rmt Ribchesters

Part of the SUMER Group

St Cuthbert's Hospice Durham

Audit Finalisation Report

Year ended 31 March 2025

Strictly private and confidential

26 September 2025

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Introduction

We are pleased to enclose our audit findings for St Cuthbert's Hospice Durham for the year ended 31 March 2025 The primary purpose of this report is to outline and discuss with the Board the significant matters arising from our audit work.

This report summarises the principal audit, accounting and reporting issues arising during the audit process.

This report has been prepared for the sole use of the Trustees of St Cuthbert's Hospice Durham and must not be shown to third parties without our prior consent. No responsibilities are accepted by RMT Ribchesters or our associated company Sumer Auditco Limited towards any party acting or refraining from action as a result of this report.

RMT Ribchesters on behalf of Sumer Auditco Ltd
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Audit and accounting matters

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement we determined overall materiality for the financial statements to be £55,000, based on a percentage of gross assets. Performance materiality of £41,250 was applied for testing which is 75% of materiality.

In this report we have identified errors considered to be above a trivial level, at £2,000, in addition to any other identified misstatements that warranted reporting on qualitative grounds.

Audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, considering the structure of the charity, the accounting processes and controls and the sector in which the charity operates.

A full scope audit has been performed by RMT Ribchesters on the charity.

Internal controls and other matters

As part of the audit process we are required to advise you in writing of any significant deficiencies in your internal controls, if any, and communicate other matters of interest to you as Trustees arising from our audit.

During the course of our audit for the year ended 31 March 2025 no significant deficiencies in internal controls were identified. However, there were matters noted which are summarised within **Appendix III** for your consideration.

These matters came to light during the course of our normal audit tests which are designed to assist us in forming our opinion on the financial statements. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit tests, we would, of course, inform you immediately.

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Audit and accounting matters (cont'd)

Accounting policies

During the audit we consider the charity's accounting policies to ascertain if they are appropriate and in accordance with UK Generally Accepted Accounting Practice. We confirm that we have not identified any concerns in relation to accounting policies.

Accounting estimates

In accordance with ISA (UK) 540, Accounting Estimates, we are required to review the accounting estimates and related disclosures involved in the preparation of the financial statements to ensure that they are reasonable. We confirm that we have not identified any concerns in relation to accounting estimates and have found no indications of management bias.

Expected modifications to the audit report

We are required to bring to your attention details of any proposed modifications to the audit report on the financial statements. As discussed with you, we confirm that there are no proposed modifications to the report.

Independence and representations

In order to act as auditors, we are required to identify any threats to our objectivity and independence and to implement appropriate safeguards to address any identified issues. We confirm that we have not identified any threats to our independence that were not previously communicated with you and safeguarded at the planning stages.

Audit status

The detailed audit work is now completed. The following represent the key ongoing areas of work outstanding at the date of this report:

- Signed Letter of Representation (to be obtained at sign off)
- Latest management accounts

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Significant audit risks

At the planning stage we assessed the audit risks in relation to the charity. The risks we considered to be significant to the audit are outlined below.

Our risk assessment remains unchanged from that at the planning stage.

Revenue recognition

Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Revenue is generated from a number of sources which are subject to different income recognition tests. This exposes the charity to the risk of incomplete and incorrect cut-off of revenue recognised in the period.

How the matter was addressed in the audit

To address the risk of improper revenue recognition, our audit work included, but was not restricted to:

- performing substantive tests to determine whether the accounting policies have been correctly applied;
- reviewing a sample of income transactions around the year end – across each category of income to ensure cut-off was correct and income had been recognised in the correct period;
- performing analytical reviews against prior period results and current period expectations;
- considering the appropriateness and application of the company's accounting policies for revenue recognition; and
- considering the disclosures in the financial statements regarding revenue.

Key observations

The results of our testing were satisfactory and no significant issues were identified from our work over revenue recognition, including any issues in relation to fraud.

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Significant audit risks (cont'd)

Management override

In preparing the financial statements management are required to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgements about the carrying value of assets and liabilities that are not available from other sources.

How the matter was addressed in the audit

During the course of our audit we performed the following procedures to address the risk of management override:

- assessing the appropriateness of accounting policy choices made by management and the basis of key judgements, estimates and assumptions;
- reviewing manual journal entries posted within the period for indicators of management bias, transactions outside the normal course of business or indicators of fraudulent activity; and
- considering the value, nature and cause of misstatements identified during the course of the audit to identify indicators of bias.

Key observations

The results of our testing were satisfactory, and we consider the disclosure surrounding accounting policy choices and key accounting judgements to be appropriate.

Application of the Going Concern Principle of Accounting

Our preliminary analytical review of the draft financial statements and management accounts, prepared by the charity identified that the charity may have reported a substantial loss for this period.

