

Report to the Board

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Surrey Choices Limited

Year ended 31 March 2024



Helping you prosper

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The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for and is not intended for, any other purpose.

01 Introduction

Purpose of this report

The purpose of this report is to bring to your attention the salient points which have arisen from our audit of the financial statements of Surrey Choices Limited (“the Company”) for the year ended 31 March 2024.

This report provides an update to the matters raised in our Audit Service Plan, which was provided to the directors on 24 May 2024, focussing on observations that are significant to the responsibility of those charged with governance to oversee the financial reporting process as required by International Standard on Auditing (UK) 260 Communication with Those Charged with Governance.

This report provides an update to matters which arose during the course of our audit.

Audit scope

Our terms of engagement are set out in our engagement letter dated 19 May 2023. This sets out our audit responsibilities and their limitations and the responsibilities of the Directors in relation to the financial statements.

Our Audit Service Plan set out in detail the key issues and risks identified at the planning stage and the related planned audit responses. It also explained that our audit approach concentrates on areas of material risk of misstatement in the financial statements to allow us to reach our opinion in accordance with auditing standards.

Audit independence

In accordance with the requirements of auditing standards we disclose the following:

- We are auditors of the Company;
- In addition to the audit, we provided the following services in 2023:
 - End of year certificate (EOYC)

We discussed the specific threat to you posed with our involvement in services provided and how we mitigate such threats in our Audit Service Plan. We have identified no further threats during the course of the audit.

We therefore confirm that, in our professional judgment, UHY Hacker Young LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partners and audit staff is not impaired.

Should you have any questions relating to the issue of our independence and objectivity, please do not hesitate to contact Jessica Moorghen on 020 7216 4670 or at j.moorghen@uhy-uk.com

