

Accept Care Limited

Audit Finalisation Report

Year ended 29 February 2024

Strictly private and confidential

18 November 2024

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Introduction

We are pleased to enclose our audit findings for Accept Care Limited for the year ended 29 February 2024. The primary purpose of this report is to outline and discuss with the Board the significant matters arising from our audit work.

This report summarises the principal audit, accounting and reporting issues arising during the audit process.

This report has been prepared for the sole use of the Trustees of Accept Care Limited and must not be shown to third parties without our prior consent. No responsibilities are accepted by RMT Ribchesters or associated company Sumer Auditco Ltd towards any party acting or refraining from action as a result of this report.



Audit and accounting matters

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement we determined overall company materiality for the financial statements to be £70,000, based on a percentage of Income. Performance materiality of £56,000 was applied for testing which is 80% of materiality.

In this report we have identified errors considered to be above a trivial level, being £500, in addition to any other identified misstatements that warranted reporting on qualitative grounds.

Audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, considering the structure of the charitable company, the accounting processes and controls and the sector in which the charitable company operates.

A full scope audit has been performed by RMT Ribchesters on the charitable company.

Internal controls and other matters

As part of the audit process we are required to advise you in writing of any significant deficiencies in your internal controls, if any, and communicate other matters of interest to you as Trustees arising from our audit.

During the course of our audit for the 29 February 2024 no significant deficiencies in internal controls were identified. However, there were a certain number of matters noted which are summarised within **Appendix III** for your consideration.

These matters came to light during the course of our normal audit tests which are designed to assist us in forming our opinion on the financial statements. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit tests, we would, of course, inform you immediately.



Audit and accounting matters (cont'd)

Accounting policies

During the audit we considered the charitable company's accounting policies to ascertain if they are appropriate and in accordance with UK Generally Accepted Accounting Practice. We confirm that we have not identified any concerns in relation to accounting policies.

Accounting estimates

In accordance with ISA (UK) 540, Accounting Estimates, we are required to review the accounting estimates and related disclosures involved in the preparation of the financial statements to ensure that they are reasonable. We confirm that we have not identified any concerns in relation to accounting estimates and have found no indications of management bias.

Expected modifications to the audit report

We are required to bring to your attention details of any proposed modifications to the audit report on the financial statements. As discussed with you, we confirm that there are no proposed modifications to the report.

Independence and representations

In order to act as auditors, we are required to identify any threats to our objectivity and independence and to implement appropriate safeguards to address any identified issues. We confirm that we have not identified any threats to our independence that were not previously communicated with you and safeguarded at the planning stages.

Audit status

The detailed audit work is now completed. The following represent the key ongoing areas of work outstanding at the date of this report:

- Signed Letter of Representation (to be obtained at sign off)



Significant audit risks

At the planning stage we assessed the audit risks in relation to the charitable company. The risks we considered to be significant to the audit are outlined below.

Our risk assessment remains unchanged from that at the planning stage.

Income recognition

Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of income.

Income is recognised at the point the charitable company has entitlement to the funds, it is probable that the income will be received and the amount can be quantified with reasonable accuracy. Incoming resources from service contracts and grants, where related to performance and specific deliverables, are accounted for as the charitable company earns the right to consideration by its performance. This exposes the charitable company to the risk of incomplete and incorrect cut-off of income recognised in the period.

How the matter was addressed in the audit

To address the risk of improper revenue recognition, our audit work included, but was not restricted to:

- performing substantive testing to determine whether the accounting policies had been correctly applied;
- reviewing a sample of revenue transactions around the year end to ensure cut-off was correct and income had been recognised in the correct period;
- performing analytical reviews against prior period results and current period expectations;
- considering the appropriateness and application of the charitable company's accounting policies for revenue recognition; and
- considering the disclosures in the financial statements regarding revenue.

Key observations

The results of our testing were satisfactory and no significant issues were identified from our work over revenue recognition, including any issues in relation to fraud.



