

# The Audit Findings for S. E. Business Services Limited

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Year ended 31 March 2018

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August 2018



Board of directors  
S. E. Business Services Limited  
County Hall  
Penrhyn Road  
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August 2018

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Dear Sirs

**Audit Findings for S. E Business Services Limited for the year ended 31 March 2018**

This Audit Findings presents the observations arising from the audit 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. Its contents have been discussed with management

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Richard Hagley

Director  
For Grant Thornton UK LLP

**Chartered Accountants**

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# Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Status of the audit

Our work is now complete. There are currently no matters of which we are aware that would require modification of our audit opinion.

# Audit opinion

Our anticipated audit report opinion will be unqualified.

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# Section 1: Audit findings

- 01. Audit findings
- 02. Independence, ethics, fees and non-audit services
- 03. Communication of audit matters



# Audit findings – Significant risks

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

## Significant risks identified in our Audit Plan

## Commentary

1

### Improper revenue recognition

### Auditor commentary

- Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.

- We completed the following procedures:
  - documented and considered management’s controls over revenue recognition;
  - reviewed the appropriateness of management’s revenue recognition policies;
  - substantively tested all material revenue streams; and
  - substantively tested year end debtors.

No issues in relation to improper revenue recognition were noted from our audit procedures completed.

### Management override of controls

### Auditor commentary

- Under ISA 240 (UK) there is a presumed risk that the risk of management over-ride of controls is present in all entities.

- We completed the following procedures:
  - reviewed accounting estimates, judgments and decisions made by management;
  - reviewed of unusual significant transactions.

No issues in relation to management override of controls were noted from our audit procedures completed.

# Audit findings – Reasonably possible risks

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental.

## Reasonably possible risks identified in our Audit Plan

## Commentary

1

### Revenue

- Contract accounting not consistent with terms (Existence / Occurrence)

### Auditor commentary

- We completed the following procedures:
  - documented management's arrangements for accounting for contract revenues; and
  - reviewed significant contracts to check whether contract revenues have been accounted for appropriately.

No issues in relation to accounting for contract revenues were noted from our audit procedures completed.

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### Operating expenses

- Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period (Completeness)

### Auditor commentary

- We completed the following procedures:
  - documented management's controls over the recording of expenditure and year end accruals;
  - performed cut-off testing to assess whether transactions occurring close to the year end were recorded in the correct accounting period;
  - performed substantive testing of expenditure and year end creditor and accrual balances; and
  - reviewed the appropriateness of the approach adopted by management for estimating year end expenditure accruals.

No issues in relation to operating expenses and creditors were noted from our audit procedures completed.

3

### Employee remuneration

- Employee remuneration and benefit obligations and expenses understated (Completeness)

### Auditor commentary

- We completed the following procedures:
  - documented management's controls in place in relation to the recording of payroll expenditure;
  - tested a sample of payroll transactions to supporting records; and
  - reconciled payroll records to the financial statements

No issues in relation to employee remuneration expenditure were noted from our audit procedures completed.



# Audit findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	<ul style="list-style-type: none"> <li>After reviewing the Company's forecast and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.</li> </ul>	<ul style="list-style-type: none"> <li>We have reviewed management's assessment of going concern and are satisfied that the going concern basis is appropriate for the financial statements for the year ended 31 March 2018.</li> </ul>	 <b>Green</b>
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>Revenue from the sale of goods and provision of services is recognised when SE Business Services transfers the goods or completes the delivery of a service.</li> </ul>	<ul style="list-style-type: none"> <li>We have reviewed the Company' revenue recognition policies and have verified that they are reasonable and compliant with the requirements of FRS 102.</li> </ul>	 <b>Green</b>
<b>Non-distributable reserves</b>	<ul style="list-style-type: none"> <li>The Company has claimed group tax relief due to the surrender of losses from another company within the Surrey County Council group. The Company is treating this tax benefit as a non-distributable reserve since it may be reviewed by HMRC within 3 years of the claim. The reserve will be held for a period of three years with the treatment reviewed annually.</li> </ul>	<ul style="list-style-type: none"> <li>The Directors obtained advice and applied for group tax relief over the last three financial years, giving rise to a total balance on the reserve of £220,717. HMRC have accepted the returns provided to them by the company, however, there is a period of 4 years from the date of the end of the period in which HMRC is able to challenge the treatment applied. Management discussed the use of a non-distributable reserve for the period in which the tax treatment is open to challenge. We are satisfied with the adoption of this approach.</li> </ul>	 <b>Green</b>
<b>Other judgements and estimates</b>	<ul style="list-style-type: none"> <li>Other significant estimates and areas of judgement in the financial statements include:               <ul style="list-style-type: none"> <li>– expenditure accruals; and</li> <li>– judgement that the prior year tax adjustment is a change in accounting estimate rather than a prior period error.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>We are satisfied regarding the appropriateness of significant accounting judgements and estimates reflected within the accounts.</li> <li>Management have accounted for a £60,755 prior period tax adjustment in respect of group tax relief from Surrey Choices Limited as change in accounting estimate by recognising the change prospectively in 2017/18, rather than by treating it as a prior period error and restating the accounts.</li> <li>While we are satisfied that management's judgement that this adjustment constitutes a change in accounting estimate is reasonable, we have requested that the accounts be updated to provide disclosure of this judgement.</li> </ul>	 <b>Green</b>
<b>Other critical policies</b>	<ul style="list-style-type: none"> <li>We have reviewed the Company's policies against the requirements of the Companies Act and FRS 102.</li> </ul>	<ul style="list-style-type: none"> <li>We have reviewed the Company's other critical accounting policies and do not have any comments to make.</li> </ul>	 <b>Green</b>

## Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# Other communication requirements

Issue	Commentary
1	<b>Matters in relation to fraud</b> <ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Board in our Audit Plan. We have not been made aware of any incidents of fraud in the year and no other issues have been identified during the course of our audit procedures.</li> </ul>
2	<b>Matters in relation to related parties</b> <ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
3	<b>Matters in relation to laws and regulations</b> <ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with laws and regulations.</li> </ul>
4	<b>Written representations</b> <ul style="list-style-type: none"> <li>Representations will be requested from management in respect of the significant assumptions used in making accounting estimates.</li> </ul>
5	<b>Confirmation requests from third parties</b> <ul style="list-style-type: none"> <li>We requested from management permission to send a confirmation request HSBC in respect of the Company's closing bank balance as at 31 March 2018. This permission was granted and the requested letter was received.</li> </ul>
6	<b>Disclosures</b> <ul style="list-style-type: none"> <li>We identified no significant disclosure errors or omissions in the financial statements.</li> </ul>
7	<b>Internal controls</b> <ul style="list-style-type: none"> <li>During our audit we did not note any significant deficiencies in internal controls to report.</li> </ul>



# Adjusted misstatements

The table below summarises the one amendment between the draft and final financial statements:

Journal reference	Detail	Profit and Loss Account		Balance Sheet		Profit effect (£)
		Debit (£)	Credit (£)	Debit (£)	Credit (£)	
	<b>Profit for the year per draft financial statements</b>					<b>470,456</b>
1	Creditors: amounts falling due within one year			525		-
	Tax on profit on ordinary activities		525			525
	Other tax adjustment		90			90
	<b>Adjustment to the current tax expense for the year - the draft financial statements were prepared prior to the preparation of the tax calculation for the year and were updated once the tax calculation was finalised</b>					
	<b>Profit and loss account</b>			400,000		-
	Creditors: amounts falling due within one year				400,000	-
	<b>Adjustment to accrue for the dividend declared for 2017/18</b>					
	<b>Profit for the year per final financial statements</b>					<b>471,071</b>

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## Section 2: Independence, ethics, fees and non-audit services

01. Audit findings

**02. Independence, ethics, fees and non-audit services**

03. Communication of audit matters

# Independence, ethics, fees and non-audit services

The table below sets out the total fees for audit and non-audit services charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

	Fees £	Threat identified	Safeguards
Audit of company	£12,000	None noted	N/A
<b>Total audit</b>	<b>£12,000</b>		

- No non-audit services have been provided to the Company by Grant Thornton UK LLP.
- The audit fee was not provided on a contingent fee basis.

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (ES 1.69)

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## Section 3: Communication of audit matters

01. Audit findings

02. Independence, ethics, fees and non-audit services

**03. Communication of audit matters**

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

# Grant Thornton at a glance

## Grant Thornton International Ltd

- Fee income \$4.8 billion
- Over 130 countries
- Over 700 locations
- Over 47,000 people
- Global methodologies, strategy, global brand, global values – consistent global service



FTSE 100 are non-audit clients

56%



People worldwide

47,000



Independent advisor of AiM

No.1

UK offices (+ Cayman and British Virgin Islands)

26+



Largest auditor, UK's top privately-held companies

6th



Member firms of Grant Thornton International Ltd

140+



### Americas

- Fee income \$2 billion
- Over 340 offices, 30 countries, presence in all major financial and economic centres
- Over 15,000 people, including partners

### Europe, Middle East and Africa

- Fee income \$2 billion
- Over 290 offices, 75 countries, presence in all major financial and economic centres
- Over 15,000 people, including partners

### Asia Pacific

- Fee income \$583 million
- Over 80 offices, 19 countries, presence in all major financial and economic centres
- Over 9,000 people, including partners





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