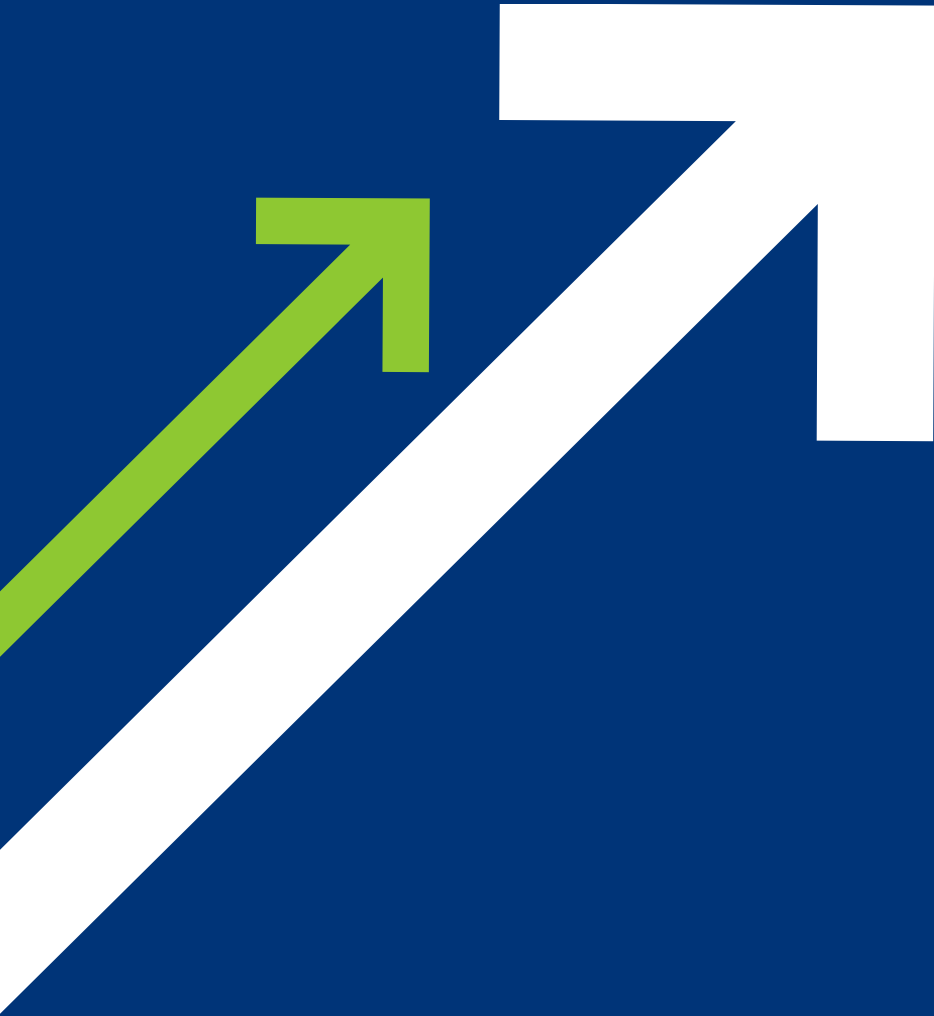
Limitations

We have prepared this report for your use within the Company. It is part of our continuing communication of audit matters with those charged with the governance of the Group and, accordingly, is addressed to the Board. It is not intended to include every matter that came to our attention. For these reasons, we believe that it would be inappropriate for this report to be made available to third parties. If such a third party were to obtain a copy, we would not accept any responsibility for any reliance that they might place on it.

Acknowledgement

We have received full co-operation from all SC staff. We wish to thank in particular Jan Sheldon, Suresh Navaratnam and the entire SC team for the helpfulness and co-operation during the course of the audit process.

Audit status



02 Audit status

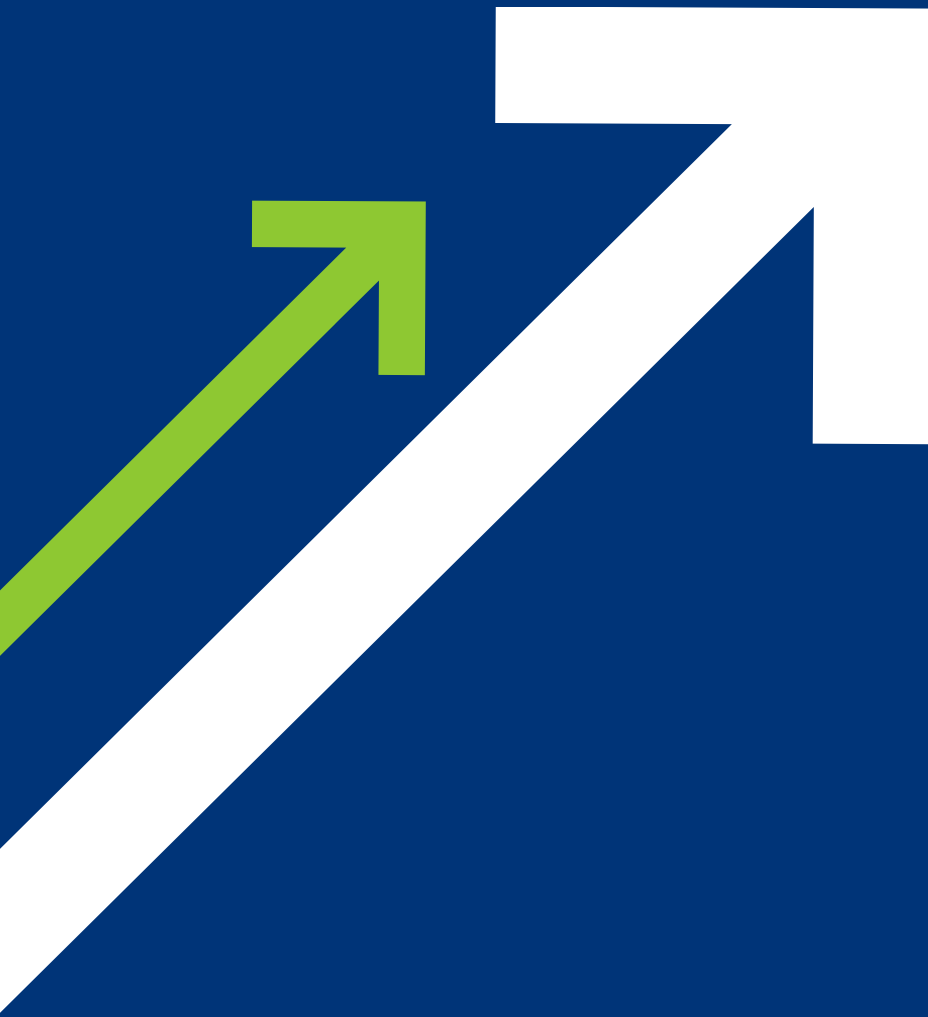
The audit of the Company is substantially complete. All matters encountered during the audit were dealt with as the audit progressed. There are, however, at the time of writing some outstanding unresolved audit matters which are set out below which may or may not have an impact on our audit opinion on the Company's financial statements:

