



**REPORT TO:** The Musselburgh Racing Associated Committee

**MEETING DATE:** Tuesday, 18 September 2018

**BY:** General Manager

**SUBJECT:** Draft Audited Accounts 2017-18

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**1 PURPOSE**

- 1.1 To provide the MRAC with the 2017-18 Audited Accounts and Audit Report.

**2 RECOMMENDATIONS**

- 2.1 The MRAC are asked to approve the completion of the draft audited accounts.

**3 BACKGROUND**

- 3.1 The Racecourse Audit Committee met the external auditors, Scott-Moncrieff, on 7 August.

The Audit Committee discussed the MRAC as a Going Concern. To be a Going Concern, Scott Moncrieff require the Racecourse to be in line with all other UK racecourses and in possession of a British Horseracing Racecourse Licence to the end of the current calendar year.

The B.H.A. Board has extended the Musselburgh Racecourse licence to 31 December 2018. This is conditional on a licence application form being completed and lodged with the BHA as soon as possible and keeping the BHA updated on the progress of the procurement process.

The Auditors gave the Racecourse a clean bill of health but did advise the Audit Committee of the grade 3 risk, which arises due to the reliance on the Finance Manager, with the succession plan on hold. The Audit Committee asked the G.M. to ensure that a member is able to take on these duties in the event that the Finance Manager becomes unavailable to work.

Following the recommendation of the Audit Committee, the Chair of the MRAC will be asked to sign the 2017-18 accounts prior to the Audit and Governance meeting on 25 September 2018, which will consider the Council's full audited accounts including its wider group components; subject to the BHA issuing a Licence to the end of the current calendar year.

Financial Summary for 2017-18:

- Profit for the year was £175,348 compared to the budget of £40,695
- Capex for the year was £45,427 compared to budget of £50,000
- Retained profit for the year was £129,921 compared to a budget of - £9,306

**4 POLICY IMPLICATIONS**

4.1 None

**5 EQUALITIES IMPACT ASSESSMENT**

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy

**6 RESOURCE IMPLICATIONS**

6.1 Financial – See above

6.2 Personnel - None

6.3 Other – None

**7 BACKGROUND PAPERS**

7.1 2017-18 Final Accounts

7.2 Scott-Moncrieff Audit Management Report

<b>AUTHOR'S NAME</b>	Bill Farnsworth
<b>DESIGNATION</b>	General Manager
<b>CONTACT INFO</b>	Tel 07710 536 134
<b>DATE</b>	Tuesday, 11 September 2018

**YEAR 2017/18**

**FINANCIAL STATEMENTS**

**for the year ended 31st March 2018**

**Required by**

**BRITISH HORSERACING AUTHORITY**

**In accordance with The Rules of Racing**

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**Name of Racecourse.....MUSSELBURGH.....**

**Any Communications respecting this Form should be addressed to -**

**REGISTRY OFFICE OF THE BRITISH HORSERACING AUTHORITY  
151 SHAFTESBURY AVENUE, LONDON WC2H 8AL**

**Musselburgh Racing Associated Committee  
(formerly Musselburgh Joint Racing Committee)**

**Profit and Loss Account**

**for the year to 31st March 2018**

		2018		2017
Profit directly relating to race days -	£	£	£	£
Flat	515,329		576,928	
National Hunt	<u>429,009</u>		<u>467,016</u>	
		<b>944,338</b>		<b>1,043,944</b>
<b>Add - Fixed income</b>		<u><b>970,309</b></u>		<u><b>810,560</b></u>
		<b>1,914,647</b>		<b>1,854,504</b>
<b>Deduct - Fixed expenditure</b>		<b>1,739,299</b>		<b>1,602,888</b>
<b>Profit for the year</b>		<u><b>175,348</b></u>		<u><b>251,616</b></u>
<b>Donation to East Lothian Council in relation to capital expenditure</b>		<b>( 45,427 )</b>		<b>( 233,570 )</b>
<b>Retained profit</b>		<u><u><b>129,921</b></u></u>		<u><u><b>18,046</b></u></u>

