

Report to management
PRIVATE AND CONFIDENTIAL

Our ref: TKW/MP/S1160/643422

Board of Directors
Spelthorne Direct Services Limited
Council Offices, Knowle Green
Staines – Upon – Thames
TW18 1XB

17 March 2023

Dear Sir/Madam

REPORT TO MANAGEMENT – SPELTHORNE DIRECT SERVICES LTD

During the course of our audit for the year ended 31 March 2022 a number of matters arose which we consider should be brought to your attention.

Accompanying this letter is a memorandum noting these points together with any recommendations we have for possible improvements which could be made.

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.

We have complied with the Financial Reporting Council's Ethical Standard and all threats to our independence, as identified to you in our planning communication letter dated 18 November 2022, have been properly addressed through appropriate safeguards. No additional facts or matters have arisen during the course of the audit that we wish to draw to your attention and we confirm that we are independent and able to express an objective opinion on the financial statements.

This report has been prepared for the sole use of the directors of Spelthorne Direct Services Ltd and must not be shown to third parties without our prior consent. No responsibilities are accepted by MGI Midgley Snelling LLP towards any party acting or refraining from action as a result of this report.

Finally, we would like to express our thanks to all of the company's staff who assisted us in carrying out our work.

Yours faithfully

[Redacted signature]

SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT FOR THE YEAR ENDED 31 MARCH 2022

Audit approach

There were no changes to our audit approach as set out to you in our letter dated 18 November 2022.

Summary of significant audit findings

Significant risk area identified at planning	Findings and recommendations
<p>Revenue recognition Under ISA (UK) 240 there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the company could adopt accounting policies or recognise sales in such a way as to lead to a material misstatement in the reported revenue position.</p>	<p>We carried out a review and testing of revenue recognition policies, including transaction testing from source documents and cut off testing.</p> <p>From the testing performed, no issues were identified.</p>
<p>Management override of controls Under ISA (UK) 240 there is a presumed risk that management and directors have the ability to process transactions or make adjustments to financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements.</p>	<p>We carried out a review of accounting estimates, judgements and decisions made by management. We performed testing of journal entries and a review of unusual significant transactions.</p> <p>From the testing performed, no instances of management override of controls were identified.</p>
Other areas where issues were identified during the audit	Findings and recommendations
<p>Going concern Under ISA (UK) 570, the company's going concern has been considered.</p>	<p>From our review of forecasts and after discussions with management, the company looks in a strong position.</p> <p>We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.</p>
<p>Loan covenants The loan covenants have been reviewed to review any breaches in the terms of the agreement.</p>	<p>From a review of the loan agreement with the Spelthorne Borough Council we note that the accounts have not been provided within the given timeframe stated on the contract clause 11.1.1. Whilst we understand that the chances of Spelthorne retracting the loan because of this breach is low, it should be recommended that the accounts are filed in line with the covenant to ensure there are no breaches with the loan agreement.</p>

Internal controls

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

Control weakness identified	Potential implications and recommendations
Location of fixed assets We noted during the audit that there was no method of distinguishing between the assets, particularly bins that the company has ownership of.	Potential over/understating of assets as you are unaware of the location of the assets. Keep accurate records such as a fixed asset tracker.

Summary of audit differences and draft letter of representation

We have attached a draft letter of management representations required in connection with our audit.

Attached to the letter of management representations is a schedule of all of the unadjusted misstatements noted during our work. We would be grateful if you could review these and confirm (as point 6 in the letter of representation) that you are satisfied that none of these need to be adjusted for in the financial statements.

Anticipated audit report

We anticipate that we will issue an unmodified audit report for the year, subject to the satisfactory clearance of any outstanding/unresolved the matters outlined in this report.

Going concern

We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.

Accounting policies, estimates and disclosures

The accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the company. We found the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the company.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

All requested confirmations have been received.

Independence

In accordance with our profession's ethical guidance and further to our planning communication letter to you dated 18 November 2022 confirming audit planning arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.