- Signed Letter of Representation from the Directors
- Signed Directors' Report
- Signed Financial Statements
- Completion of our subsequent events review to the date of our audit report

We expect to sign our auditor's report as soon as practicable after clearing the outstanding matters and the approval of the directors' report and accounts by the directors. Our anticipated auditor's report opinion will be unmodified.

Our approach to materiality

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03 Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process.

It applies to monetary misstatements and also to disclosure requirements in compliance with the accountancy framework and applicable law.

	Amount (£)	Qualitative factors considered
Materiality for the company's financial statements	£142,000	The principal key performance indicators on which management judge performance and for the user of the accounts in this industry is revenue. It is the key driver of the financial performance of business. As a result, we have used 1% of turnover as the basis for the materiality figure.
Performance materiality for the company's financial statements	£106,500	This is based off 75% of revenue which is in line with UHY's methodology considering revenue is the key performance indicator as mentioned above.
Communication of misstatements	£7,100	We have agreed that misstatements at and above this threshold, in our view, warrant reporting on qualitative grounds
Materiality for specific transactions, balances or disclosures	£2,000	Lower materiality considered for related party transactions and directors' remuneration. There is no quantitative limit set for these transactions as they are qualitatively material.

Significant matters

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04 Significant matters

Significant matters, as identified in our Audit Service Plan:

Risks identified in Audit Service Plan	Work identified by management	Audit procedures and conclusion
<p>Management override of controls</p> <p>In accordance with ISA 240.74, while the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities and is a significant risk of misstatement due to fraud. There are also changes in key personnel during the year which increases this risk.</p>	<p>Management were to ensure there are appropriate procedures in place to prevent override of controls.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Updated our documentation around the posting of journals and formulation of key estimates and assessed the design and implementation of those controls. • Assessed and challenged accounting estimates, judgements and decisions made by management. • Used our Mindbridge software to tested a sample of journal entries during the year and post year end, adjustments and accounting estimates for bias that could result in material misstatements. • Reviewed significant transactions to ensure they were in the normal course of business. <p>Conclusion: We found no indication of management bias or significant transactions outside the normal course of business.</p>
<p>Revenue recognition</p> <p>Auditing standards set out a rebuttable risk of fraudulent revenue recognition and consider that this risk should be treated as a significant risk. In this regard, we consider that there is a risk over the accuracy and completeness assertions relating to revenue recognition.</p>	<p>Management were to review the status of all significant transactions close to the year end to ensure that all were accounted for in the appropriate accounting period.</p>	<p>We have</p> <ul style="list-style-type: none"> • Performed a proof-in-total based on the block contracts signed with Surrey County Council and reviewed the amounts calculated against the amount per the nominal ledger. • Carried out substantive based testing, selecting samples from income schedules and reports, vouching them to supporting documentation to test accuracy and the agreeing them to nominal ledger to ensure they