The notes on page 5 form part of the Financial Statements

**Musselburgh Racing Associated Committee  
(formerly Musselburgh Joint Racing Committee)**

**Balance Sheet at 31st March 2018**

	2018		2017	
	£	£	£	£
<b>FIXED ASSETS</b>				
Investments	<u>74,462</u>		<u>-</u>	
		<b>74,462</b>		<b>-</b>
<b>DEBTORS</b>				
Debtors	901,113		991,343	
Balance on Racecourse Bank Account	<u>30,294</u>		<u>60,454</u>	
	<u><b>931,407</b></u>		<u><b>1,051,797</b></u>	
<b>CURRENT LIABILITIES</b>				
<b>CREDITORS :</b>				
Balance on ELC Bank Account	( 129,068 )		( 309,430 )	
HBLB Loan	( 51,713 )		( 78,356 )	
Amounts falling due within one year ( Note 2 )	<u>( 637,771 )</u>		<u>( 606,615 )</u>	
	<u><b>818,552</b></u>		<u><b>994,401</b></u>	
<b>NET CURRENT ASSETS</b>		<b>112,855</b>		<b>57,396</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>187,317</b></u>		<u><b>57,396</b></u>
<b>CAPITAL AND RESERVES</b>				
Other Reserves - Retained Profit ( Note 3 )		<u>187,317</u>		<u>57,396</u>
		<u><b>187,317</b></u>		<u><b>57,396</b></u>

The notes on page 5 form part of the Financial Statements

Approved on .....

.....  
Chairman



**Musselburgh Racing Associated Committee  
(formerly Musselburgh Joint Racing Committee)  
Notes to the Financial Statements 31st March 2018**

**(1) ACCOUNTING POLICIES****Accounting convention**

The financial statements are prepared under the historical cost convention.

**Going concern**

The operational existence of the racecourse is dependent upon both having fixtures and a BHA licence.

The practice is for the BHA to issue a licence to a racecourse operator for a calendar year.

The BHA has now extended the licence until the end of December 2018.

Fixtures for calendar 2019 have now been confirmed by the BHA. Members of MRAC are aware that

the BHA may issue further temporary licences throughout 2019 rather than issuing a full calendar year

licence while the process of appointing a third party to operate the racecourse is underway.

In these circumstances the members of MRAC have reasonable expectation that the racecourse has adequate resources to continue in operational existence until at least the end of calendar 2019.

**Investments**

Investments are initially recognised at cost are then determined at valuation annually.

**Income**

Profit directly relating to race days represents admission and other related income including sponsorship less direct race day expenditure and net prize money.

**Fixed expenditure**

Fixed expenditure represents the costs of running the racecourse which cannot be attributed directly to individual race days. These are recognised in the year in which they occur.

**Taxation**

The Committee is exempt from taxation

**(2) INVESTMENTS**

Cost or valuation

At 1 April 2017

-

Additions

74,462

At 31 March 2018

74,462

Investments at 31 March 2018 consist of a 1.6% stake in Britbet Racing LLP.

The value of the investment at the year-end is the value of the capital introduced into the LLP. The committee have considered the valuation of this at the year-end and are satisfied that no adjustment to the carrying value is required

**(3) CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

Other Creditors

**2018**

£

637,771

**2017**

£

606,615

637,771

606,615

**(4) RETAINED PROFIT**

Balance at beginning

**2018**

£

57,396

**2017**

£

39,350

Profit (Loss) for the year

129,921

18,046

Balance at end

187,317

57,396





Scott-Moncrieff  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

Dear Sirs

### **Musselburgh Racing Associated Committee**

This representation letter is provided in connection with your audit of the financial statements of Musselburgh Racing Associated Committee for the year ended 31 March 2018

By a resolution of the Committee, passed today, I am directed to confirm to you, in respect of the financial statements of the Committee for the year ended 31 March 2018, the following:-

#### **Financial statements and accounting records**

1. We have fulfilled our responsibilities for preparing financial statements and for making accurate representations to you.
2. We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. Except as disclosed in the financial statements, the results for the year were not materially affected by:
  - any change in accounting policies;
  - transactions of a type not usually undertaken by the Committee;
  - circumstances of an exceptional or non-recurrent nature; or
  - charges or credits relating to prior periods.
5. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements are to be approved.
6. We confirm the financial statements are free of material misstatements, including omissions.

