



Audit Findings Report

Prepared for Wormwood Scrubs Charitable Trust

Audit for the year ended 31 March 2022

Presented to the Trust Committee on 14 December 2022

Now, for tomorrow

Contents & key contacts

1. Introduction.....	1
2. Independence & responsibilities.....	2
3. Matters arising from the audit.....	3
4. Audit findings.....	7
5. Audit misstatements.....	8
6. Fees.....	9
Appendix A: Sector developments.....	10

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1 – Introduction

We have pleasure in setting out in this report our comments and recommendations on various matters which came to our attention during the course of the audit of the financial statements of the Wormwood Scrubs Charitable Trust (hereafter referred to as 'WSCT' or 'the Charity') for the year ended 31 March 2022.

In order to comply with the provisions of International Standards on Auditing we are required to report to you our audit findings and in particular:

- The nature and the scope of audit work we have undertaken
- Views about the qualitative aspects of your accounting practices and financial reporting
- Unadjusted and adjusted misstatements
- Matters specifically required by Auditing Standards to be communicated to those charged with governance (such as fraud and error)
- Expected modifications to our Auditors Report
- Material weaknesses in the accounting and internal control systems and
- Any other relevant and material matters relating to the audit.

This report has been prepared for the sole use of the Trust Committee, on behalf of the Corporate Trustee in line with the Charity's governance structure, and must not be shown to third parties without our prior consent. No responsibilities are accepted by MHA MacIntyre Hudson towards any party acting or refraining from action as a result of this report.

We would be grateful if you will in due course advise us what action you propose to take on the recommendations in the report and also if you would like our further assistance on these or any other matters.

Finally, we would like to express our thanks to all the Charity's officers and staff who assisted us in carrying out our work - particularly Nick Falcone and Carmen Lomotey.

Stuart McKay is looking forward to attending your meeting on 14 December 2022 to present this Report, review the Trustees' Annual Report and financial statements, and agree the Letter of Representations.

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2 – Independence & responsibilities

2.1 Independence

Auditing Standards require us to communicate at least once a year regarding all relationships between MHA MacIntyre Hudson and the Charity that may reasonably be thought to have a bearing on our independence and objectivity.

We have reviewed our independence, including consideration of whether:

- The firm is dependent on the Charity as a client due to the significance of the audit fee to the firm
- The firm is owed significant overdue fees
- There is any actual or threatened litigation between the firm and the Charity
- Any benefits have been received by the audit team which are not modest
- The firm has any mutual business interest with the Charity
- Any members of the audit team have any personal or family connections with the Charity or officers; or
- Independence is impaired through the provision of services other than the statutory audit.

Our preliminary assessment of potential threats to our independence was set out in our Audit Planning Memorandum and did not identify any threats that we considered necessary to communicate to you. Following the completion of the audit fieldwork, we can confirm that no further threats have arisen and as such MHA MacIntyre Hudson remains independent within the meaning of regulatory and professional requirements.

2.2 Limitations

Our audit procedures, which have been designed to enable us to express an opinion on the financial statements, have included the examination of the transactions and the controls thereon of the Charity. The work we have done was not primarily directed towards identifying weaknesses in the Charity's accounting systems other than those that would affect our audit opinion, nor to the detection of fraud.

We have included in this report only those matters that have come to our attention as a result of our normal audit procedures and, consequently, our comments should not be regarded as a comprehensive record of all weaknesses that may exist or improvements that could be made.

To a certain extent the content of this paper comprises general information that has been provided by, or is based on discussions with, management and staff. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.

2.3 Responsibilities

The Trustees are responsible for preparing the Trustees' Report and financial statements; MHA MacIntyre Hudson as auditors of Wormwood Scrubs Charitable Trust are responsible for forming an opinion on those financial statements, as detailed in our engagement letter.

3 – Matters arising from the audit

3.1. Audit Approach

In the conduct of our audit, we have not had to significantly alter or change our audit plan, which we communicated to you in our Audit Planning Memorandum.

3.2. Matters identified at the planning stage

The key areas of audit focus which we had identified as part of our overall audit strategy and how they have been resolved, are as follows:

	Audit area and key risks as presented	Our approach as presented	Resolution
1	<p>Income recognition – Car Park Income</p> <p>Risk that income is not complete.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Confirm the systems and procedures which should be operating within the Car Park and the Council's review and monitoring processes thereof • Consider testing the operation of procedures (council reconciliations per machine ID) on a sample basis • Perform analytical review to budget/prior year for each Parking Machine • Test a sample of Car Park machine records to receipt to ensure that income is complete • Test online tickets (Ringo) issued to sales invoices and income allocation sheets 	<p>Audit work performed as planned – no exceptions.</p>
2	<p>Income recognition – Rental income</p> <p>Risk that income has not been accounted for in line with the terms and conditions of the rental agreements. We note that the Kensington Aldridge Academy licence agreement has been extended again.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Ensure that rental income is accounted for in line with the respective licence agreements, noting any restrictions • Ensure correct cut off has been applied in respect of rental advances or arrears. 	<p>Audit work performed as planned – with exceptions noted below.</p> <p>A non-adjusting misstatement has been noted in Section 5 below regarding the value of Hammersmith Hospital Car Park License income relating to the year and to which the Charity is entitled but which has not been recognised in the accounts.</p>