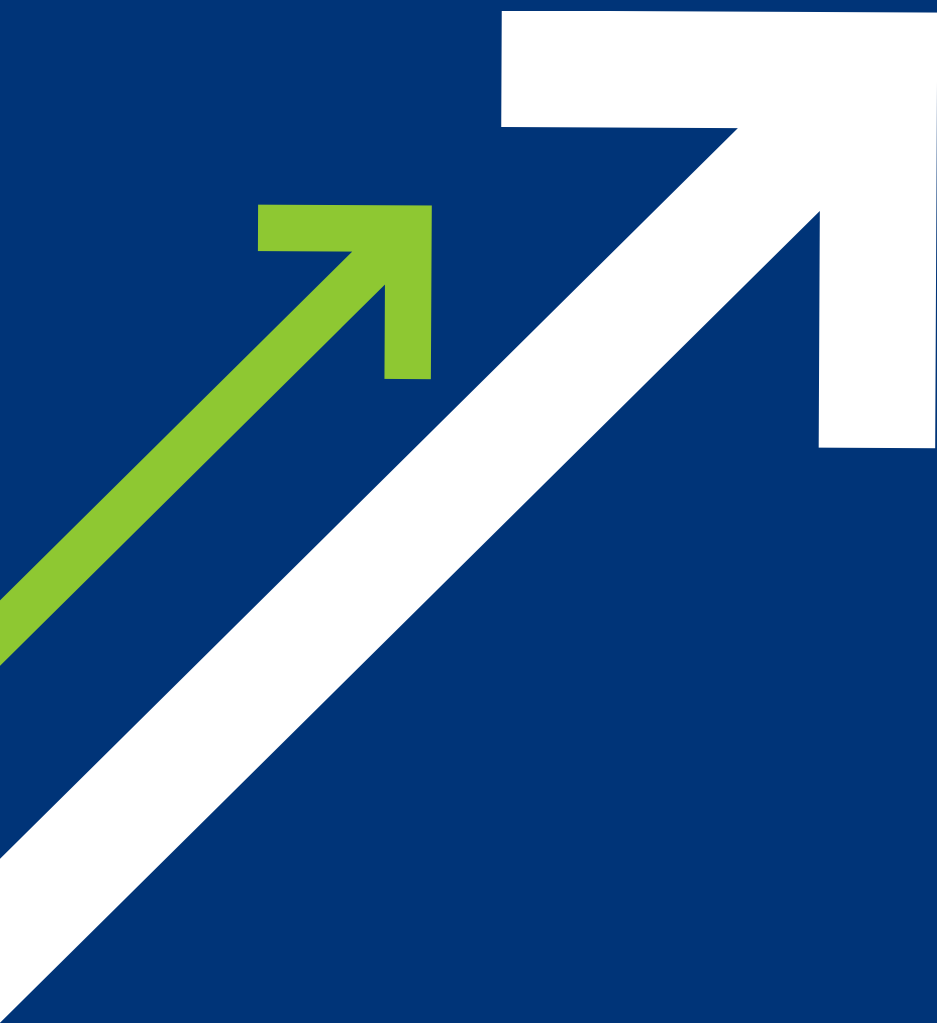
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have been included in the nominals testing completeness of revenue.

- Performed cut-off testing by selecting samples close to year end to ensure income has been recognised in the correct accounting period.

Conclusion: We found no significant or reportable adjustments were noted based on the work performed.

