

Report to management
PRIVATE AND CONFIDENTIAL

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Our ref: TKW/MP/S1160/643422

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

16 October 2023

Dear Sir/Madam

REPORT TO MANAGEMENT – KNOWLE GREEN ESTATES LTD

During the course of our audit for the year ended 31 March 2023 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 6 January 2023, 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 Knowle Green Estates 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

MGI Midgley Snelling LLP

SIGNIFICANT MATTERS RELEVANT TO OUR AUDIT FOR THE YEAR ENDED 31 MARCH 2023

Audit approach

There were no changes to our audit approach as set out to you in our letter dated 8 June 2023.

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 proof in total calculations for a sample of properties, cut off on invoicing was also checked.</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, cash book entries and a review of unusual significant transactions.</p> <p>From the testing performed, no instances of management override of controls were identified.</p>
<p>Valuation of fixed assets The company holds property at a revalued amount in the accounts, which is subsequently depreciated until a new valuation of the property has been prepared. Incorrect valuation of the property may lead to overstatement of the balance sheet.</p>	<p>We have reviewed the property against valuations provided and the directors' review for the current year, as well as the movement in value of similar properties in the recent period. The depreciation rate has also been reviewed for fixed assets to confirm reasonable rates are used.</p> <p>From the testing performed and after discussions with management, no issues were identified on fixed asset valuation.</p>
<p>Other areas where issues were identified during the audit</p>	<p>Findings and recommendations</p>
<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, 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>Security charges for the loans</p> <p>The loan agreements state that there are charges on them.</p>	<p>From a review of Companies House, we cannot see that the charges have been registered. Please ensure the charges are registered with Companies House to keep the register of charges up to date.</p>
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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
<p>Accounting is all completed on Bluebox which is a tenancy management software. This does not operate well as a reliable financial reporting software and up to date financial information is not immediately available without adjustments made by spreadsheet.</p>	<p>Export of information from Bluebox into a more proprietary book keeping software would mean that reliable company financial information can be maintained without the need of using spreadsheets to reconcile information.</p>
<p>Included within the account are unknown figures, which should be reconciled.</p> <p>Within trade creditors is an unreconciled amount of £10,793.</p> <p>Within amounts due to parent company is an unknown debit amount of £4,134.</p>	<p>To reduce the risk of errors in the accounts, all closing balance sheet codes should be reconciled, any differences or unknown amounts should be investigated and corrected if necessary.</p>
<p>Included on the balance sheet is a VAT balance of £707.05. As the company has deregistered from VAT during the year, this account should be zero.</p>	<p>An unknown VAT balance is included on the balance sheet. As the company is deregistered for VAT no balance would be expected. To review and correct as necessary.</p>

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 8 June 2023 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.