Significant audit risks (cont'd)

Management override

In preparing the financial statements management are required to make judgements, estimates and assumptions that affect the application of policies and the reported amount of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgements about the carrying value of assets and liabilities that are not available from other sources.

How the matter was addressed in the audit

During the course of our audit we performed the following procedures to address the risk of management override:

- assessed the appropriateness of accounting policy choices made by management and the basis of key judgements, estimates and assumptions;
- reviewed manual journal entries posted within the period for indicators of management bias, transactions outside the normal course of business or indicators of fraudulent activity; and
- considered the value, nature and cause of misstatements identified during the course of the audit to identify indicators of bias.

Key observations

The results of our testing were satisfactory, and we consider the disclosure surrounding accounting policy choices and key accounting judgements to be appropriate.

Debtor recoverability

In preparing the financial statements management are required to make a judgement as to the recoverability of amounts due from customers and other funding bodies. Should there be a doubt as to the recoverability of certain balances then a provision should be made against that.

How the matter was addressed in the audit

During the course of our audit we performed the following procedures to address the risk of irrecoverable balances being included in the financial statements:

- assessed the appropriateness of the accounting policies adopted with regards to doubtful debt provisions;
- undertaking a review of provisions made by management and consideration given to their accuracy and completeness;



- testing a sample of amounts due from customers and other funders to gain assurance that the amounts were correctly classified as being due at the year end and that they have been recovered subsequent to the period end.

Key observations

The results of our testing showed that additional provisions were required to be made to the draft financial statements. These provisions have been posted to the financial statements and are scheduled in appendix 1.



Other matters

Material misstatements

We are required to bring to your attention details of all material misstatements whether caused by fraud or error and ensure that these are corrected in the final financial statements. During the course of the audit there were a number of adjustments that, although not all material, have been posted to the financial statements. These have been summarised in the profit reconciliation included within **Appendix I**.

Unadjusted misstatements

The unadjusted errors are listed in **Appendix II**.

Control recommendations

Our report on the quality of accounting systems and management controls is included within **Appendix III**.

We ask the Trustees and management to prepare responses to the points noted, outlining any planned activities to address the issues highlighted.

Letter of Representation

We have prepared a Letter of Representation, a draft of which is included within **Appendix IV**. The letter is a standard letter

We ask the Trustees to review the letter, and sign a copy printed on headed paper prior to the audit report being signed.



Other matters (cont'd)

Contingent assets / liabilities

We are not aware of any significant contingent assets or liabilities requiring disclosure in the financial statements as a result of discussions with management or being identified through audit work performed. As stated in the Letter of Representation, the Trustees confirm that all known actual or possible litigation and claims have been disclosed to us and are reflected in the financial statements in accordance with UK GAAP.

Fraud considerations

Other than in respect to the matters of the fraud suffered by the charitable company on its bank account and credit card facility in the period, which have been fully disclosed, we are not aware of any major instances of fraud encountered by the charitable company during the period, or post year end.

As stated in the Letter of Representation, the Trustees confirm that there have been no actual or suspected instances of fraud involving management or employees who have a significant role in internal control which could have a material effect on the financial statements.

Related party transactions

Through our audit procedures and discussions with management, we have not identified any related party transactions other than those disclosed within the financial statements. A list of these transactions is included within **Appendix V**.

We ask that the Trustees confirm to us any other potential related party transactions which are not disclosed in the draft financial statements.

Going concern and subsequent events review

In accordance with ISA (UK) 570, Going Concern, we are required to review management's initial assessment of the entity's ability to continue as a going concern.

We have not become aware of any material events that have taken place between the balance sheet date and the date of this report that require disclosure in the financial statements and the going concern assumption remains appropriate.

We ask that the Trustees confirm to us any knowledge of events that have taken place after the balance sheet date which may impact the judgements or disclosures made in the financial statements.