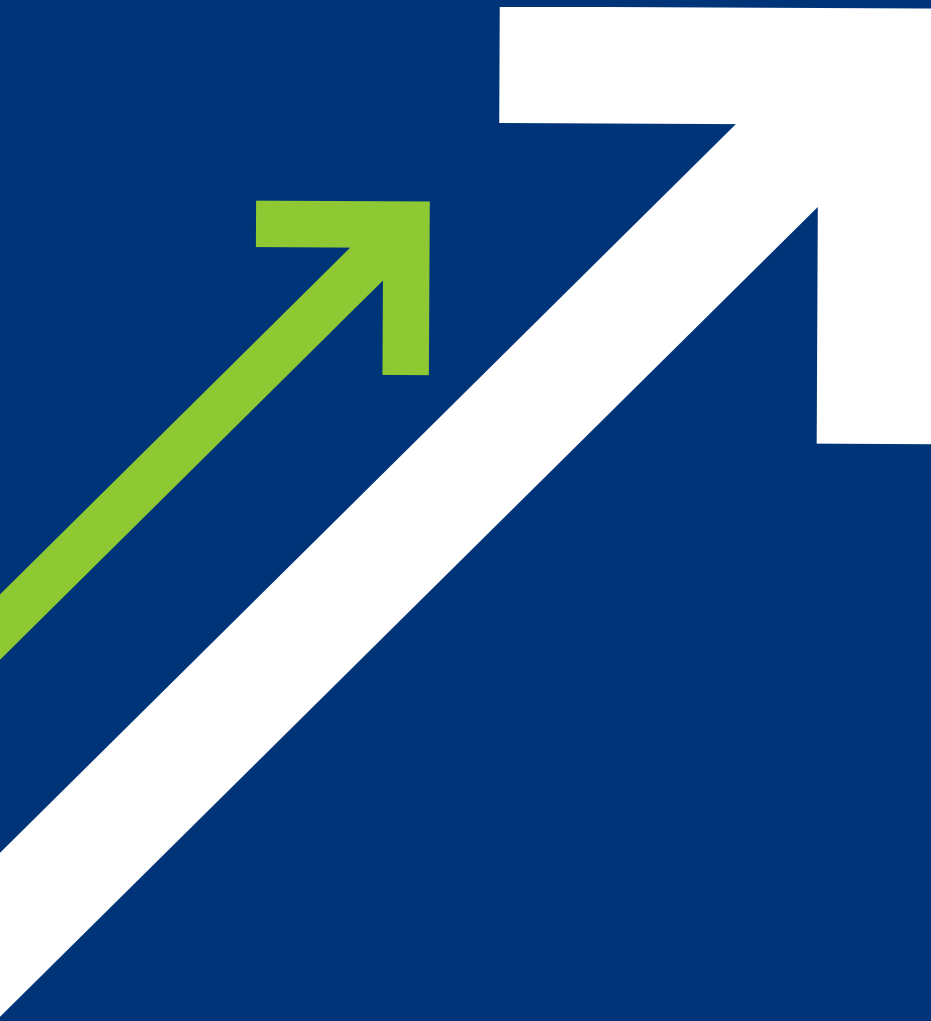
Going concern



05 Going concern

Overview of the risk	Management's assessment of going concern	Audit procedures and conclusion
<p>There are changes in the income structure with Surrey County Council where there is a reduction in block contracts. Although a small amount of profit was made during the year despite a deficit being forecasted, there was still uncertainty whether this can be sustained in the foreseeable future. Despite inflation forecasted to slow down, prices are still rising, making it harder for the company to reduce costs to compensate for the loss income. If funding levels were to decrease, then issues could arise regarding the ability to pay off their loans to SCC. There are also increased uncertainty in the global economy especially with the current geopolitical conflicts.</p>	<p>Management were to evaluate whether the company is trading as a going concern.</p> <p>Management was thus required to provide a cash flow projection to July 2025 which confirmed their assessment of the going concern principle.</p>	<p>We assessed the company's ability to continue their operations until the end of July 2025. We have reviewed the cash flow forecasts to end of July 2025 and compared actual results post year-end to those predicted in the forecast.</p> <p>The key assumptions made in the cash flow forecast were reviewed and deemed reasonable.</p> <p>We also performed a sensitivity analysis on the key assumptions to ensure that in a reasonable worst case scenario, the company would continue to have sufficient cash to continue in their operations for the 12 months from signing the audit report. We also looked through the joint strategic plan and will continue to monitor progress over the next reporting periods.</p> <p>The cash balance is expected to remain positive throughout.</p> <p>Conclusion: We concur with management's assessment that the going concern principle is applicable.</p>

Other matters (non-significant risks)

