AUDIT RESULTS REPORT FOR THE FY23 AUDIT

CANOPY HOUSING PROJECT LIMITED

JUNE 2024

SAGARS

AN AAB GROUP COMPANY

CONTENTS

This report is intended for the Trustees of Canopy Housing Project Limited to communicate concluding matters in accordance with our engagement letter dated 20 May 2024. 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 (see Appendix A).
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	A	We identified unadjusted audit misstatements as set out on page 4 of this report.
Control recommendations	G	We suggested areas where controls could be enhanced, as set out on page 5 of this report.
Accounting policies, estimates and judgments	A	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. There is no indication of material misstatement in relation to freehold property. We consider the accounting policies adopted by the Charity to be appropriate to the Charity's circumstances. We consider the accounting estimates and judgments 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.
Director's report	G	We have read the information contained in the Report of the Trustees 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	G	Prior to providing our signed unqualified audit opinion, we expect to receive management's signed representations and the final draft of director approved accounts. We are also waiting for the bank letters from Unity Trust Bank and The Co-operative Bank.

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 areas of audit focus identified at the planning stage of the audit.

The significant risks were:

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

The areas of audit focus were:

- Related parties
- Going concern

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.

	Profit £	Assets £	Liabilities £
Financial statement amounts at commencement of audit	**192,407**	**5,332,073**	**1,720,432**
-effect of adjusted differences	-	-	-
Financial statement amounts as currently presented	**192,407**	**5,332,073**	**1,720,432**
-effect of unadjusted differences			
Depreciation on leasehold property	(34,320)	(34,320)	-
Current/noncurrent classification of Unity Trust loan	-	-	-
Potential correct totals	**158,087**	**5,297,753**	**1,720,432**

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	Signed memorandum of sale	We were not able to obtain a signed memorandum of sale with auction house. This is in relation to the two properties bought in December 2023. We were able to trace the purchase to the bank statements.	Ensure to obtain signed contracts of sale and are retained for any queries that may arise in the future.		
2	G	Maintenance of the signed contract	During our walkthrough testing, we were provided with a grant document which was unsigned (Cost of living grant £5,000). We were able to trace the receipt of the income to the bank statements.	We recommend ensuring signed grant documents are maintained as a support for any disputes that may arise in the future.		
3	G	Signed employment contracts	Similar to our findings in the prior year, during our wages transaction testing, we noted all employment contracts are unsigned. The risk is in relation to the verification of the existence of the employees. There might also be issues in the future which are better supported with signed employment contracts.	Ensure that employment contracts are signed by the employees and a signed copy retained.		

APPENDIX A – ADDITIONAL INFORMATION

INDEPENDENCE

We have not identified any further issues with regards to integrity, objectivity and independence since our report dated 7 May 2024.

AUDIT MATERIALITY

In our planning report presented on 24 January 2024, 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 periodic review	Action required
In late 2023 the Financial Reporting Council (FRC) published a project update on its periodic review of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. Its update confirmed that the proposed amendments to FRS 102 will have an effective date of not before 1 January 2026, a year later than originally planned. In 2022 the FRC issued FRED 82, setting out its proposed changes to FRS 102, receiving 54 response letters during the comment period. The delay in publishing updated FRS 102 enables the FRC to take on board the comments received, and provides some additional time for UK companies to plan for the changes. There are two key changes under the proposals, being Revenue Recognition and Leases. **REVENUE RECOGNITION** FRED 82 proposed an 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: • identifying the contract (or contracts) with a customer; • identifying the promises in the contract; • determining the transaction price; • allocating the transaction price to the promises in the contract; and • recognising revenue when (or as) the entity satisfies a promise. Whilst the five-step model provides clarity in revenue recognition, it is unlikely to bring material change to most entities. However, entities with long term contracts or bundled services will need to prioritise consideration of the impact. **LEASES** 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). FRED 82 proposed that the 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. 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 proposed requirements of FRED 82 will require entities 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. Although the likely effective date is 1 January 2026, preparation is needed for the transition. 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. Another potential impact is in employee incentive schemes and the amounts paid out under those arrangements. The Sagars audit team will proactively support in considering the changes and preparing for them.

APPENDIX B – TECHNICAL UPDATE (cont)

