



CANOPY HOUSING PROJECT LIMITED
AUDIT FINDINGS REPORT TO THE BOARD OF MANAGEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022



CANOPY HOUSING PROJECT LIMITED

REPORT TO THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2022

Contents

1. EXECUTIVE SUMMARY	2
2. SIGNIFICANT AUDIT RISKS.....	4
3. MATTERS ARISING FROM THE AUDIT	6
4. PRIOR YEAR MATTERS ARISING FROM THE AUDIT	7
5. ADJUSTMENTS TO THE FINANCIAL STATEMENTS.....	8

We planned our audit so that we have a reasonable expectation of detecting material misstatements in the accounts or accounting records including those resulting from fraud, error or non-compliance with laws or regulations or breaches of trust. However, you should not rely on our examination to disclose all material misstatements or instances of fraud, error or non-compliance that may exist. This responsibility rests with you. We do not design our audit to identify all significant weaknesses in the company's accounting and control systems but, any such weaknesses that come to our notice during the course of our audit that we think should be brought to your attention, are referred to in this report.

This report is intended only for the purpose of the management committee. You should not provide this report to third parties without our prior written consent.

CANOPY HOUSING PROJECT LIMITED

REPORT TO THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2022

1. EXECUTIVE SUMMARY

Overall findings /conclusions

We have completed our audit of the financial statements of Canopy Housing Project Limited ("the Society") for the year ended 31 December 2022.

Our audit was conducted in accordance with our Audit Planning Report which was issued to the Board of Management on 3 May 2023

Our audit opinion is unmodified.

We have a small amount of testing to complete our audit work but this is not expected to impact on the audit report.

The items we have identified as outstanding and points to discuss at the completion meeting are:

- Cash flow forecasts covering the period from January 2024 to June 2024 (12 months from expected date of sign off) are outstanding
- We are awaiting the bank letter from Unity. If this is not received prior to finalising the audit, alternative audit procedures will be required
- Discussion around the depreciation policy with regards to leasehold properties, expected residual value and rationale for not depreciating over 99 years
- Discussion regarding estimated residual value for the freehold properties
- Details in relation to any capital commitments at the year end date, for example in respect of the ongoing building works on Clifton Mount
- Confirmation as to whether there is a disclosable contingent liability in relation to the potential claw back of LCC funded properties upon sale
- An understanding as to the LandAid Charitable Trust restricted fund and whether the relevant properties have been acquired (4 units)

In addition, the following work should be carried out just prior to us signing our audit report:

- Completion of the post-Balance Sheet events review, including a final going concern review.
- Review of the final financial statements
- Receipt of the signed letter of representation

We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise on completion of the outstanding matters.

We would like to express our thanks to Stuart Hall for his kind assistance.

There are no changes to our integrity, objectivity and independence statement made in our Audit Planning Report

Key Events during the year

The Society purchased a property at 67 Bayswater Grove LS8 5LN during the year. Funding in the year came from various sources including Leeds City Council, the Nationwide Building Society, Jimbo's Fund and the National Lottery Community Fund distributed by Big Issue Invest during the year.

Key audit findings

The matters arising from our audit have been included in section 2 and 3 of this report and cover auditing, control and accounting issues.





A summary of matters arising in prior years which remain open is included in Section 4.

We have graded each matter according to their possible impact as follows:

CANOPY HOUSING PROJECT LIMITED

REPORT TO THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2022

Key to risks

Type	Risk	Description	Number of matters identified this year	Number of open matters from prior years
	Red - High	Serious matters or weaknesses which result in material financial, regulatory or reputational risk		
	Amber - Medium	Areas where management action should be taken to improve the robustness of controls		
	Green - Low	Best Practice recommendations or minor control matter	3	1
	Information	Provided for information only		

The grading of the issues identified is our assessment of the risk to the Company. Due to the nature of an audit, the risk assigned by the Management Committee may differ from our conclusions.

We have reported on any significant matters identified as a result of the audit procedures performed, however this does not constitute a comprehensive statement of all weaknesses which may exist in the accounting or internal control systems.

Differences noted

Management has considered the unadjusted monetary errors or differences, set out in Section 5, and do not wish to adjust the financial statements on the grounds of materiality. We are satisfied that the matters noted are immaterial to the Society results.

There are no other unadjusted matters, for example in respect of disclosures, which we wish to bring to your attention.

From the work we have carried out, we have not seen any evidence that the amounts included in the financial statements, in particular those arising from the exercise of Management judgement, have been subject to inappropriate Management override of the accounting systems and internal controls.

CANOPY HOUSING PROJECT LIMITED
REPORT TO THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT AUDIT RISKS

In this section we comment on our work, findings and your management response in respect of the areas which we identified as significant audit risk at the planning stage.