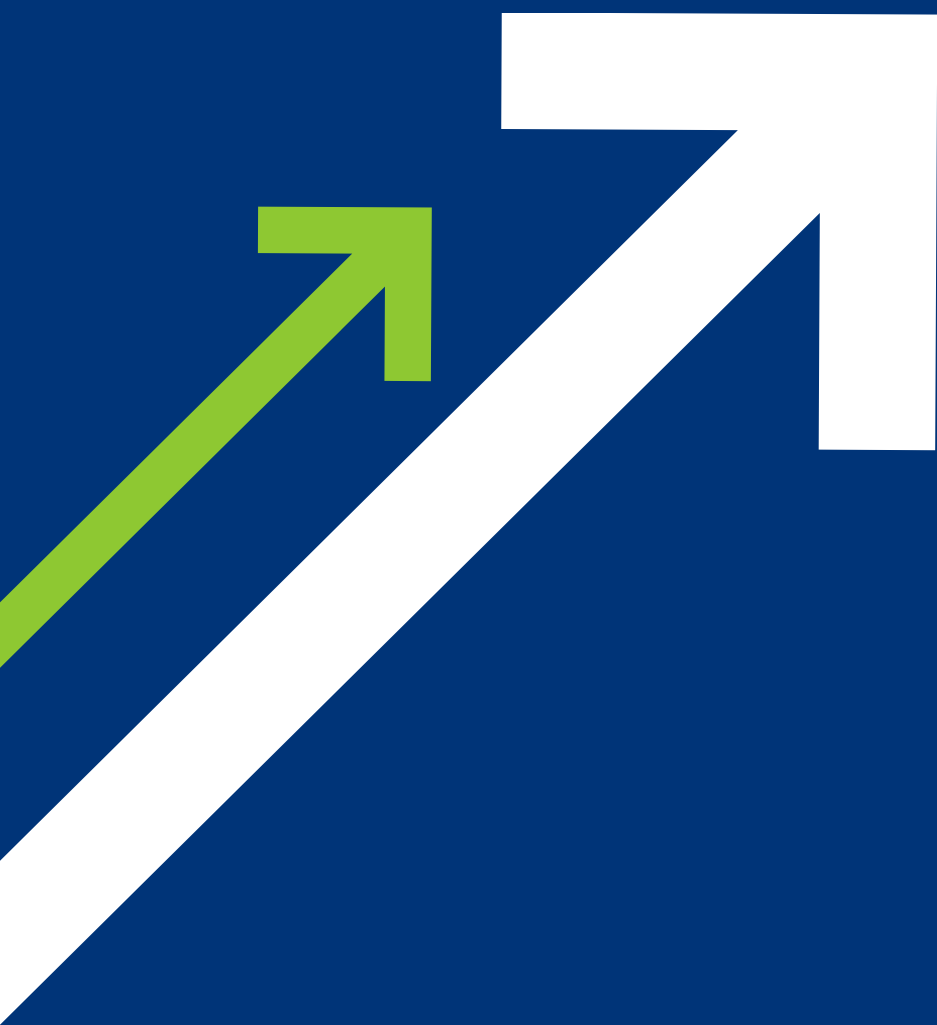


06 Other matters (non-significant risks)

Other Risks identified in our Audit Service Plan	Work done by Management	Audit procedures and conclusion
Debtors recoverability	Management were to ensure that debtors were a true representation of the actual amounts that were expected to be received from customers post year-end and any provision for bad debts was complete and accurate.	Our sample items tested for recoverability overall proved adequate receipts have been received post-year end leading to the conclusion that debtors are materially correct.

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Other communication requirements



07 Other communication requirements

Accounting Policies and Financial Reporting

No changes in significant accounting policies have been made during the course of the year. We have not identified any non-compliance with company accounting policies or applicable accounting framework.

We have completed reviews of the company financial statements and provided feedback to management. A final review will be completed to confirm that requested changes have been made.

Review of board minutes

No material or significant matters have arisen from the review of board minutes.

Significant post balance sheet events

No significant post balance sheet events identified

Consideration of fraud

Management have ultimate responsibility for prevention and detection of fraud and, as auditors, we are required to obtain reasonable assurance that the financial statements are free from material misstatements including those arising as a result of fraud.

Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance. We have discussed fraud with Lisa Williams and Suresh Navaratnam. It was confirmed that:

- there have been no instances of fraud during the year; and
- those charged with governance of the company consider there to be a low risk of fraud.

During the course of our work, we found no evidence of fraud and corruption. We must emphasise again that the responsibility for the prevention of and detection of fraud lies with management, and our work does not remove the possibility that fraud and corruption may have occurred and remain undetected.

Related parties

Management are responsible for the completeness of the disclosure of related party transactions in the financial statements. We are required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment of fraud.

The Company has continued to take advantage of the exemption in FRS102 "Related Party Disclosures" from disclosing transactions with other members of the group. We are not aware of any related parties or related party transactions which should have been disclosed.

Laws and regulations

We are not aware of any significant incidences of non-compliance with laws and regulations.

Written representations

Following conclusion of our audit work we will issue a letter of representations to management. At the date of this report we expect to be requesting specific representations in respect of the assessment as a going concern, joint strategic plan with SCC, recoverability of debtors, inter-company balances and the bad debt provision estimate.

Confirmation request from third parties

Confirmations have been requested and received for all bank and loan accounts.

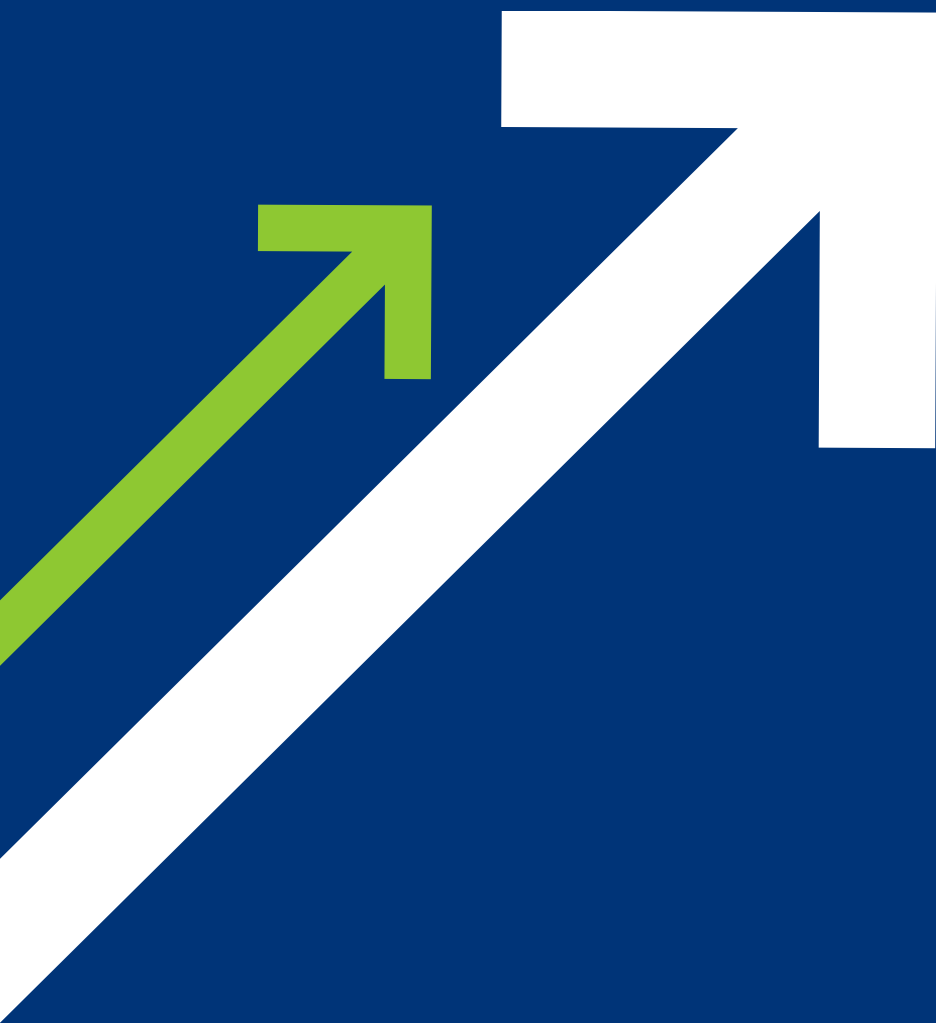
Disclosures

A review of disclosures has been performed as part of our review of the accounts with necessary amendments being processed.