Environment, Social and Governance (ESG) – new sustainability standards	Action required
BACKGROUND The International Sustainability Standards Board (ISSB) issued two new sustainability standards in June 2023, effective for accounting periods beginning on or after 1 January 2024. Whilst not directly applicable to UK entities, the UK Government is planning to issue UK Sustainability Disclosure Standards (SDS) which use the IFRS SDS as a baseline. The UK Government has set out that it intends for the UK SDS to be globally comparable to enable investors to compare information between companies. The Secretary of State for Business and Trade intends that the UK SDS are created by July 2024, supported by two committees which include representation from the FRC, FCA, UK Treasury and the Bank of England among other bodies. A summary of the IFRS SDS is provided below, to enable consideration ahead of the UK SDS being published. **IFRS SDS** *IFRS S1 – General requirements for Disclosure of Sustainability-related Financial Information* • The standard requires a company to disclose information about its sustainability-related risks and opportunities that is useful to investors in making decisions about providing resources to the company. • It sets out the general requirements for disclosure and a set of sustainability-related financial disclosures. Companies must disclose information about governance, strategy, risk management, metrics and targets. • Companies should articulate how they rely on, use and affect different types of resources and relationships to create or preserve value for investors. *IFRS S2 – Climate-related Disclosures* The standard sets out specific requirements for disclosing climate-related risks and opportunities, including: • the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities; • the entity's strategy for managing climate-related risks and opportunities; and • the entity's performance in relation to its climate-related risks and opportunities, including progress towards any climate related targets it has set, and any targets it is required to meet by law or regulation. Climate-related metrics should include those relevant to all companies (such as carbon emissions) and those specific to the company's industry or regulation. The full supply chain needs to be considered when setting out metrics, requiring companies to have in place processes to capture the relevant direct and indirect information.	For large companies, the requirements for sustainability reporting and climate-related reporting will increase significantly over the next two years. Companies need to be prepared for the UK SDS, ensuring that they have in place the processes to be reported on: specifically governance, strategy, risk management, metrics and targets. IFRS S2 has a one-year transitional exemption for Scope 3 (indirect) emissions information, although this may not be applicable when the UK SDS are published and companies may need to be able to present climate-related information across the supply chain. Many Boards are at an early stage of considering ESG matters and could discuss: • Are sustainability risks and opportunities understood by the Board, monitored and managed? • Has the Board assessed the company's impact on the climate and the climates impact on the company? Is this articulated? • Has the Board discussed the UN's 17 sustainability Goals in order to present to stakeholders how the company supports them? https://www.un.org/sustainabledevelopment • Does the company have in place processes and controls to capture climate-related metrics such as emissions?

APPENDIX B – TECHNICAL UPDATE (cont)

Environment, Social and Governance (ESG) – new sustainability standards (continued)	Action required
To support companies with ESG risks and opportunities, Sagars ESG team's services are as follows: ESG Baseline Assessment – Mapping the company's progress on its sustainability journey Materiality Assessment – Identifying the environmental, social and governance issues most important to the company's stakeholders Carbon Footprint – Calculating the company's greenhouse gas emissions and environmental effects ESG Action Plan – Focussing on key activities to maximise the company's impact Sustainability Reports – Mapping progress in ESG through transparent reports	Sagars ESG team is on hand to support our clients' sustainable development goals as summarised opposite.

Revised Ethical Standard 2023	Action required
On 15 January 2024 the FRC published its Revised Ethical Standard, effective from 15 December 2024. The focus of the revision is on clarifying and simplifying the requirements, although with some new provisions for audit firms to apply. The key changes are: • Simplified requirements in respect of financial dependence, where an audit firm has a dependence on audit fees from one audited entity. • Updated prohibitions on the provision of non-audit services to audit clients: - Corporate finance advice on investments in shares or debt instruments where the advice may have a material impact on the amounts presented in the financial statements. - IT hosting arrangements where the audited entity is reliant on the audit firm for access to information. - Preparing current taxation or deferred taxation calculations for listed entities or significant components of listed entities (unless immaterial). • Immediate reporting requirements for serious breaches of the standard, ahead of the required biannual reporting. • Clarified requirements and prohibitions in the audit of Public Interest Entities and Listed Entities. • Enhanced guidance on the objective, reasonable and informed third party test (ORITP), being the test whereby an informed third party would assess a non-audit service, gift or hospitality as inconsequential to the audited entity https://media.frc.org.uk/documents/FRC_Guidance__the_objective_reasonable_and_informed_third_party_test.pdf	The Sagars audit team will assess the revised Ethical Standard specific to each audited entity, discussing implications where identified.

APPENDIX B – TECHNICAL UPDATE (cont)

The Economic Crime and Corporate Transparency Act 2023	Action required
The Economic Crime and Corporate Transparency Act 2023 received Royal Assent on 26 October 2023. The objective of the Act is to strengthen systems for collecting, accessing and displaying information about UK companies. Organisations may incur criminal liabilities if they fail to take measures to prevent fraud by the employees or agents. The key changes impacting UK companies and limited partnerships (LPs) are: • New identity verification requirements for directors, partners of limited liability partnerships (LLPs) and LPs. • The introduction of the concept of an Authorised Corporate Services Provider who is authorised to undertake verification requirements and make filings on behalf of companies and LPs. • New statutory compliance obligations of LPs, which have previously been subject to limited compliance requirements. • Requirement to provide a registered email address to Companies House. • Increased Companies House fees https://changestoukcompanylaw.campaign.gov.uk/changes-to-companies-house-fees/. To support the changes, the Registrar has been given wider powers, including investigation and enforcement powers over directors and UK legal entities. The Act will give the Registrar authority to request additional information on proposed filings and to query, amend or remove information where it is not satisfied about the accuracy of this information.	Company secretaries should make themselves familiar with the changes and comply with them. Further details are available at: https://changestoukcompanylaw.campaign.gov.uk/ It is likely that, where amendments are made to group structures or share ownership, administrative updates may be more time consuming.

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