



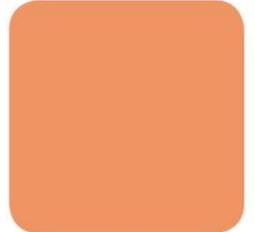
trust



value



strength



direction



# Audit Findings for Love Loughborough Limited 31 March 2019

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# 1

## Introduction and coverage

This report summarises our key findings in connection with the audit of the financial statements in respect of the year ended 31<sup>st</sup> March 2019.

The scope of our work has been discussed with you prior to the commencement of our audit.

A summary of adjusted and unadjusted misstatements identified during the audit is included in Section 6 and 7.

We consider that the audit approach adopted will provide the directors with the required confidence that a thorough and robust audit has been carried out and can confirm that, at the date of this report, we anticipate no modifications from our pro-forma audit report which is an unqualified report.

### The auditor's responsibility

For the purpose of clarification our responsibilities concerning the audit of the company's financial statements are contained within our letter of engagement dated 6 December 2017.

## 2

## Issues identified at planning stage

Key area of audit focus	Our approach	Resolution
<p><b>Revenue recognition</b></p> <p>Revenue recognition is considered to be a significant risk by nature.</p>	<p>Transactions either side of the year-end will be tested to address the risk of cut-off errors and ensure that grants and levies are recognised in the correct period and are in line with the accounting policies. Review of grant documentation, income and expenditure will ensure income or expenses is correctly accounted for. Similarly checking of income to Charnwood Borough Council reports and direct confirmation with the council will ensure the same for levy income.</p>	<p>Revenue recognition was reviewed through substantive audit procedures. No issues were noted apart from relating to deferred income as noted below.</p> <p>Levy &amp; grant income have been tested and an adjustment has been reported in section 6 in order to defer membership fees relating to the retail radio.</p> <p>An adjustment has also been noted to defer a £5,000 income contribution from Charnwood Borough Council for the Market Street Scheme to match against the costs incurred in the following year.</p>
<p><b>Segregation of duties</b></p> <p>This is limited as expected for a company of this size but can potentially lead to increased risk of fraud or error.</p>	<p>We have designed our audit testing and approach to focus on risk areas and identify material instances of fraud or error.</p>	<p>No further issues were identified.</p>
<p><b>Related parties</b></p> <p>There is always a presumed risk of misstatement in the financial statements arising from transactions with related parties.</p>	<p>A related party questionnaire will be completed by management to identify related party transactions and balances. In addition to this, accounting records will be reviewed for evidence of further undisclosed related party transactions. We will ask for details of directors' other business interests.</p>	<p>We noted that Lisa Brown's husband has provided decorating services during the year but this seemed at a normal market price.</p> <p>No additional related party transactions noted.</p>

## 2

Issues identified at planning stage *continued*

Key area of audit focus	Our approach	Resolution
<p><b>Risk of management override</b></p> <p>There is an inherent risk that management can override the company's systems and controls resulting in a misstatement of the financial results.</p>	<p>The financial statements will be reviewed for areas where management is able to make significant judgements and estimates. We will also review journal entries for material or unusual amounts that could be evidence of management override.</p> <p>We will also consider if there is any management bias in the areas where judgement is exercised.</p>	<p>A review of the nominal ledger and journals did not reveal any instances of management override.</p>
<p><b>Accounting estimates</b></p> <p>Risk of misstatement in the financial statements arising from accounting estimates.</p>	<p>We will also consider if there is any management bias in the areas where judgement is exercised. In particular we will focus on ensuring the depreciation accounting policy is consistent and in line with the length of the BID licence and review provisions for bad and doubtful debts.</p>	<p>Further doubtful debts have been noted for discussion with management regarding items that are deemed unlikely to be recoverable by Capita.</p> <p>No unusually large profit or losses on disposals of assets in the period to 31 March 2019. Depreciation accounting policies appear to have been applied consistently and appropriately.</p>

### 3

## Issues identified during the audit

No further issues were identified during the audit that were not addressed at the planning or completion stage and highlighted in our Audit Plan that we consider should be brought to the attention of those charged with governance.