3 – Matters arising from the audit

<p>3</p>	<p>Authorisation, categorisation and allocation of expenditure (non-payroll costs)</p> <p>Risk that expenditure is not authorised in line with the Trust’s procedures.</p> <p>Risk that allocation of costs to each activity, and then between the service lines, is not accurate or consistent.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Review the systems and controls around authorisation, monitoring and allocation of expenditure • With reference to the Council’s Financial Procedures, identify and test the key controls over expenditure authorisation; payment and allocation • Review the controls in place over supplier set up and on-going due diligence • Ensure there are effective controls in place to ensure that grounds maintenance contracts are monitored against work performed • Review the cost allocation methods and sample test, noting that allocations of support costs are expected to be done on a consistent basis with the previous year • Ensure all contingent liabilities or provisions for future works/repairs are recognised as necessary or disclosed as appropriate with specific reference to any HS2 activity 	<p>Audit work performed as planned – with exceptions noted below.</p> <p>‘Other expenditure’ is a heading which is normally, as the SORP suggests, reserved for losses on disposal of tangible fixed assets. An adjusting misstatement has been noted in Section 5 below as we understand that the transactions currently represented under this heading do not represent losses on disposal of tangible fixed assets.</p>
<p>4</p>	<p>Lessee and lessor accounting</p> <p>We understand that the contract for the maintenance of Wormwood Scrubs was renegotiated in the year. There is a risk that the Charity have not accurately disclosed any operating lease commitments occurring as a result.</p> <p>As noted above, we also understand the Kensington Aldridge Academy licence agreement has been extended in the year. There is a risk that the Charity are not accurately disclosing the rent receivable under the agreement in line financial reporting standards.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Obtain and review documentation and payment schedules regarding the new maintenance contract • Assess whether the new contract represents an operating lease, and if it is concluded that it does, confirm that associated commitments have been accurately calculated and disclosed in the accounts • Obtain and review the latest agreement with Kensington Aldridge Academy • Assess whether the rent receivable under the new agreement is material and thus needs to be disclosed in line with FRS102 guidance on lessor accounting, considering any break clause which might be included in the agreement 	<p>Audit work performed as planned – with exceptions noted below.</p> <p>The new rental agreement with Kensington Aldridge Academy guarantees the Charity rental income to the year ended 12 July 2022. As such, we have recommended that narrative disclosures be made regarding the minimum future receipts under the non-cancellable operating lease, and the nature of the lease, has been included in the final accounts; see Section 5 below.</p>

3 – Matters arising from the audit

<p>5</p>	<p>Financial reporting</p> <p>There is a risk that Trustees' Report and financial statements are not fully compliant with the Charities SORP or are materially misstated through errors in their compilation.</p> <p>We note that in previous years restricted income and expenditure has not been disclosed on the face of the Statement of Financial Activities but narratively in the Funds note; the level of activity in such funds was considered immaterial. Given the level of restricted fund activity this year, there is a risk that this presentation is no longer appropriate.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Review the financial statements to ensure that they properly reflect the underlying financial records and include the disclosures required. As part of our audit we will: • Check a sample of accounts to ensure there is a full audit trail to the financial statements; • Review the financial statements against legal, regulatory and the SORP 2019 requirements and sector best practice; • Review the assessment by the Trustees of the risk that the financial statements may be materially misstated as a result of fraud; • Ensure that the Trustees Annual Report is materially consistent with the financial statements and our understanding of the Charity; • Review the Charity's risk register and ensure any key issues for the financial statements have been considered in the context of our audit, and appropriately managed in the context of charity's governance; • Review the Trustees' Report for consistency with the financial statements and to ensure it complies with applicable regulatory and SORP 2019 requirements. • Review the Trustees assessment of the Going Concern assumptions • Critically review and evaluate the assumptions used in forecasts and budgets • Consider the disclosure relating to going concern in the trustees' report and accounting policies • Consider the explicit statements relating to going concern now required in our Auditor's Report. 	<p>Audit work performed as planned, with exceptions noted below.</p> <p>As concluded during last year's audit, the income and expenditure relating to the HS2 project is considered to be restricted. However, for the second year now, the Trust's accounts do not currently show the restricted income and expenditure in a columnar format on the face of the SoFA, as required by the Charities SORP. Management do not consider this necessary as the income and expenditure, being the same, have no net impact on the Trust's year-end fund balance, and as such include narrative to this effect in the Funds note (Note 12) instead. We are content with this approach but being an area of judgment, we again deem it necessary to communicate it to those charged with governance.</p>
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3 – Matters arising from the audit

3.3. Audit Status

The audit work on the financial statements is now substantially complete and we anticipate issuing an unqualified audit opinion for the year ended 31 March 2022 for the Charity, following:

- Receipt of approved Trustees' Report and financial statements signed by the Board;
- Receipt of a signed letter of representation (provided under a separate cover); and

Our work to enable us to sign off the audit report comprises of:

- A final post balance sheet review
- A final review of our going concern assessment, including 'stand back' procedures in line with ISA 570

3.4. Letter of Representations

We have forwarded a Letter of Representations for your review and approval, as part of your overall review of the Trustees' Report and financial statements. It is important that this is then reviewed and approved by "those charged with governance". We have not included any non-standard representations within this letter.