#### **Fraud**

7. We acknowledge our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
8. We confirm that we have disclosed separately to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
9. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - management
  - employees who have significant roles in internal control
  - others where the fraud could have a material effect on the financial statements.

10. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, regulators or other third parties.

**Compliance with laws and regulation, and contractual agreements**

11. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
12. The Committee has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

**Accounting estimates**

13. In our opinion the significant assumptions used by us in making accounting estimates are reasonable.

**Investments**

14. We can confirm that the monies transferred to Britbet Racing LLP represent a 1.6% stake in the capital of the LLP.

**Assets and liabilities**

15. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice.
16. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
17. The Committee has satisfactory title to all assets and there are no liens or encumbrances on the Committee's assets, other than as disclosed in the financial statements.
18. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.

**Subsequent events**

19. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.

Yours faithfully

.....

**[Committee members]**

Signed on behalf of the Committee

On \_\_\_\_\_ (2018)

The member above is signing on behalf of all Committee members confirming that:

- (a) so far as each member is aware, there is no relevant audit information of which the Committee's auditor is unaware; and
- (b) each member has taken all the steps that ought to have been taken as a member, including making appropriate enquiries of fellow members and of the Committee's auditor for that purpose, in order to be aware of any information needed by the Committee's auditor in connection with preparing their report and to establish that the Committee's auditor is aware of that information.



# Musselburgh Racing Associated Committee

Audit management report for  
the year ended  
31 March 2018



Scott-Moncrieff  
business advisers and accountants



# Musselburgh Racing Associated Committee

## Audit management report for the year ended 31 March 2018

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# 1 Purpose of this report

This report aims to provide the Committee with constructive observations arising from the audit process. We set out in this report details of:

- any expected modifications to our audit report;
- details of any unadjusted items in the financial statements (except any unadjusted items which are clearly trivial) including the effect of unadjusted items related to prior periods on the current period;
- any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures; and
- any other relevant matters.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements. Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of Musselburgh Racing Associated Committee;
- It must not be disclosed to any third party without our written consent; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

We would like to thank Douglas Kennedy and the rest of the staff for their kind co-operation and assistance during our audit.

## 2 Audit Conclusion

In our opinion the financial statements have been properly compiled in accordance with the accounting policies set out in the accounts and comply with its constitution.



# 3 Respective responsibilities

## Responsibilities of the committee

The committee is responsible for preparing the financial statements in accordance with applicable law and regulations. The committee are required to prepare financial statements for each financial year.

The committee must not approve the financial statements unless they are satisfied that they give a fair representation of the committee's finances and of the profit or loss of the committee for that period. In preparing these financial statements, the committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the committee will continue in business.

The committee members are responsible for keeping adequate accounting records that are sufficient to show and explain the committee's transactions and disclose with reasonable accuracy at any time the financial position of the committee and enable them to ensure that the financial statements comply with the relevant constitution. They are also responsible for safeguarding the assets of the committee and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Responsibilities of the auditor

Our responsibility is to audit the financial statements in accordance with applicable law.

The audit includes the consideration of internal controls relevant to the preparation of the financial statements but we do not express an opinion on the effectiveness of internal control. We are also required to communicate any significant matters arising from the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process.

The matters being reported are limited to those deficiencies in control that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to those charged with governance.

## Independence

We can confirm that we have complied with the Institute of Chartered Accountants of Scotland Code of Ethics 1 – “Integrity, Objectivity and Independence”. In our professional judgement the audit process has been independent and our objectivity has not been compromised.

# 4 Audit risk areas identified at the planning stage

## Identified audit risk areas

At the planning stage the following audit risk areas were identified as significant matters and therefore considered in detail during our audit fieldwork.

