

## **DOVE COTTAGE DAY HOSPICE**

### **Draft Accounts and Trustees Report for the year ending 31<sup>st</sup> March 2025**

#### **Introduction.**

This paper is designed to provide background to and recommend the approval of the draft accounts and Trustees Report for the year ending 31<sup>st</sup> March 2025, which are attached to this paper.

It needs to be made clear from the outset that the Accounts have effectively been prepared by the Charity's auditors. Since the audit commenced back in August 2025, they have had access to the Sage accounting system which was maintained by the Dove finance staff. Similarly, the auditors have been in dialogue with the Loros Finance team, who have passed on various comments and suggested amendments to the Sage records. At no point has there been any dialogue with the writer of this paper, which means Dove staff and Trustee have played a very second-hand role in the preparation of the Accounts.

As far as the Trustees Report is concerned, it is understood that our CEO has been 'forced' (as a last resort) into completing the drafts. As a result, the contents and format of the drafts are virtually identical to the report for the previous year/s, albeit with some of the numerical content updated.

As will be noted, the Board recently received a set of Management Accounts for the period ending 31<sup>st</sup> March 2025. When these internal accounts were issued a covering note highlighted details of adjustments that had been made and the source of those adjustments, particularly the Loros finance staff and potentially the auditors. In preparing those management accounts every effort was made by the writer, albeit with limited background knowledge, to produce an accurate record of the Charity's financial performance in the year to March 2025.

#### **Background Compliance Situation**

It should be noted that the Trustees have a responsibility to file the annual accounts and Trustees report with Companies House (by 31<sup>st</sup> December 2025) and the Charity Commission (by 31<sup>st</sup> January 2026). As a result, there is now only a limited amount of time to approve and file the accounts and report.

What is also relevant given the current circumstances, is that a new and completely updated set of accounting standards (known as SORP) must be implemented by charities, like ours, on 1<sup>st</sup> January 2026. These new standards also cover the contents of a Trustees Report.

Similarly, there are also updated regulations for charities relating to auditing or independently reviewing a charity's annual accounts. These new regulations reconfirm the Dove will only require an independent review if judged as an independent charity. Should we remain a subsidiary of Loros then there will need to be a technical debate to decide whether a full audit is required or not. This debate may relate to the levels of 'real' control over Dove and acceptance of responsibilities that Loros may exert or accept.

#### **Quality and Accuracy of the Draft Accounts .**

Whilst the writer is new to Dove and its finances, but there are concerns about the quality and accuracy of the drafts provided by the auditors. The baseline background data used by the

auditors and the writer are the same, ie the Sage accounting records. As a result, it would be reasonable to assume that the results would be identical. However, this is not the case.

The key differences between the audit draft and the Management Accounts that were internally produced are as follows:

- The total deficit for the year shown in the audit version is lower to the tune of £2,344 than the internal version, with the key difference being accounted for by a write off of £1922 from the Gift Aid Receivables Account, following an internal review( but not questioned by the Auditors) and a £450 increase in the provision for the audit fee ( which has not been agreed internally). There are some other minor variances across the two versions which are not worthy of any more attention.
- The treatment of the costs for the closure of the Tea Room, which were consolidated in the Management Accounts (£28.2k) but left unconsolidated in the audit drafts. It would have been appropriate to highlight this cost in the Trustees Report, given the significance of the amount ( ie 18% of the deficit).
- There is a note ( no 15) in the audit version in relation to leasing agreements. The note suggests that these leases are operating leases. In fact, these are the rental leases for the shops and as such the repairing responsibilities are down to the landlords or silent on the matter. In reality, these leases, irrespective of repairing responsibilities are longer terms obligations and should be shown using accounting standard FRS 102, on the Balance Sheet at their calculated asset and discounted liability value.
- There is an inconsistency between the two versions in the treatment of Restricted Grants monies . The Management Accounts version includes the set up of restricted asset accounts to cover the purchase of solar panels and IT equipment which were both funded by restricted grants, where as the audit drafts make not mention of the accounts being restricted.
- Subsequent enquiries have highlighted that the treatment of restricted grant income is not linked to the restricted expenditure but should have been. For example, an £8000 grant was received in February 2025 to provide for the redecoration of the Hospice. No such work has been undertaken even at the time of writing. Similarly, costs were incurred and charged to expenditure accounts, prior to the year end on new radiator values, but the grant to cover the costs was only received in April 2025, ie after the year end. In simple terms, it is not good accounting to treat such restricted grants and simply accounting for income or expenditure without recognising the timing differences.
- Similarly, as will be noted in the commentary on the October 2025 Management Accounts, the auditors removed a significant accrual for energy costs for the period to March 2025. This was an error as a significant Invoice ( £7k plus) has been received from SSE which covers some of the period back beyond March 2025. A check of previous invoices would have highlighted that some form of back billing was likely.

