonable and could be supported by documentation. The accounting estimates used by the entity are considered to be reasonable and not subject to undue bias or override by management.

Revenue recognition (Mandatory risk)

Description of the risk

There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk on all audits.

How we addressed this risk

We reviewed a sample from each of the various income streams to ensure they had been appropriately recognised within the financial statements. Income was reviewed for any unusual transactions where there could be a manipulation of revenue and appropriate testing was performed.

Audit conclusion

From the work performed we have not identified any instances of deliberate manipulation of revenue.

Going concern

Description of the area of management judgement

Farnham Park Sports Fields are currently showing a net current liability on the balance sheet and a negative net movement in funds on the SOFA. If guarantees are not made by South Buckinghamshire District Council to continue to support Farnham Park Sports Fields it is unlikely that the Charity's operations will be sustainable.

How we addressed this area of management judgement

We addressed this risk by:

- Obtaining written confirmation from the Trustee of its intention to continue to support Farnham Park Sports Fields;
- We reviewed the financial performance of the Charity from the year end date to the date of our audit fieldwork to determine the likelihood of the carried forward funds reducing to zero.

Audit conclusion

We received sufficient, appropriate evidence from management showing the future expectations of FPSF and compared them to prior results to determine the reliability of the budgets produced. From this work, the forecasts shown have been deemed to be reliable and show that the charity is expected to return to profitable conditions by 2015/16, although it may take a while longer before the balance sheet returns to a net asset position. We have seen written confirmation from South Bucks District Council as the sole corporate trustee confirming their intended, ongoing support for the charity and that a recovery plan would be put in place were FPSF's unrestricted funds ever to reduce to zero. It was also confirmed that were the charity unable to pay the interest on the loan facility, SBDC would not default.

Other significant matters discussed with management

Loan with SBDC

No formal loan agreement has been drawn up between the council and FPSF for the £1.98m loan provided for the redevelopment of the Golf Course Clubhouse. We have seen documentation of a loan proposal referring to that was agreed at a Cabinet on 7 February 2012, but this proposal has never been set out in a legal agreement, as the proposal said would happen.

The loan is currently being recognised in the balance sheet entirely as a current liability on management's assumption that as no formal agreement exists, the loan is effectively repayable on demand. As SBDC is Corporate Trustee and issuer of the loan, we request that SBDC confirms its understanding as to whether or not in substance the loan is given in line with the terms set out in the Proposal documentation and that the production of a legal agreement is a mere formality. Once an answer is received, the loan should be accounted for in accordance with this.

We await resolution of this matter before issuing our audit opinion.

Grant income received from Sport England

Grant income of £150k received for the development of the clubhouse has been correctly recorded as income in the year, but is currently classified as unrestricted income. Our review of the grant terms have led us to conclude that the income is restricted in purpose, and should be disclosed as such. This amount is currently included in the Summary of Unadjusted Misstatements in Section 4. We do not consider this to be an immaterial adjustment, and should the Trustee approve the financial statements without adjustment being made we would need to consider the impact of this on our audit opinion.

We also note that the terms of the grant require ongoing reporting of the success of the redevelopment scheme to Sport England, and draw this to the Trustee's attention, although there is no indication that non-compliance with the information requirements would result in a request for the grant to be returned.

Accounting policies and disclosures

We have reviewed Farnham Park Sports Fields's accounting policies and disclosures and concluded they comply with the Statement of Recommended Practice (SORP 2005), Accounting and Reporting by Charities, and with the Charities Act 2011.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

03 Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	Nil
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	2 New 1 Old
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1 New

Significant deficiencies in internal control – Level 1

No such items have been identified as part of our audit work.

Other deficiencies in internal control – Level 2

Description of deficiency

With the exception of Simon at the Golf Course, there is a lack of understanding from members of staff as to how the ESP system is used.

Potential effects

There is a much greater risk of the system being manipulated without other members of staff having the appropriate ability to identify and action discrepancies, creating an over valuation and potential misappropriation of assets. The charity would also be left very vulnerable to inaccurate record keeping during periods of absence of if the knowledge was not transferred if the employee left.

Recommendation

Training should be provided to all appropriate members of staff and a manual documented on how to operate the ESP system.

Management response

Description of deficiency

Council recharges are produced each year as part of the budget work based on calculations such as expected staff numbers, number of computers in use . However, there is currently no service agreement between the council and FPSF outlining the basis for these calculations and many recharges are based on estimations.

Potential effects

Despite the recharges being made by the sole corporate trustee, this leaves the charity vulnerable to unexpected changes in the basis of recharges.

Recommendation

A service agreement should be produced between South Bucks District Council and Farnham Park Sports Fields detailing the frequency and basis of calculations, as well as the procedures required to change these.

Management response

Previous internal controls points which are still relevant– Level 2

Description of deficiency

Our audit testing in a number of areas identified expenses of both revenue and capital nature which should have been shown gross, however the expenses have been included net in the Charity's financial statements and the VAT has been reclaimed in error from HMRC by South Bucks District Council.

Potential effects

VAT is reclaimed in error from HMRC by SBDC and expenditure is understated in the financial statements of the Charity

Recommendation

The Charity should ensure that VAT is correctly treated on expenditure and that expenses related to the Charity are not included within Council VAT returns.

Management response

Other recommendations in internal control – Level 3

Description of deficiency

One of the Basil Wyatt clubhouse construction invoices was approved and paid, however no interim certificate could be provided to support the invoice.