# 4

## Internal control issues

We set out below internal control matters that were noted during the course of our audit. This does not constitute a comprehensive statement of all weaknesses that may exist in internal controls or of all improvements which may be made. An audit is not designed to identify all matters that may be relevant to the directors. Accordingly, the audit does not ordinarily identify all such matters.

It should be noted that the matters dealt with in this summary came to our attention during the normal conduct of our audit and should not be relied upon to disclose all weaknesses in your system of internal control and reporting.

The company's internal controls should prevent and / or detect material fraud. We are pleased to report that our audit has not found any instances of fraud and you have not brought any such matters to our attention.

Our work has not identified any instances of material breaches, and the organisation appears to have devoted sufficient resources, experience, skills and training to all key regulatory aspects of its affairs.

Issue	Recommendation	Management response
<p><b>Related Parties</b></p> <p>There is a lack of documentation held with regards to transactions with related parties. The register of director interests is not up to date. This increases the risk of transactions occurring with related parties, which may not be at arms' length.</p>	<p>We recommend that a register of other interests is held in connection with directors and key management, detailing any transactions that have taken place. This should be maintained at least annually in order to identify related party transactions and ensure transparency.</p>	<p>Lez will speak to Lisa and if this is not being done it will be implemented. A form will be given to new directors to fill in and sign and also annually to all directors to update.</p>
<p><b>Employment status</b></p> <p>The employment status of Lisa Brown, Kelly Hill and Charlotte Havis needs to be considered.</p>	<p>We recommend that the board considers the employment status of Lisa Brown, Kelly Hill and Charlotte Havis in order to determine whether they should be paid via payroll rather than through their companies/sole trades. We would be happy to arrange for one of our tax specialists to carry out a review of the specific circumstances and give further advice.</p>	<p>Lez agreed that he will discuss this with Lisa and the Board.</p>



# 5

## Uncertainties and accounting policies

### Significant accounting policies

The directors are required to consider the appropriateness of the accounting policies of the company prior to approving the financial statements.

We consider that the accounting policies adopted are appropriate for the circumstances and consistent with standard policies adopted across the industry.

### Uncertainties, risks, exposures, estimates, judgemental issues and going concern

No significant uncertainties, risks, exposures, estimates, judgemental or going concern issues were noted by the auditors for which the auditors believe it is necessary to communicate to those charged with governance.

## 6

## Audit adjustments

The financial statements have been adjusted to correct misstatements identified as part of our audit procedures. The adjusted misstatements have been approved by management and are as highlighted at Appendix 1.

## 7

## Unadjusted misstatements

The following unadjusted misstatements were identified during the course of our audit work. We consider these to be of an immaterial nature within the financial statements.

Nature of item	Unadjusted profit and loss effect £
Judgemental: Potential levy income bad debt provision	(1,416)
<b>Total unadjusted increase/(decrease) to profit</b>	<b><u>(1,416)</u></b>

# 8

## Governance and control

### Introduction

This section details matters relating to the process adopted by us to ensure the quality of our services to our clients and the robustness of our audit procedures. It also summarises the procedures adopted to ensure our independence.

### Quality reviews

Independent quality reviews are carried out by Mercia Group Limited (Mercia) on an annual basis as required by our Practice Assurance Committee. The inspection includes testing of the effectiveness and quality of our audits and a continuous improvement programme exists to ensure that standards are maintained and improved.

Mercia is an independent provider of support services to the accountancy profession. The Mercia reviewers are experienced and qualified individuals.

### Hot review

If contentious or high risk areas are identified during the audit then a 'hot review' will be conducted by an independent technical director before the accounts are signed. The purpose of this is to identify and rectify any areas of non-compliance with UK law, Accounting Standards and other regulatory requirements that may be contained within the draft accounts. The hot review director will also consider key areas of our audit working papers to confirm that sufficient, appropriate audit evidence has been obtained in respect of all significant items in the financial statements.