The consequence of the two inconsistencies, related to restricted grants is the audit version balance sheet in respect of restricted funds is inaccurate.

### **Draft Trustees Report.**

It is understood, as noted earlier, that the Trustees Report attached to the draft accounts was, in the main, drafted by the CEO, who ,of course, is not an expert in such matters. Therefore, much of the content, apart from amendments to numerical data , is a mirror of the version from the previous year and even the year before that.

It is not clear why the auditors or Loros personnel were not involved in the drafting process.

Consequently, the draft version of the Trustees Report contains out of date content. For example, the content related to the Loros refers to the 'take over' and mentions events back in 2022. This is completely unnecessary as mention of Dove being a subsidiary of Loros is all that is required.

### **Recommendation to approve the Audit Version of the Accounts and Trustees Report**

As highlighted above there are concerns about the accuracy and quality of the draft accounts and report provided by the Auditors. However, it is perceived that the amount of work and effort necessary to 'correct' the drafts would be significant. The challenges would be made more difficult given that Loros finance staff sit in the middle of the communication channels between Dove and the auditors.

Equally, there are limited timelines in which any changes could be activated, given the compliance deadlines that apply to filing of the accounts.

As a result, it is recommended that a 'pragmatic' approach is taken with the existing audit drafts being accepted by the Board. The current drafts are 'close enough' to reality despite the variances highlighted above.

Two matters are relevant to this approach, which are:

- The new SORP accounting principles and Trustee report recommendations come into operation in January 2026 and therefore will impact our 25/26 Accounts and Trustees Report. Consequently, the structures and format of those accounts will need to be modified and changes, thereby creating and justifying a fresh approach. This fresh start is also an opportunity to implement FRS 102 regarding the property leases.
- The variances highlighted above will need to be accounted for in the 2025/26 accounts as we will need to use the draft audit figures as the opening balances for the current year. As a result, the £2344 and lack of the energy accrual highlighted above, will impact the 25/26 expenses and thereby making this years declared result worse than it will be. Equally, bring the restricted funds accounting in line with proper standards will have an impact on the current financial year.

Ultimately, I am not professionally very happy with supporting the recommendation to approve the draft accounts and Trustees report as completed and approved by the auditors, but I need to be pragmatic and accept them for what they are. I recommend that the Board do the same.

### **The Auditors**

It almost goes without saying that my respect for the auditors is very low, particularly since they have decided, of their own volition, to increase their fees by 3.6%. I have not been able to communicate with the audit staff directly and I am unsure as to why the Loros staff felt it necessary to manage the communication channel. However, it is understood that the Loros finance staff have a similar opinion that the audit has been unnecessarily expensive and time consuming.

After this unsatisfactory process, it is vital that we initiate a retendering of both the form and professional providers of the audit/reviews of our annual accounts. Similarly, it is vital that we

use our own internal resources to improve the quality, accuracy and timely nature of the output from our financial management resources.