Audit risk areas	Audit findings
<b>Risk 1 – Management override of controls</b> <b>In any organisation, there is a risk that management and the committee have the ability to process transactions or make adjustments to the financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements. We treat this as a presumed risk area.</b>  <b>Whilst we do not suspect any incidences of management override, we will review the accounting records for significant transactions that are outside the normal course of business and obtain evidence to ensure that these are valid and accounted for correctly.</b>	<p>We have reviewed the accounting records and did not identify any significant transactions outside the normal financial control processes. We did not identify any evidence of management override.</p> <p><b>Conclusion:</b> Satisfactory.</p>
<b>Risk 2 – Revenue recognition</b> <b>There is a presumed risk of fraud in relation to revenue recognition. The presumption is that the committee could adopt accounting policies or recognise sales and expenditure transactions in such a way as to lead to a material misstatement in the reported revenue position.</b>  <b>Whilst we do not suspect any incidences of fraud or error, we will evaluate each type of revenue transaction and document our conclusions.</b>	<p>We have evaluated each material revenue stream, considered the committee's revenue recognition policy and carried out testing to ensure this is appropriate and has been applied.</p> <p>We have tested a sample of income and expenditure across flat and national hunt race days during the year to ensure they are not materially misstated and conducted testing on fixed income and expenditure to ensure completeness.</p> <p><b>Conclusion:</b> Satisfactory.</p>

# 5 Significant audit and accounting matters

## Significant issues identified during our audit fieldwork

During the course of our audit work no further significant issues were identified.

TBC-Awaiting closing meeting with regard to racing licence issues, governance structure and future potential tender

## Audit adjustments

A summary of the effect of the audit adjustments is shown below. A schedule of the actual adjustments can be found in appendix 1.

Number of audit adjustments	Effect on profit
2	Nil

These items were agreed and discussed with Douglas Kennedy while on site and it was agreed that these changes would be processed in the accounts following our visit.

## Our audit work

We have noted below the audit work performed and the audit conclusions reached:

Area	Audit work	Audit conclusion
Capital expenditure	<p>We reviewed a sample of additions to ensure they are classified correctly as well as physically verifying a sample of assets.</p> <p>We also reviewed the profit &amp; loss nominal ledger for any misclassified capital items.</p>	We are satisfied capital expenditure is appropriately classified.
Investments	<p>We reviewed agreements in place with regard to the nature of the funds transferred from the entity.</p>	<p>We are satisfied that investments are appropriately accounted for and classified</p> <p>TBC-pending receipt of revised signed agreement and/or written confirmation from MRAC as to the nature of the investment</p>
Debtors	<p>We reviewed a sample of debtors and checked recoverability.</p> <p>We also performed analytical review procedures comparing this year's debtors with the previous year.</p>	We are satisfied debtors are recoverable.
Cash at bank and in hand	<p>We confirmed bank balances by reference to bank statements as well as re-performed the bank reconciliation vouching outstanding lodgements/withdrawals to post year end bank statements.</p> <p>We also reviewed the bank statements during the year and either side of the year-end for any large or unusual items.</p>	We identified no unusual transactions and are satisfied that the bank balance in the accounts is fairly stated.
Trade/other creditors	<p>We reviewed a sample of invoices received post year end to ensure that trade creditors are complete.</p> <p>We confirmed the balance due to</p>	We are satisfied creditors are fairly stated.

Area	Audit work	Audit conclusion
	<p>East Lothian Council.</p> <p>We also performed analytical review procedures comparing this year's creditors with the previous year.</p>	
Other taxes and social security	<p>We reconciled the liability for VAT to the VAT returns, as well as reconciling the output tax reported on the VAT returns to the turnover reported in the financial statements.</p> <p>We also reconciled the liability for PAYE/NIC to the payroll records</p>	We are satisfied other taxes and social security costs are fairly stated.
Income and expenditure	<p>We selected a sample of flat and hunt income and expenditure and agreed to supporting documentation.</p> <p>We reconciled the payroll costs to the payroll records.</p> <p>We also performed analytical procedures and investigated significant variances.</p>	From our testing performed, we did not have any concerns over how income and expenditure had been recognised.
Opening balances	We agreed the opening balances to prior year financial statements.	We are satisfied the opening position is accurate.
Minutes	We reviewed the minutes of the Committee meetings held and ensured relevant information is included in the financial statements.	<p>We are satisfied all the relevant information from the minutes has been recognised in the accounts.</p> <p>TBC-dependent on discussions with client at closing meeting with regarding to licencing issues, governance structure and future potential tender</p>

## Fraud and irregularity

Responsibility for preventing and detecting fraud and other irregularities lies with the members of the committee. We are not required to search specifically for such matters and our audit should not be relied upon to disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations.