Significant Risk	Our work	Audit finding
<p>Management override of controls</p> <p>In any organisation, management are best placed to circumvent systems of internal control.</p> <p>International Standards on Auditing (ISA 240) presumes this area to be a significant audit risk.</p>	<ul style="list-style-type: none"> • understanding and evaluating the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements and testing the appropriateness of a sample of such entries and adjustments; • reviewing accounting estimates for biases that could result in material misstatement due to fraud; and • obtaining an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of the company and its environment. 	<p>From our work we conclude that the society has controls and processes in place to prevent management override of controls.</p> <p>We identified no transactions outside the normal course of business.</p>
<p>Management override of controls – significant accounting estimates and judgements</p> <p>As noted in our audit planning report, a revised auditing standard, ISA (UK) 540 (Revised) Auditing Accounting Estimates and Related Disclosures, effective for accounting periods commencing on or after 15 December 2019, is now applicable, and required additional audit focus over management's estimates, including undertaking separate risk assessments for both inherent and control risks. In respect of the former, consideration is given to the estimation uncertainty, the subjectivity and the</p>	<p>Review of the following areas;</p> <ul style="list-style-type: none"> • the assumptions relating to income recognition and cut-off • the assessment of impairment of assets; • the assessment of the remaining useful life of assets; • the depreciation policy of the properties 	<p>We did not identify any issues with regards to income recognition and cut off.</p> <p>The treatment of leasehold properties is to be discussed at the completion meeting.</p> <p>Based on the accounting policy, we noted that the freehold properties are not depreciated on the basis that the useful lives are considered to be greater than 50 years and the residual value is estimated to be such that any charge to depreciation would be immaterial. There is no indication of material misstatement in relation to freehold property.</p>

CANOPY HOUSING PROJECT LIMITED
REPORT TO THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2022

Significant Risk	Our work	Audit finding
complexity of the estimate. We are also required to consider whether the disclosures made in the financial statements are reasonable.		
Revenue recognition International Standards on Auditing (ISA 240) presumes there is always a risk of material misstatement due to inaccurate revenue recognition. This audit risk is common to most organisations and is not specific to Canopy Housing Project.	<ul style="list-style-type: none"> • We have reviewed the income recognition accounting policy; • We have obtained an understanding of relevant systems and controls; • We have tested a sample of sales through the system from order through to the entries made in the financial records of the company. 	Our work did not note any issues with regard to income recognition.
Going concern International Standards on Auditing (ISA 570) outlines the auditor's responsibility in respect of management's assessment of the going concern assumption. As a result of events over the past year and high profile audit failures around going concern this is deemed to be a significant risk area.	<ul style="list-style-type: none"> • Reviewing the assessment of the management to evaluate the going concern position of the society • Reviewing the assumptions adopted by the management on the preparation of the forecasts 	Our work on going concern is to be finalised prior to the signing of the accounts but based on the work undertaken to date, there are no indications that the entity is not a going concern.




CANOPY HOUSING PROJECT LIMITED

REPORT TO THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2022

3. MATTERS ARISING FROM THE AUDIT

Explained in the table below are the matters we have identified during the course of our audit which we wish to bring to your attention. These matters cover the following where appropriate:-


- 'Adjusted' and 'unadjusted' items to the financial statements in the current and proceeding years unless we considered them to be trivial (i.e. less than £6,550), as included in the adjustments to the financial statements in Section 5;
- Deficiencies in internal controls including any issues identified in respect of the risk of management override of controls;
- Qualitative aspects of the Society's accounting practices e.g. accounting policies, estimates and financial statement disclosures that may not be the most appropriate to the Society's circumstances;
- Significant difficulties encountered during the audit e.g. delays in the provision of information, unavailability of personnel, unreasonable timescales;
- Significant matters arising during the audit discussed with management.

Risk	Audit finding	Recommendation	Response
 Low	Purchases During our purchases transaction testing, we noted one invoice which are in the name of the employee and not in the name of the Society.	Ensure that the invoices are in the name of the society	Will ensure that going forward invoices will have Canopy Housing and not employee name on invoice.
 Low	Back up The society does not periodically restore system back ups.	Ensure that back ups are restored periodically to check integrity of data. Back ups of cloud based packages are recommended.	Finance manager to investigate and implement back ups and periodically check the integrity of data.
 Low	Employment contracts We reviewed a sample of employment contracts and those provided to us are not signed by the employee.	Ensure that employment contracts are signed by the employees and a signed copy retained.	Operations manager will pdf copy signed contracts to the electronic HR files

CANOPY HOUSING PROJECT LIMITED
REPORT TO THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2022

4. PRIOR YEAR MATTERS ARISING FROM THE AUDIT

Matters that arose in the prior year audit are summarised below.

Risk	Issue identified (Azets)	Update
 Low	Old suppliers on list of approved bank payees The list of approved payees includes inactive suppliers.	Upon checking QBO, the Society has a long list of suppliers (2,589) which includes inactive suppliers. This matter remains open

CANOPY HOUSING PROJECT LIMITED
REPORT TO THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2022

5. ADJUSTMENTS TO THE FINANCIAL STATEMENTS

	£
Net profit / (loss) per client	169,738
Total adjustments	-
Net movement in the fund account per final accounts	169,738

Unadjusted items to the financial statements

	£
Potential depreciation of leasehold properties (£3,295k over remaining lease 96 years)	(34,320)
Net assets / (liability) per financial statements	5,139,666
Potential net assets/(liabilities) for the financial statements	<u>5,105,346</u>