



# Report to the Trustees of The Parochial Church Council of the Ecclesiastical Parish of Holy Trinity, Cheltenham

For the year ended 31-12-2020

22 MARCH 2021

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# Contents

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# 1. Purpose

*This document summarises the findings of our audit.*

This document covers the audit of the statutory financial statements of The Parochial Church Council of the Ecclesiastical Parish of Holy Trinity, Cheltenham (PCC), for the year ended 31 December 2020 and has been prepared for the benefit of the Board of Trustees. Its purpose is primarily to bring to your attention:

- Key accounting issues impacting on the financial statements
- Our views on accounting systems and deficiencies in internal control

This document discusses only the major issues arising from our audit. Minor points arising during the course of our work have been discussed with Christine Robertson.

We explained our audit responsibilities and objectives, procedures and limitations of the audit in our letter of engagement. This letter also explained our approach to reporting audit findings to management, taking account of your requirements as well as our professional responsibilities.

Our audit was not designed to identify all matters that may be relevant to the Board of Trustees. There will be further information that you will need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisors. Our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

This document has been presented to the Board of Trustees for the purposes of the audit clearance for the year ended 31 December 2020 and should not be distributed to any party without our prior written consent. We accept no responsibility whatsoever for any reliance placed on this document by any third party.

*We thank you and your staff for the cooperation and assistance afforded to us during the course of our audit.*

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## 1.1 Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members.

We are also required to report on the consistency of the Trustees report with the rest of the financial statements and whether it has been prepared in accordance with the requirements of FRS 102 and the Charities SORP.

## 1.2 What we don't report

Our audit is not designed to identify all matters that may be relevant to the Board of Trustees and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

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## 2. Audit risks

As identified in our audit planning report dated 19 February 2021, we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the directing of the efforts of the engagement team.

Significant audit risk	Key audit matter	Significant management judgement involved	Use of experts required	Error identified	Control findings to be reporting in management letter	Specific letter of representation point
Management override	✓	x	x	None	Not applicable	Not applicable
Revenue recognition	✓	x	x	None	Not applicable	Not applicable
Going concern	✓	x	x	None	Not applicable	Not applicable

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## 2.1 Management override

**Risk:** Under ISA 240 (UK) there is a presumed risk that the risk of management override of controls is present in all entities.

**Approach:**

- We have reviewed significant accounting estimates, judgements and decisions made by management during the year. The results of these considerations are set out elsewhere in this document.
- We have performed journals testing, corroborating unusual entries to supporting documentation. Our testing included the analysis of journals by account, postings by user, the use of control accounts and journals by description.
- We have introduced an element of unpredictability through sampling throughout our audit work.

**Conclusion:** Our testing has not identified any indicators or incidents of management overriding the systems and controls in place.

## 2.2 Revenue recognition

**Risk:** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This is a standard audit risk; revenue recognition is deemed to give risk to an inherent fraud risk and recognition criteria can be easily manipulated.

**Approach:**

- A sample of balances across the different sources of income have been reviewed and agreed to bank statements and documentation from donors to ensure existence.

**Conclusion:** We have reviewed the revenue recognition policies in line with FRS 102 and the Charities SORP and did not note any issues or errors from our audit work.

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## 2.3 Going concern

**Risk:** Under ISA (UK) 570 there is a risk around the inherent limitations on the auditor's ability to detect material misstatements that may cause an entity to cease to continue as a going concern. The auditor's responsibilities are to therefore obtain sufficient appropriate audit evidence regarding and conclude on: whether a material uncertainty related to going concern exists; and the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

**Approach:**

Prior to finalisation of the audit, we will need to review the following to confirm the going concern status

- Management's assessment of the going concern status of PCC and with the inherent limitation of the uncertainty surrounding Covid-19, an assessment of the impact of the virus on short- and medium-term cash flows
- The 2021 budget and longer-term forecasts (this should cover the period of at least 12 months from the anticipated date of signing the 2020 financial statements)
- Latest management information available

**Conclusion:** Our conclusion on the going concern assertion is pending discussion with you and receiving the information set out above.

*Our going concern conclusion is outstanding at the date of this report.*

### 3. Additional matters we are required to report

	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to notes.
2	Written representations which we seek.	We will provide a copy of our audit representation letter together with the accounts for signing
3	Any fraud or suspected fraud issues.	Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired.
4	Any suspected non-compliance with laws or regulations.	The most significant considerations for the Charity are tax regulations including PAYE and gift aid. We made enquiries of management and reviewed correspondence with the relevant authorities. We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.
5	Significant matters in connection with related parties.	Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. We did not identify any significant matters in connection with related parties.

## 4. Review of performance

### 4.1 Summary of results for the year ended 31 December 2020

*Despite the ongoing pandemic, total income has increased compared to 2019. This is mainly due to an additional £218k restricted voluntary income in relation to the new development project to repair the church roof.*

*Other income relates to the government grant received as part of the Coronavirus Job Retention Scheme. The relevant expenditure is shown as restricted charitable activities expenditure.*

*Unrestricted expenditure on charitable activities has decreased, mainly due to reduced expenditure on activities during the year and reduced staff costs.*

*Restricted expenditure has increased due to the £50k donation to Kenya and North Macedonia for their capital projects and a donation to Kenya of £49k compared to £18k in 2019.*

