# AUDIT RESULTS REPORT FOR THE FY24 AUDIT

## CANOPY HOUSING PROJECT LIMITED

JUNE 2025

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This report is intended for the Board of Canopy Housing Project Limited to communicate concluding matters in accordance with our engagement letter dated 3 May 2023. This report is provided solely for this purpose and should not be shared with a third party without our prior consent.

# EXECUTIVE SUMMARY

## OVERVIEW

We have performed an audit of the financial statements of Canopy Housing Project Limited ('the Charity'). International Standard on Auditing (UK) ('ISA') 260 requires us to communicate significant matters arising from our audit to you in writing. The purpose of this report is to set out the significant findings from our audit, for your consideration. The table below summarises our findings by exception.

| Audit Area | Status | Detail |
|---|---|---|
| Audit opinion | G | We propose to issue an unqualified audit opinion on the Report and Financial Statements of the Charity, following their approval by the Board including signed representations. |
| Significant risk and areas of audit focus | G | We have concluded satisfactorily in respect of the significant risks and areas of audit focus determined the audit planning stage. These were: revenue recognition fraud risk and management override of controls fraud risk. |
| Correct and uncorrected adjustments | G | We identified 2 unadjusted audit misstatements and 1 adjusted audit misstatements, as set out on page 4 of this report. |
| Control recommendations | G | We suggested 4 areas where controls could be enhanced, as set out on page 5 of this report. |
| Accounting policies, estimates and judgments | G | Based on the Charity's 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. A position paper was provided by Canopy outlining the rationale behind the accounting policy. We consider the judgements to be appropriate and free from material misstatement. |
| Legal and regulatory compliance | G | You have confirmed that there is no pending litigation which could have a potential effect on the financial statements. No instances of non-compliance with laws and regulations were identified as a result of our audit procedures. |

*Status is Red, Amber or Green depending on progress and findings*

# EXECUTIVE SUMMARY (cont)

| Audit Area | Status | Detail |
|---|---|---|
| Going concern | G | You have confirmed that there are no events or conditions that may affect the Charity's ability to continue as a going concern for a period of at least 12 months from the planned date of our opinion. We have not identified material uncertainties in respect of the going concern assumption. |
| Report of the Board | G | We have read the information contained in the Report of the Board and considered the implications of this for our report. No exceptions were identified. |
| Relating party transactions | G | No significant matters arose in respect of related party transactions. |
| Outstanding matters | A | Prior to providing our signed unqualified audit opinion, we expect to receive Unity and Co-op bank replies, management's signed representations and the final draft of director approved accounts. |

*Status is Red, Amber or Green depending on progress and findings*

# FINDINGS FROM OUR AUDIT

We have satisfactorily concluded in respect of the signfiicant risks and significant estimates identified at the planning stage of the audit.

The significant risks were:

- Revenue recognition fraud risk
- Management override of controls fraud risk

The significant estimate was:

- Depreciation on freehold property

  Based on the Charity's 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. A position paper was provided by Canopy outlining the rationale behind the accounting policy. We consider the judgements to be appropriate and free from material misstatement.

# AUDIT DIFFERENCES

## OVERVIEW

In the normal course of completing our audit procedures, we may identify potential adjustments as a result of factual or judgmental differences that we discuss with management that are above the threshold that we determine as being clearly trivial. We set out below the adjusted and unadjusted audit differences.

Overall, in our view, the unadjusted differences summarised below do not result in the final draft financial statements being materially misstated.

| | Surplus<br>£ | Assets<br>£ | Liabilities<br>£ | Total funds<br>£ |
|---|---|---|---|---|
| **Financial statement amounts at commencement of audit** | **82,151** | **7,348,167** | **1,933,943** | **5,414,224** |
| *-effect of adjusted differences* | - | - | - | |
| *Bad debt provision balance difference between listing and TB* | (6,941) | (6,941) | - | (6,941) |
| **Financial statement amounts as currently presented** | **75,210** | **7,341,226** | **1,933,943** | **5,407,283** |
| *-effect of unadjusted differences* | | | | |
| *Cutoff error on LCC funding* | 25,000 | 25,000 | - | 25,000 |
| *Depreciation on leasehold property* | (32,950) | (32,950) | - | (32,950) |
| **Potential correct totals** | **67,260** | **7,333,276** | **1,933,943** | **5,399,333** |

# CONTROL RECOMMENDATIONS

## OVERVIEW

While our audit is not designed to provide an opinion on the entity's system of internal controls as whole, we have identified the following control recommendations as a result of our assessment of the design effectiveness of controls relevant to financial reporting risks and other relevant risks arising from your business model. The table below presents a summary of the recommendations we have discussed with management as well as management's response and the target date for remediation.

