



H O W A R D S
CHARTERED CERTIFIED ACCOUNTANTS

DERBY ROAD FUND
REPORT TO THE COMMITTEE

EXPLANATION OF WORK UNDERTAKEN BY HOWARDS CHARTERED CERTIFIED ACCOUNTANTS

We were asked by Lyn Anthony-Higgins (Co-Chair) to perform an examination of the records kept by the Derby Road Fund “DRF” and to prepare the financial statements for the year ending 31 December 2020. We have also been asked to prepare this report, summarising our findings, highlighting useful information and suggesting any improvements to the financial systems in place if deemed necessary.

We have been the accountants since 2018 so we have examined the accounts prepared by David Moro for the years ending 31 December 2017, 2018 & 2019. Nick Archer has prepared the accounts for 2020 which hopefully provides additional comfort to the DRF.

Nick Archer has liaised with both Lyn Anthony-Higgins and David Moro where necessary.

HIGHLIGHTS IN RESPECT OF THE ACCOUNTS FOR THE YEAR ENDING 31 DECEMBER 2020

	2020 (£)	2019 (£) (reworked *1)	Variance
Contributions Received	15,256	14,189	1,067

***1** Last year the DRF had to change the way that they were accounting for the contributions. The understanding previously was that the contribution was enforceable and not voluntary. Therefore the DRF recorded the contributions due rather than the contributions received. As the contributions are voluntary the DRF should now account for contributions received during the reporting period only. 2019 contributions were reported as £7,323 because Contribution Debtors of £9,512 were written off in the accounts.

The 2019 figure above shows the actual contributions received in 2019.



ACCA Platinum Status Approved Employer ACCA Gold Status Approved Employer

Newport House Newport Road Stafford ST16 1DA Telephone 01785 243276 Fax 01785 257780 Newport House Newport Road Stafford ST16 1DA Telephone 01785 243276 Email admin@howardsca.co.uk www.howardsca.co.uk Email admin@howardsca.co.uk www.howardsca.co.uk



Howards is the trading name of Howards Limited. Registered in England and Wales No 04307453.

Registered as auditors in the United Kingdom by the Association of Chartered Certified Accountants.

Directors: Matthew Bailey FCCA Ryan Hudson ACA Group Secretary: Joanne Austin



We are aware that the contributions are requested for payment at the beginning of November for the current year and a large amount of contributions will be unpaid by the end of 2020. The comparison above is therefore unlikely to be particularly useful but it does show some consistency.

Main expenditure variances

	2020 (£)	2019 (£)	Variance	Notes
Road sweeping, Jetting	1,166	-	1,166	1
Road Resurfacing	3,583	-	3,583	2
Pinch Point	-	1,009	(1,009)	3
Disabled Path	1,610	-	1,610	4
Insurance	551	270	281	5
Accountancy	780	360	420	6
Legal Fees	600	-	600	7

Notes

- 1 Two road sweeps in 2020 (£490 x2), Road Jetting to gullies £275. Balance relates to J Gutteridge.
- 2 Road resurfacing - costs in line with quote from ESC-Surfacing and invoiced in May 20
- 3 The 2019 expenditure relates to labour and materials for the Pinch Point itself.
- 4 2020 expenditure relates to creating a path for disabled access. Labour £905 (D Moro + J Harcourt), materials and sundries (£705). It was voted on by the committee for David and Jamie to undertake the works.
- 5 Two lots of insurance paid this year – Landowner insurance in Feb 2020 £272, combined insurance in Nov 2020 £273. The latter technically requires a prepayment as it runs from 07/11/2020.
- 6 More work undertaken by Howards this year. Actual costs nearer £1,500.
- 7 Clifton Ingram Solicitors

Other points to note for the year ending 31 December 2020

- 1 David Moro temporarily funded the majority of expenditure incurred by the fund in late 2019 and 2020 because the DRF did not have a bank card and at times no ability to make cheque payments due not having two signatories on the account. David temporarily funded these transactions to ensure 'smooth running' of the committee and so that important works could take place.
- 2 Adequate documentation has been provided to Howards and all invoices repaying David Moro were authorised by Paula.
- 3 We did highlight an error / oversight in relation to the road signage from DHF Products. It appears that the road signs were paid for by the DRF but the cost was also reclaimed by David. This has resulted in David owing £398.64 back to the DRF.
- 4 The DRF's Community Account went in to an overdraft position (£3,433.40) on 09 October 2020 due to a cheque payment going to David Moro, in the sum of £6,502.25, to reimburse himself for expenditure paid personally on behalf of the DRF. David did not realise that the account was in an overdraft position until 19th October 2020 at which point he transferred £5,000 from the Business Premium Account into the Community Account to put the account back in to a credit position. This was a genuine oversight. £28 of interest was charged in respect of this oversight.

OTHER MATTERS TO NOTE

- 1 Howards have not missed what is considered to be basic financial irregularities in respect of the invoices raised from Archipelago Design Group. David is simply taking 20% off the cost (irrelevant whether VAT has been charged) and then adding the 20% back on under 'sales tax' at the bottom of the invoice. David is not VAT registered, there is no loss to the tax payer or the DRF. This is purely a presentational issue that does not concern us. David does not appear to have reclaimed anything that he is not entitled to other than the road signage mentioned above.
- 2 David Moro has kept a spreadsheet detailing the number of households on the road and the expected contributions. Due to the fact that the contributions are coming in randomly and very often late, it is too early to comment on the expected contributions for 2020. According to the spreadsheets kept in relation to the contributions, circa 85% of the potential contributions were received in respect of 2019 and as at the 31 Jan 2021 only 36% of 2020 contributions have been received.
- 3 There appears to have been a bit of a confusion about the difference between an audit and an examination / review of the financial records.

An audit is usually performed when there is a statutory requirement to do so. The auditors have to provide an audit report in the financial statements expressing an independent opinion as to whether they believe the accounts show a true and fair review and are free from material

misstatements. In order to conclude their opinion the auditors have to perform several substantive testing procedures to evidence their opinion, including tests on the internal controls.

This is a very time consuming exercise and heavily regulated. The average cost of an audit in our firm is £10,000. If the auditor issues an unqualified audit report stating that the accounts show a true and fair view and are free from material misstatement but the accounts happen not to be, the auditor can be liable for damages.

An examination or review like the one performed by us for the DRF is not an audit. We simply state that the accounts appear to be in line with the information that has been provided to us. We do not devise any tests to challenge the information provided to us and we do not perform tests on the internal controls. Effectively we are not saying the accounts show a true and fair view we are just saying that the accounts are in line with the information supplied.

CURRENT SYSTEMS IN PLACE

After lengthy discussions with David we believe the current systems are in place:

- The Treasurer and the Co-chair will be the signatories.
- They can authorise payments up to £500.
- Above £500 needs to be agreed at the DRF Committee meeting.
- Expenditure above £1,000 has to be voted on by the members at the AGM and quotes have to be obtained. We would suggest 3 quotes if possible.
- All expenditure or proposed expenditure is minuted.
- Full transparency of record keeping. All the members have the right to request a detailed breakdown of expenditure incurred and the minutes of meetings.
- The treasurer is responsible for record keeping and the preparation of the accounts.
- A firm of accountants (preferably regulated) are engaged to perform an Independent Examination or review of the records and the accounts. An audit is not necessary.

If the above systems are in place we deem these systems to be sufficient in order reduce the risk of fraud or error in the DRF.



Nick Archer ACCA

On behalf of Howards