Audit adjustments

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08 Audit adjustments

During the course of the audit, adjustments were necessary in order to facilitate the preparation of the statutory financial statements, consisting of fundamental underlying transactions together with matters of presentation for statutory purposes.

A schedule of audit adjustments has been provided to you for the entity. The nature of these adjustments included the following:

- Late client journal for prior year adjustments;
- Corporation tax;
- Deferred tax.

Unadjusted items

There were no unadjusting items identified during the audit.

In assessing the key areas of audit judgement, we have had full regard to our assessed level of materiality. A final materiality calculation will be undertaken prior to finalisation of the group accounts.

We acknowledge the subjectivity and scope for differing viewpoints over some of our concerns. By the same token, the Board in deciding to approve the accounts as currently drafted will also be exercising subjective judgement.

Remaining timetable

We are scheduled to be in a position to sign all statutory accounts by July 2024 in respect of the Company.

Management Letter

We will discuss with management matters arising where we consider that the internal systems and procedures could be improved. A draft copy of the letter highlighting these issues will be supplied to management. We will then require formal confirmation of management's comments which will then be incorporated before we circulate the document to the full Board.

Audit report

We propose issuing an unmodified audit report on the financial statements of the company for the year ended 31 March 2024.

Audit Quality

The firm has fully implemented International Standard on Quality Management 1 and 2 (ISQM 1 and ISQM 2). The firm has carried out procedures to monitor our System of Quality Management (SoQM) as at 15 December 2022. During 2023, the firm is monitoring and implementing remediation processes (where needed) to ensure that the SoQM remains relevant and reliable to enable the firm to take actions to respond to any identified deficiencies.

Audit Quality is a top priority for the firm and is discussed at the firm Executive Committee (ExCo) as well as being highlighted in the firm's strategy. The Heads of Audit and Audit Compliance Partner are members of ExCo and works to implement the Audit Quality Strategy along with the firm's Technical and Training team. In addition, the Technical and Training team monitors the actions required to maintain a high level of audit quality and address any findings from both internal and external audit file and audit compliance reviews.

The firm seeks to continually improve and enhance our audit quality. The firm is reviewed externally by the ICAEW's Quality Assurance Department (QAD) on a two-year basis and the current year's file review results exceeds the QAD's benchmark for firms for being adequate and needing little or no improvements. The firm also undertakes an annual internal file and audit compliance review which is outsourced to Mercia, all RIs are reviewed at least once every two years.

Additional quality control procedures are implemented for listed companies in accordance with the firm's Quality Policy.

The Firm's Values

We are passionate about our purpose of **helping you prosper**. It drives all that we do at UHY and really gives meaning to our work. We want to help our clients, our teams and our community determine what prosperity means for them, and to help them achieve it. We understand that the route to prosperity is often a virtuous circle; happy and prosperous teams lead to happy and prosperous clients, which in turn is a reward for our teams. To ensure we achieve our purpose, we have four core values that we live to:

Make progress

We are passionate about making progress to deliver above and beyond. We pledge to invest in our people, their skills and their future as we continue to embrace change and develop our business and the way we serve our clients.

Live empathy

We will seek to put ourselves in your shoes to ensure the service we provide is one based on real understanding and empathy. This will help us to build a close working relationship whilst ensuring strong regulatory compliance.

Be present

Driven by our commitment to be honest and have integrity, we seek to always engage fully and commit to providing a consistently high quality service throughout the work that we do.

Enjoy it

Ultimately we love what we do and understand that to help our clients prosper, we need to commit fully and enjoy our work. We are not afraid to speak our mind to challenge thinking to ensure we add value on every engagement.



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