| # | Finding Priority | Title | Summary Description and Risk | Audit Recommendation | Management Response | Target Date |
|---|---|---|---|---|---|---|
| 1 | G | Cutoff error on LCC funding | During the year, the Charity agreed a funding with Leeds City Council totalling £50,000 which is payable on 30/6/2024 and 20/12/2024. £25,000 is payable upon substantial completion and £25,000 upon completion. The Charity received the first £25,000 on 3/7/2025, income was recognised on the accounts on the same day. The remaining £25,000 was received post year end and the income was recognised. As the project was completed in December 2024, the Charity is entitled to receive the remaining £25,000 when it was completed hence should be accrued at year end. The risk is in relation to the recognition of income in the correct period. | Ensure income are recognised in the correct period. | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2 | G | Bad debt provision balance between listing and TB | There's a difference between the balance per the bad debt listing and the balance per the TB. The risk is in relation to the completeness of the listing or the accuracy of the balance in the TB. | Continue to review supporting listing and ensure reconciliations are prepared to agree to the TB/accounts. | | |
| 3 | G | Purchase invoice not addressed to canopy | On our purchase transaction testing, we noted a purchase invoice which was not addressed to the Charity but addressed to one of the Charity's employees. This was the case for the Westwinn Joinery invoices. All Charity purchase invoices should be addressed to the Charity. | Ensure that invoices are addressed to the Charity. | | |
| 4 | G | Employment contracts | Two employees for which contracts could not be found or obtained, however these were verified in person. All other contracts obtained were signed. The risk is that there might be issues in the future which are better supported with signed employment contracts. | Ensure signed employment contracts are maintained. | | |
| 5 | Information | Land registry | One of the property additions in the year still had the previous owner as the proprietorship per the Land Registry title deeds, however, this addition was in November 2024 and other evidence was obtained for proof of ownership. | N/A – FYI only | | |

# APPENDIX A – ADDITIONAL INFORMATION

## INDEPENDENCE

We have not identified any further issues with regards to integrity, objectivity and independence since our discussions on 17 March 2025.

## AUDIT MATERIALITY

In our planning report presented on March 2025, we presented our threshold below which we would consider potential adjustments as clearly trivial. At the conclusion of our audit, this threshold remained unchanged.

# APPENDIX B – TECHNICAL UPDATE

| **FRS 102 changes effective from 1 January 2026** | **Action required** |
|---|---|
| On 27 March 2024 FRC published the amendments to FRS 102 following its periodic review of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Its update confirmed that the amendments to FRS 102 will have an effective date of 1 January 2026, and early application is permitted. The Charities Statement of Recommended Practice (SORP) is being revised to incorporate the changes to FRS 102.<br><br>There are two key changes to FRS 102 and the Charities SORP, being Revenue Recognition and Leases.<br><br>**REVENUE RECOGNITION**<br>Alignment of FRS 102 to IFRS 15 Revenue from Contracts with Customers, thereby introducing a five-step model for revenue recognition. The five-step model involves:<br>• identifying the contract (or contracts) with a customer;<br>• identifying the promises in the contract;<br>• determining the transaction price;<br>• allocating the transaction price to the promises in the contract; and<br>• recognising revenue when (or as) the entity satisfies a promise.<br><br>Whilst the five-step model provides clarity in revenue recognition, it is unlikely to bring material change to most entities. For Charities it could impact on the recognition of donations, grants and contracts.<br><br>**LEASES**<br>The alignment to IFRS 16 Leases is expected to bring the greatest change to FRS 102 adopters, with operating leases coming 'on balance sheet'. There will be exemptions for low value assets and short-term leases (under 12 months).<br><br>The amended lease obligations of lessees will be recognised as financial liabilities, with an equal asset reflected as a right-of-use (ROU) fixed asset. Interest would be charged on the lease obligation, which would reduce as payments are made over the lease term. The ROU fixed asset would also reduce over the lease term as it is depreciated.<br><br>Currently, operating leases are charged to the profit and loss account evenly over the lease term. Under the IFRS 16 model, the profit and loss account will incorporate the depreciation on the ROU fixed asset and the interest charge on the lease liabilities, impacting on the amount recognised within operating profit and the profile of recognition over the lease term. | Meeting the amendments will require charities to consider the implications for their specific business model. It may require new data collection processes and could represent a significant operational and financial commitment.<br><br>Although the effective date is 1 January 2026, preparation is needed for the transition and to understand how the transitional provisions will apply in the first set of financial statements under the new standard.<br><br>Where income includes terms are not straightforward, the terms will need specific review to assess under the five-step model.<br><br>Operating leases coming 'on balance sheet' will impact on assets and liabilities recognised in the financial statements, as well as EBITDA / interest cover. This could impact on bank loan covenant calculations, to be considered with funders ahead of the effective date.<br><br>There will be increased disclosure requirements, explaining the change in accounting policies.<br><br>The AAB audit team will proactively support in considering the changes and preparing for them. |

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