Appendix I: Surplus/(Deficit) reconciliation

	£
Surplus / (Deficit) per client management accounts	(38,924)
Reduction to accrued income from DCC	(36,218)
Reversal of accrued invoiced income	(13,071)
NHS overpayments recognised as income	73,748
NHS debtor removed	(22,195)
Accrued expenditure reduced	2,484
Costs relating to Bearpark property – To be invoiced to tenants	7,345
Prepayment of expenditure reversed	(6,146)
Trade creditor balances corrected	956
Adjustments to other creditors	2,790
Adjustments to HMRC: PAYE/NI creditor	(1,703)
Items moved from fixed assets to P&L	(2,546)
Depreciation of fixed assets	(34,777)
Corrections of postings to reserves brought forward code	441
Surplus / (Deficit) per final financial statements	<u>(67,816)</u>

Appendix II: Unadjusted misstatements schedule

	<u>ACTUAL DIFFERENCE</u>		<u>INCOME & EXPEND</u>	<u>BALANCE SHEET</u>
	<u>Dr</u>	<u>Cr</u>	<u>Dr/(Cr)</u>	<u>Dr/(Cr)</u>
Potential cut off error – DCC Income				
Accrued income			14,477	
Client care fees				14,477
Client contributions due but not accrued				
Accrued income			1,620	
Client contributions				1,620
TOTAL OF POTENTIAL ADJUSTMENTS			16,097	16,097

Appendix III: Report on the quality of accounting systems and management controls

<i>Weakness</i>	<i>Suggestion</i>	<i>Response of Trustees</i>
<p>Income for services charged to Durham County Council is not always recorded in the accounting system as an invoice or through the customer ledger.</p> <p>The transactions are posted to income on receipt of remittance.</p> <p>There is there a weakness in that there is no matching of what the charitable company expects to receive against what is paid. There is also no visible check on income cut off.</p>	<p>Invoices for funding claimed for each period are posted to the customer ledger and matched to remittances received. Any discrepancies are then investigated and reconciled.</p>	
<p>Our audit testing identified an error on accrued income i.e. income which was due to the charitable company at the year end from Durham County Council but not received. This error was such that the income accrual was overstated by £36,218.</p> <p>This has been adjusted in the financial statements.</p>	<p>Additional checks should be added to the month end and year end procedures to increase confidence that income is accurately accrued.</p>	
<p>Our audit procedures identified that there was an amount recorded as due from NHS totalling £22,195. Our testing and discussions with directors led us to conclude that these amounts were unlikely to be recovered. This balance was several years old and the history behind it lost with the passage of time. It was concluded that a full provision should be made against it. The financial statements have been adjusted for this.</p>	<p>We would advise that additional controls should be incorporated into the invoicing and credit control functions.</p>	

<p>In addition, it was identified that the NHS had made overpayments of £73,748 to the charitable company. Attempts have been made to repay these sums but have not been successful. As this was received in the normal course of operations it was determined that this income should be recognised in this period. The financial statements have been adjusted to reflect this.</p>		
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Appendix IV: Letter of Representation

Sumer Auditco Limited
RMT Ribchesters
Finchale House,
Belmont Business Park,
Durham,
DH1 1TW

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Accept Care Limited for the year ended 29 February 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the charitable company's financial statements its applicable law and United Kingdom Generally Accepted Accounting Practice.

We confirm that to the best of our knowledge and belief, and having made appropriate enquiries of other Trustees and officials of the charitable company:

Financial statements

1. We acknowledge and have fulfilled our responsibilities as Trustees, as set out in the terms of your engagement dated 02 October 2024 under the Companies Act 2006, for preparing financial statements in accordance with the applicable financial reporting framework that give a true and fair view and for making accurate representations to you as auditors.
2. The methods, significant assumptions and the data used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.
4. Full disclosure is made in the financial statements of:
 - a. outstanding capital commitments contracted for at the balance sheet date;
 - b. all contingent liabilities including details of pending litigation and material claims against the charitable company;
 - c. all guarantees or warranties or other financial commitments made.
5. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.
6. We confirm the financial statements are free of material misstatements, including omissions. We confirm that in our opinion the effects of unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the unadjusted misstatements is set out in the Appendix II.