We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity.

## 6 Accounting systems and controls

During the course of our audit of the financial statements, we examined the principal internal controls which the committee has established to enable them to ensure, as far as possible, the accuracy and reliability of the committee's accounting records and to safeguard the committee's assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

### Action plan – audit recommendations

We identified observations which we consider require management action. Recommendations to address the observations are detailed in the action plan below. Management responses for the current year points are detailed on the following pages. All prior year points have been appropriately responded to.

Grade	Definition	No of audit observations		
		Current year new points	Current year re-raised points from 2017	Prior year
5	Very high risk exposure - Major concerns requiring immediate attention	-	-	-
4	High risk exposure - Absence / failure of significant key controls	-	-	-
3	Moderate risk exposure - Not all key control procedures are working effectively	-	-	-
2	Limited risk exposure - Minor control procedures are not in place / not working effectively	4	-	2
1	Efficiency / housekeeping point	1	-	1

# Action plan

1	Filing system
<b>Observation</b>	It was noted during our work that the filing system that the racecourse currently used is very heavily paper driven.
<b>Risk and recommendation</b>	<p>The risk is that copies of papers can go missing and/or be misfiled. It is also costly to archive paperwork and store it and efficiencies can be lost on trying to identify missed papers.</p> <p>Saving your income and expenditure documentation electronically can make finding the information much easier and can be much more cost effective.</p> <p>We would recommend that you consider how you can make some of your processes more electronic going forward.</p> <p><b>Grade 1</b></p>
<b>Management response</b>	<p>Responsible officer: Douglas Kennedy</p> <p>All income spreadsheets are available electronically e.g. Race days &amp; Daily income from Bank Statements</p> <p>Expenditure - all individual invoices are held at Musselburgh</p>
2	Purchase card system
<b>Observation</b>	We noted during our walkthrough testing that there were some purchase card authority forms missing and some purchases were not backed up with supporting documentation.
<b>Risk and recommendation</b>	<p>There is a risk that members of staff can make unauthorised purchases and if there is no signed authority form then there is also no control over the amounts/items involved.</p> <p>Signed authority forms should be held on site for all employees with purchase cards and back-up documentation should be attached to each statement for every purchase.</p> <p><b>Grade 2</b></p>
<b>Management response</b>	<p>Responsible officer: Douglas Kennedy</p> <p>All monthly purchase card statements are held in the office at Musselburgh with all receipts. Where receipts are mislaid/missing, these are recorded on the statement.</p>



**3** **Reliance on Douglas Kennedy**

**Observation** The finance function for the racecourse is heavily dependent on a single individual. Accumulating our knowledge from our time on site over a number of years, great reliance is placed on Douglas Kennedy in his role to take responsibility in this area.

**Risk and recommendation** There is a risk that in the event of Douglas being unavailable for any length of time (for example due to illness) or retiring, a significant loss of knowledge and experience would be lost and we are not aware that any other individual at the racecourse would be capable of filling in to ensure as little disruption as possible was caused.

We would recommend that an able deputy within the office is trained up fully to use the Citrix system and perform Douglas' role in his absence to ensure minimum disruption to the racecourse's operations and financial processes.

**Grade 2**

**Management response** Responsible officer: Douglas Kennedy  
Agree – waiting to see outcome of tender process before looking at future arrangements pending Douglas's retirement.

**4** **Recording of prepayments in balance sheet**

**Observation** We noted that a number of prepaid expenses had been netted off against liabilities rather than being included within current assets in the accounts.

**Risk and recommendation** There is a risk that both assets and liabilities are misstated in the accounts, impairing the interpretation of the financial information.

We recommend that any such prepaid expenses are included in the asset section of the accounts to make interpretation of the results more relevant.

**Grade 2**

**Management response** Responsible officer: Douglas Kennedy  
Prepaid expenses are now included in the asset section transferred 17/18.