4 – Audit findings

4.1 Audit misstatements

In accordance with International Standards on Auditing we are required to report any material adjusted audit misstatements arising from our work. We are also required to report any unadjusted audit misstatements and why they are unadjusted, other than those that are “clearly trivial”. These are both set out in Section 5.

4.2 Risk of fraud and error in the financial statements

We are required under International Standards on Auditing to consider fraud risk throughout the audit. In particular we must consider management arrangements for preventing and detecting fraud and error.

Fraud risks may include asset sales at under value, suppliers over billing for goods or services, misappropriation of assets and cheque frauds, as well as manipulation of financial results.

Our work has not identified any matters which we wish to draw to your attention.

4.3 Accounting policies

Financial Reporting Standard FRS102 and FRS102 Charities SORP, requires that entities should review their accounting policies regularly to ensure that they are appropriate to their particular circumstances for the purpose of giving a true and fair view.

We have reviewed the Charity’s accounting policies, as stated in the financial statements, and confirm that they are appropriate to provide relevant, reliable, comparable and understandable information.

4.4 Accounting estimates

As auditors, we are aware that the selected basis of an accounting estimate may have a significant impact on the financial statements so in our work we need to identify all accounting estimates and the basis of the estimate and, where we consider there to be a high estimation uncertainty, we must ensure our audit work challenges the basis of the estimate.

We are also required to consider the outcome of accounting estimates in prior periods as a basis for our risk assessment in the current year.

In the Charity’s accounts most significant accounting estimates concern - depreciation of fixed assets, classification of funds, cost allocation, the basis and calculation of the provision for bad and doubtful debts, valuation of donations/services in kind and asset values.

We have reviewed the accounting estimates for the Charity and conclude that they have been calculated on a basis that is consistent with our knowledge of the Charity and expectations.

4.5 Significant deficiencies in internal control

We are pleased to report that we have not identified any significant deficiencies in internal control which we consider necessary to communicate with those charged with governance

5 – Audit misstatements

We are required to report all adjustments that management have corrected that we believe should be communicated to the Trustees to assist them in fulfilling their governance responsibilities. We are also required to communicate all non-adjusting misstatements, other than those that we believe are clearly trivial, to Trustees.

ADJUSTING MISSTATEMENTS	SOFA		BALANCE SHEET	
	DEBIT £'S	CREDIT £'S	DEBIT £'S	CREDIT £'S
Surplus per draft statutory accounts		92,592		
Non routine maintenance of Wormwood Scrubs Other expenditure <i>Being adjustment to reclassify the Other expenditure incurred in the year as Non routine maintenance.</i>	1,444	1,444		
Net Impact (Adjusted)	1,444	1,444		
Surplus per statutory accounts		92,592		

DISCLOSURE ADJUSTMENTS

The following are misstatements in disclosures which have been adjusted for in the financial statements:

Note 2 Being adjustment to disclose the future minimum lease receipts associated with the Kensington Aldridge Academy lease due within one year, being £82,641 (2021: £79,569), a 'general description' of the lease arrangements, and total lease income recognised in the accounts.

NON-ADJUSTING MISSTATEMENTS	SOFA		BALANCE SHEET	
	DEBIT £'S	CREDIT £'S	DEBIT £'S	CREDIT £'S
Accrued income Hammersmith Hospital Car Park License <i>Being adjustment to recognise income relating to the year but not invoiced or paid until after the year, the result of the Trust's year-end and the 'rental year' per the agreement being non-coterminous (similar immaterial differences in previous years)</i>		6,310	6,310	
Net Impact (Unadjusted)		6,310	6,310	

6 – Fees

6.1 Fees

Our initial fee quote was provided in our Audit Planning Memorandum and was based on accounts and draft accounts being supplied in accordance with the agreed timetable. We are pleased to report that we have not encountered any issues in this regard.

Service	Fee (excluding VAT)
Fee for the audit of the financial statements of WSCT for the year ended 31 March 2022 <i>(2021: £9,950)</i>	£9,950

Appendix A: Sector Development

We prepare regular updates on accounting, tax, regulations and legal changes affecting the sector. These include a monthly Not for Profit eNews update which can be found at:

<http://www.macintyreHUDSON.co.uk/sectors/not-for-profit>

Other sector publications and guidance can be found at:

<http://www.macintyreHUDSON.co.uk/publications>

We have also established our MHA Trustee Hub – an online resource for good governance, which includes templates, checklists and guidance to help charities improve the effectiveness of their governance; see:

<https://mha-uk.co.uk/charity-trustee-hub/>

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