7. We can confirm that we are aware that a related party of the charitable company is a person or organisation which either (directly or indirectly) controls, has joint control of, or significantly influences the company or vice versa and, as a result, will include members (as a guide, more than 20 per cent of the voting rights), Trustees, other key management, close family and other business interests of the previous. We confirm that the related party relationships and transactions set out in Appendix II are a complete list of such relationships and transactions and that we are not aware of any further related parties or transactions.
8. We confirm that all related party relationships and transactions have been accounted for and disclosed in accordance with the requirements of accounting standards.
9. We confirm that, having considered our expectations and intentions for the next twelve months and the availability of working capital, the charitable company is a going concern. We confirm that the disclosures in the accounting policies are an accurate reflection of the reasons for our consideration that the financial statements should be drawn up on a going concern basis. We confirm that we disclosed to you details of our plans for future actions relating to our going concern assessment including the feasibility of these plans.

Information provided

10. We confirm that all accounting records have been made available to you for the purpose of your audit, in accordance with your terms of engagement, and that all transactions undertaken by the charitable company have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and Trustees' meetings, have been made available to you. We have given you unrestricted access to persons within the charitable company in order to obtain audit evidence and have provided any additional information that you have requested for the purposes of your audit.
11. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We acknowledge our responsibility for the design and implementation of internal controls to prevent and detect fraud and believe we have appropriately fulfilled these responsibilities. We confirm that we have disclosed to you the results of our risk assessment of the risk of fraud in the charity.
13. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
14. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
15. We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the charitable company conducts its activities and which could affect the financial statements. The charitable company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
16. We have disclosed to you the identity of the charitable company's related parties and all the related party relationships and transactions of which we are aware.

17. We confirm that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been accounted for and disclosed in accordance with the requirements of accounting standards.
18. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.
19. We confirm that the charitable company has had, at no time during the year, any arrangement, transaction or agreement to provide credit facilities (including advances and credits granted by the charitable company) for Trustees, nor to provide guarantees of any kind on behalf of the Trustees, except as already disclosed in the accounts.
20. We confirm that the charitable company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets.
21. We confirm that we have provided for all bad and doubtful debts that we feel are irrecoverable. No further provision for bad debts is required.
22. We confirm that the PAYE and VAT regulations in force during the financial year have been complied with.
23. We confirm that there are no companies associated with this charitable company for tax purposes.

We understand that for tax purposes companies are associated, or related 51% group companies, if for any part of the accounting period one is a 51% subsidiary of the other, or both are 51% subsidiaries of the same company.

24. We confirm that there were no amounts owed by related parties at the balance sheet date.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that:

- so far as each Trustee is aware, there is no relevant audit information of which you as auditors are unaware; and
- each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that you are aware of that information.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and expertise (and, where appropriate of supporting documentation) sufficient to satisfy ourselves that we can properly make these representations to you and that to the best of our knowledge and belief they accurately reflect the representations made to you by the Trustees during the course of your audit.

Yours faithfully

Signed on behalf of the board of Trustees by:



P Smith
Trustee

Date 18.11.24

Appendix V: Related party transactions

NAME/ COMPANY	RELATIONSHIP TO COMPANY	DESCRIPTION OF TRANSACTIONS	AMOUNT OWED FROM/(TO) AT 29 February 2024	INCOME / (EXPENDITURE)
P Smith	Trustee	None	Nil	Nil
F B Grand	Trustee	None	Nil	Nil
G McArdle	Trustee	None	Nil	Nil
DM Nixon	Trustee	Transactions with Inspire Insight CIC		
Inspire Insight CIC	Controlled by DM Nixon	Fees paid	Nil	£130,863