Potential effects

Fraudulent, or overcharged, invoices may be approved without the appropriate scrutiny from authorising members of staff leaving the charity under greater exposure to incorrect expenditure.

Recommendation

Staff should ensure that, where possible, sufficient evidence has been provided to support an invoice prior to its approval or payment.

Management response

04 Summary of misstatements

We set out below the misstatements identified during the course of the audit, above the level of trivial, for adjustment. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted Misstatements 2014					
	P&L		BS		Effect on overall result
	Dr	Cr	Dr	Cr	
	£	£	£	£	£
Net outgoing resources before adjustments					(205,000)
1 Cr Accruals and Deferred Income				682	
Dr Charitable Expenditure	682				(682)
Being the actual expenditure cut off error					
2 Cr Intangible Fixed Assets				2,000	
Dr Amounts owed to related parties			1,000		
Dr Endowment Funds B/F			1,000		0
Being an adjustment to correct the rounding errors on opening balances.					
3 Dr Assets under Construction			5,632		
Cr Amounts owed to related parties				5,632	0
Being VAT missed on an addition invoice					
4 Dr Unrestricted funds	150,000				0
Cr Restricted funds		150,000			
Being the reallocation of income grant to restricted funds					
Revised profit after adjustments					(205,682)

Audit Adjustments 2014

	P&L		BS		Effect on overall result £
	Dr	Cr	Dr	Cr	
	£	£	£	£	
Net outgoing resources before adjustments					(205,000)
1 Cr Support Costs - Legal		6,134			
Cr Governance Costs - Legal		6,134			
Dr Support Costs - IT	4,089				
Dr Support Costs - Golf Course Cultural & Youth Services	4,089				
Dr Governance Costs - Cultural & Youth Services	4,090				0
Being the movement of legal recharges back to C&YS and IT - Legal					
2 Dr Assets under Construction			50,641		0
Cr Accruals				50,641	
Being the inclusion of cert 14 and portion of cert 15 to year end date					
3 Dr Assets under Construction			24,512		0
Cr Accruals				24,512	
Being the retention creditor missing from the clubhouse					
4 Dr Assets under Construction			34,367		0
Cr Accruals				34,367	
Being retention creditor missing for architect of clubhouse					
Revised profit after adjustments					(205,000)

Appendix A – Draft management representation letter

Mazars LLP
8 New Fields
2 Stinsford Road, Nuffield
Poole, Dorset, BH17 0NF

Date 18 September 2014

Dear Sirs

Farnham Park Sports Fields- audit for year ended 31 March 2014

This representation letter is provided in connection with your audit of the financial statements for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Charities Act 2006 and the Statement of Recommended Practice (SORP 2005), Accounting and Reporting for Charities.

We confirm that the following representations are made on the basis of enquiries of management and staff 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.

Our responsibility for the financial statements and accounting information We believe that we have fulfilled our responsibilities, as set out in the audit engagement terms, for the true and fair presentation and preparation of the financial statements in accordance with the Charities Act 2006 and the Statement of Recommended Practice (SORP 2005), Accounting and Reporting for Charities.

Our responsibility to provide and disclose relevant information

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the company you determined it was necessary to contact in order to obtain audit evidence.

We confirm as trustees that we have taken all the necessary steps to make us aware, as trustees, of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as we are aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

We confirm that all transactions undertaken by the company have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and shareholders' meetings, have been made available to you.

Accounting policies

We confirm that we have reviewed the accounting policies applied during the year in accordance with the requirements of Charities Act 2006 and the Statement of Recommended Practice (SORP 2005), Accounting and Reporting for Charities and consider them appropriate for the year.

Accounting estimates, including those measured at fair value

We confirm that any significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Charities Act 2006 and the Statement of Recommended Practice (SORP 2005), Accounting and Reporting for Charities.

Laws and regulations

We confirm that we have disclosed to you all those events of which we are aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

We acknowledge our responsibility as trustees of the company, for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

We have disclosed to you:

- all the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the entity involving:
- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

We confirm that all related party relationships, transactions and balances, (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of Charities Act 2006 and the Statement of Recommended Practice (SORP 2005), Accounting and Reporting for Charities.

We have disclosed to you the identity of the company's related parties and all related party relationships and transactions of which we are aware.

Impairment review

To the best of our knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the fixed assets and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the company's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

We confirm all events subsequent to the date of the financial statements and for which the Charities Act 2006 and the Statement of Recommended Practice (SORP 2005), Accounting and Reporting for Charities require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Going concern

To the best of our knowledge there is nothing to indicate that the company will not continue as a going concern in the foreseeable future. The period to which we have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Cash Sales

All sales transactions received by cash have been included within income in the financial statements.

Bank Balance

There is no separate bank account for Farnham Park Sports Fields. The bank account is shared with South Bucks District Council. The bank balance shown in the financial statements is a true representation of the Charity's proportion of the monies.

Unadjusted misstatements

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully

Trustee

Appendix B – Draft audit report

Independent auditor's report to the members of Farnham Park Sports Fields

We have audited the financial statements of Farnham Park Sports Fields for the year ended 31 March 2014 which comprise the Statement of Financial Activities, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 3, the trustees are responsible for the preparation of the financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the charity's trustees as a body. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2014 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Mazars LLP, Chartered Accountants and Statutory Auditor

Address

Date

Mazars LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Appendix C – Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.