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £	Unrestricted funds 2019 £	Restricted funds 2019 £	Total 2019 £
<b>Incoming resources</b>						
Voluntary income	767,003	452,434	1,219,437	856,167	223,803	1,079,970
Activities for generating funds	19,168	11,823	29,791	62,966	2,271	65,237
Other income	-	10,429	11,629	-	-	-
	<b>786,171</b>	<b>474,686</b>	<b>1,260,857</b>	<b>919,133</b>	<b>226,074</b>	<b>1,145,207</b>
<b>Resources expended</b>						
Cost of generating funds	(184)	-	(184)	(263)	-	(263)
Charitable activities	(727,083)	(182,342)	(909,425)	(924,102)	(57,483)	(981,585)
Governance costs	(4,992)	-	(4,992)	(4,940)	-	(4,940)
	<b>(732,259)</b>	<b>(182,342)</b>	<b>(914,601)</b>	<b>(929,305)</b>	<b>(57,483)</b>	<b>(986,788)</b>
<b>Net incoming resources / (resources expended)</b>	<b>53,912</b>	<b>292,344</b>	<b>346,256</b>	<b>(10,172)</b>	<b>168,591</b>	<b>158,419</b>
Funds brought forward	52,663	190,371	243,034	62,835	21,780	84,615
<b>Funds carried forward</b>	<b>106,575</b>	<b>482,715</b>	<b>589,290</b>	<b>52,663</b>	<b>190,371</b>	<b>243,034</b>

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## 4.2 Reconciliation of net movement of funds

There have been no adjustments made to the original trial balance provided at the commencement of our work.

## 4.3 Unadjusted items

No uncorrected misstatements have been identified during the audit.

During the audit, we may also have identified adjustments that we regard as clearly trivial and under International Standards on Auditing (UK) we are not required to bring these to your attention. Clearly trivial adjustments are those individually below 5% of our financial statement materiality level.

*No adjustments have been made to the net movement in funds per the management accounts.*

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## 5. Audit and accounting matters

### 5.1 Coronavirus Job Retention Scheme (CJRS) Grant

The government grant received in relation to the coronavirus job retention scheme has been shown as restricted income and the corresponding expenditure on staff salaries has been shown as restricted expenditure. Usually staff expenditure is shown as unrestricted but due to the specific purpose of the grant, the expenditure on the salaries of those employees who were furloughed has been shown as restricted to match the income.

### 5.2 Prior year adjustment

An adjustment has been made to the 2019 figures to reclass the income received from St Pauls in related to the recharged staff costs. The income was previously shown as income, but since the staff members are not employed by PCC the income has now been offset against the staff costs to show a truer representation of income and expenditure. This adjustment did not affect the net income or carried forward funds for 2019.

### 5.3 Connected entities

We have previously reported that although PCC was connected to Trinity Cheltenham Trust (TCT) by way of having a number of common members present on the board, the organisations are structured in a manner so that the individuals involved with TCT could not exert control over PCC.

We note that during 2020 the Trustees and Directors of PCC and TCT have changed and as a result there is now only one common member of both entities and one further Trustee of TCT is connected to PCC.

## 6. Potential weaknesses and opportunities

*We remind you that phishing and cyber fraud, particularly email scams, remain prevalent and ask you to continue to be vigilant.*

As explained in our engagement letter, the purpose of our audit procedures is to enable us to express an opinion on the financial statements. Our audit included consideration of the internal control relevant for 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.

We have not identified any new weaknesses or opportunities in internal control which we consider are of significant importance to bring these to your attention. A follow up of items previously reported is below:

### Previously reported:

Deficiency	Recommendation made	Current year follow up
There are no formal controls in place over the disposal of fixed assets. This can make it difficult to keep the fixed assets register up to date which is part of the Trustees legal obligation to safeguard the assets of the Charity.	As the fixed asset register is currently under review, it would be an appropriate time to introduce a policy for disposal of fixed assets. It should be made known to staff members that when an asset is disposed of the finance team need to be informed.	We understand that during the year asset stickers have been attached to all furniture and equipment held and that a disposals policy is being drafted ready for review and sign off by the Board.
Due to procedures enforced by the Charity's bankers, the Treasurer and Finance Director are able to both raise and process BACs payments. This autonomy increases the risk that errors, omissions or fraudulent transactions may not be identified and actioned as appropriate.	While it would be preferable to segregate these roles we understand that this is not possible due to size of your operations.  We note that the Charity has procedures in place to ensure that the raising and approving of payments are carried out by separate individuals which assists in the mitigation of this risk.	Whilst the Finance Manager and Finance Director have the ability to raise and approve payments, we understand that in practice the Finance Assistant raises all the payment on Bankline and these are approved by the Finance Manager or Finance Director. If the Finance Assistant is on holiday or not in the office the Finance Manager will raise the payments and these will be approved by the Finance Director.
We would note that no instances of error, omission or fraud were identified during our review.		

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## 7. Objectivity and independence

*We remain independent and objective in forming our audit opinion.*

In our planning letter, we set out what we considered to be the potential or perceived threats to our objectivity and independence in carrying out the audit, along with the safeguards that we planned to implement to mitigate any such threats and the reasons as to why we considered those safeguards to be effective.

There have been no changes to these threats and safeguards and we consider therefore that the firm and the audit engagement team have complied with relevant ethical requirements concerning independence.

Since 2019 was Scott Lawrence's tenth year as the engagement partner, a second responsible individual (RI) review has been put in place for the 2020 financial year under the ICAEW's ethical standards to maintain independence.

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## 8. Outstanding audit issues

The following items are outstanding before we can finalise our auditors' report:

- Signed letter of representation (to be provided by ourselves)
- Final review of post balance sheet events (performed immediately before signing the accounts).
- Copy of the latest management accounts
- Copy of latest trial balance

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## 9. Future developments

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