### Long Association

We confirm our procedures on long association are in compliance with the ethical standards. Where a director has acted for a continuous period of more than ten years, these require director rotation or putting in place safeguards to protect independence and objectivity.

As Niall Kingsley has not acted for a continuous period exceeding ten years, a second director review will not be carried out on this assignment prior to the audit report being signed.

### Independence

All Duncan & Toplis Limited personnel must adhere to strict regulatory, professional and internal independence requirements related to investments or business relationships with clients. All directors and staff must annually certify their compliance with these personal independence rules.

Duncan & Toplis Limited is authorised by the Institute of Chartered Accountants in England and Wales (ICAEW), to carry out statutory audits. Members of this institute and other accounting bodies are bound by the Ethical Code, which covers, inter alia, objectivity, independence, confidentiality and integrity.

Niall Kingsley is a member of the ICAEW, and is required to maintain relevant Continuing Professional Development via training courses and seminars and, as an audit director, must be a Responsible Individual as defined by Audit Regulations.

In addition Duncan & Toplis Limited has internal requirements that must be met by all directors undertaking audit work. These include internal authorisation to undertake audits and perform cold reviews of working files. These are in addition to external reviews carried out by Mercia on behalf of the Practise Assurance Committee.

Directors and staff (including family members) of Duncan & Toplis Limited are forbidden to invest in any client of the firm and a restricted client list, which is regularly updated, is maintained. This is reinforced on both our Directors Agreement and staff terms and conditions of employment.

In accordance with International Standard on Auditing (UK) 260 "Communication of audit matters with those charged with governance", there are no changes to the details of relationships between Duncan & Toplis Limited and its related entities and Love Loughborough Limited that may reasonably be thought to bear on Duncan & Toplis Limited independence and the objectivity of the Senior Statutory Auditor, Niall Kingsley and the audit staff and the related safeguards from those previously communicated to you.

## Frauds / Scams

It is becoming increasingly common that businesses across the country are being targeted by fraudsters, whom are looking to 'scam' these businesses out of money. The most frequent activities that we are aware of are as follows:

- Fraudulent letters are being received from 'suppliers' of the business, stating that the 'supplier' has new bank details which are to be used moving forwards. If you receive a letter which appears to replicate the above, we suggest that you always confirm with the supplier that they have in fact updated their details prior to making any payments.
- New unknown 'customers' to a business are ordering items and offering to pay upfront by cheque. When the cheque is received it is an overpayment and the 'customer' then contacts the business requesting a refund before the cheque has cleared, which it will not.

Where you are sceptical regarding any documentation received from new or existing suppliers/customers, always undertake additional checks to ensure that correspondence is genuine before committing to any actions that may leave the business with a liability. Please also inform all staff who may have receipt of these correspondences within the future.

## Cyber insurance

With the increased risk of cyberattack, there is also a growing risk of reputational damage to businesses and various financial issues (including blackmail and ransom) that fall within this area. General business interruption insurance policies or consequential loss policies may not always include provision for compensation in the event of a cyberattack. Specific cyber insurance policies can cover costs relating to a breach such as:

- Clean up costs
- Physical damage
- Crisis containment (press officer expenses)
- Cyber business interruption (hacking, extortion, etc.)
- Regulatory fines; and
- Mounting a defence against any proceedings by a regulatory authority

Businesses may also wish to consider cyber security surveys. Niall Kingsley is available to discuss your requirements if you have further queries.

### Changes to accounting standards

The triennial review of FRS 102 was completed in December 2017, with the changes being mandatory for periods starting on or after 1 January 2019 (although early adoption is available either in their entirety or in 2 special cases in their own).

Listed below are the main changes of interest. Please contact Niall Kingsley if you would like further detail on the application and impact of these changes.

- loans from a person within a director's group of close family members; and
- financial instruments.

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