5	Recording of Britbet Racing LLP in balance sheet
<b>Observation</b>	We noted during our testing that the investment in Britbet Racing LLP had wrongly been classified in the balance sheet as “Britbet Loan” in the debtors section.
<b>Risk and recommendation</b>	<p>There is a risk that both assets and investments are misstated in the accounts, impairing the interpretation of the financial information.</p> <p>We recommend that any such investments are included in the correct section of the accounts to make interpretation of the results more relevant and where unsure seek professional guidance in order to ensure the correct classification</p> <p><b>Grade 2</b></p>
<b>Management response</b>	<p>Responsible officer: Douglas Kennedy</p> <p>Now transferred to Investment section. Waiting for documentation from Britbet LLP.</p>

# 2017 Action plan

1	Income reconciliations
<b>Observation</b>	<p>During our testing we were unable to carry out the walk through of income received through the turnstiles when on site as this was not able to be found. The reports that were received were not sufficient at the time to carry out the testing.</p> <p>The reports remain slightly unclear and the reconciliation on the turnstile slips (once received) were hand written which makes working out the final figures difficult.</p>
<b>Risk and recommendation</b>	<p>Although when we received the turnstile slips we were able to carry out our walk through and follow the information, the figures on the turnstile reports do not seem to appear anywhere else on the other income reports.</p> <p>The risk is that information is missed during the transfer between reports and income is mis-stated.</p> <p>We recommend that all reconciliations be carried out in excel and all slips relating to the reconciliation be attached. This will make the information much easier to follow and show the flow from one report to another.</p> <p><b>Grade 3</b></p>
<b>Management response</b>	Responsible officer: Douglas Kennedy
<b>Audit observation in current year</b>	New improved system in place with clear reports. No such issues to report this year.

2		Expenditure Filing
<b>Observation</b>		During our review of the accounting records we noted that the filing system in place still makes finding information difficult.
<b>Risk and recommendation</b>		<p>Purchase invoices are filed in their payment batches and bound with elastic bands however the payment report is not always attached at the front or back. All invoices are given a reference number however this reference number is not used when posting invoices into the accounting system making it difficult to trace a posting back to an actual invoice during the audit.</p> <p>We recommend that the invoice number given to each purchase invoice be noted within the data entry to allow for an easier audit trail.</p> <p><b>Grade 3</b></p>
<b>Management response</b>		Responsible officer: Douglas Kennedy
<b>Audit observation in current year</b>		Batch number is now written on each invoice and that allows us to trace information into system much easier. No further issues to report.
3		Recording of income/expenditure in relation to extra dates
<b>Observation</b>		<p>During our reconciliation of income from the accounts, to the income (outputs) from the VAT return, we identified that some income and expenditure related to additional race days were included in Other income (within Fixed income) netted against each other, instead of being included in the expanded breakdowns of income and expenditure related to either Flat or Hunt race days.</p> <p>The same was also found true of the 'Harness Racing' costs included within 'Fixed expenditure'. This figure is actually the net of additional income and expenditure.</p>
<b>Risk and recommendation</b>		<p>There is a risk that both income and expenditure are misstated in the accounts, impairing the interpretation of the financial information.</p> <p>We recommend that any such income and expenditure is grossed up (i.e. shown separately) in the appropriate section of the accounts to make interpretation of the results more relevant.</p> <p><b>Grade 3</b></p>
<b>Management response</b>		Responsible officer: Douglas Kennedy
<b>Audit observation in current year</b>		Such income and expenditure has been grossed up in these accounts and therefore no further issues to report.

## Future developments

As part of our service provision and in order to keep you up to date with the latest accounting, audit and tax developments relative to your organisation, we publish regular e-bulletins. We would encourage you to sign up to receive information on topics and events which are of interest to you via our website: <http://www.scott-moncrieff.com/news/e-bulletin-signup>.

# Appendix 1 – Audit adjustments

As summarised in Section 5, we identified the following adjustments during the audit. We have discussed these adjustments with Mr Douglas Kennedy who has agreed that they should be incorporated into the financial statements.

	Debit	Credit
	£	£
1. Prepayments	129,731	
Accruals		129,731
<b><i>Being grossing up of prepaid expenses included in accruals</i></b>		
2. Investments	74,462	
Loan Britbet		74,462
<b><i>Being re-classification of investment in LLP</i></b>		

# Appendix 2 – Your audit team

Your team were:



**Michael Harkness**  
Audit Partner  
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