The trustees have a responsibility to assess the ability of the charity to continue as a going concern for a period of not less than 12 months following the date of approval of the financial statements. Given the deficits which have been reported in prior periods and the current funding environment we identified this as a key risk at the planning stage

How the matter was addressed in the audit

During the course of our audit we performed the following procedures to address the risk of the going concern basis of accounting not being appropriate:

- assessed the level of available free reserves at the balance sheet date to establish the level of such reserves and the headroom to fund future period deficits;
- reviewed the budgets for 2025/26 and beyond to gain an understand as to how the charity is planned to return to a balanced budget;

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- reviewed post year end management accounts to gain an understanding of current year's results and financial position;
- discuss with senior management the above matters and their forward plans.

Key observations

The results of the above work led us to conclude that, at this stage, the going concern basis of accounting is appropriate.

Fund Accounting

There is a risk that income with donor restrictions placed on it are not identified as such and those funds are then used for purposes other than those required by the donor.

How the matter was addressed in the audit

During the course of our audit work we performed the following procedures to address this risk:

- Selected a sample of grants, donations and legacies and reviewed the supporting documentation to check whether any restriction was in place on how that funding may be used;
- Checked the accounting treatment of each of these to the financial statements to check that any funding with restrictions placed on it had been properly accounted for;
- For any restricted funds which had been identified we undertook checks on the expenditure which had been charged against that funds to gain assurance that the expenditure charged was in line with the donor's requirements.

Key observations

The results of our testing were satisfactory, and we can conclude with reasonable certainty that the accounting treatment of the various funds is appropriate.

Related Party Transactions

There is a risk that transactions with related and connected parties exist but are not disclosed in the financial statements.

How the matter was addressed in the audit

During the course of our audit work we performed the following procedures to address this risk:

- Obtained the register of interests and declarations from Trustees;
- Reviewed board minutes and the minutes of sub committee meetings for evidence of related party transactions;
- Undertook a review of customer, supplier and nominal ledgers for evidence of transactions with related parties;
- Build into all transaction testing and tests of the balance sheet a trigger to identify any potential related party transactions.

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Key observations

The results of our testing were satisfactory, and we can conclude with reasonable certainty that the disclosures in the financial statements are appropriate.

Other matters

Material misstatements

We are required to bring to your attention details of all material misstatements whether caused by fraud or error and ensure that these are corrected in the final financial statements. During the course of the audit there were certain adjustments that, although not all material, have been posted to the financial statements. These have been summarised in the reconciliation included within **Appendix I**.

Unadjusted misstatements

The unadjusted errors are listed in **Appendix II**. If the adjustments were to be posted to the accounts the net effect on the Income and Expenditure Accounts would be an immaterial **£16,316** reduction in the deficit.

There were a small number of other errors noted during the course of our audit which are considered to be below the charity's triviality level of £2,000 and have therefore not been reported.

Control recommendations

Our report on the quality of accounting systems and management controls is included within **Appendix III**.

We ask the Trustees and management to prepare responses to the points noted, outlining any planned activities to address the issues highlighted.

Letter of Representation

We have prepared a Letter of Representation, a draft of which is included within **Appendix IV**. The letter is a standard letter.

We ask the Trustees to review the letter, and sign a copy printed on headed paper prior to the audit report being signed.

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Other matters (cont'd)

Contingent assets / liabilities

We are not aware of any significant contingent assets or liabilities requiring disclosure in the financial statements as a result of discussions with management or being identified through audit work performed. As stated in the Letter of Representation, the trustees confirm that all known actual or possible litigation and claims have been disclosed to us and are reflected in the financial statements in accordance with UK GAAP.

Fraud considerations

We are not aware of any major instances of fraud encountered by the charity during the period, or post year end. As stated in the Letter of Representation, the trustees confirm that there have been no actual or suspected instances of fraud involving management or employees who have a significant role in internal control which could have a material effect on the financial statements.

Related party transactions

Through our audit procedures and discussion with management, we have not identified any related party transactions other than those disclosed within the financial statements.

We ask that the trustees confirm to us any other potential related party transactions which are not disclosed in the draft financial statements.

Going concern and subsequent events review

In accordance with ISA (UK) 570, Going Concern, we are required to review management's initial assessment of the entity's ability to continue as a going concern.

We have not become aware of any material events that have taken place between the balance sheet date and the date of this report that require disclosure in the financial statements and the going concern assumption remains appropriate.

We ask that the trustees confirm to us any knowledge of events that have taken place after the balance sheet date which may impact the judgements or disclosures made in the financial statements.

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Appendix I: Profit reconciliation

	£
Deficit per client management accounts	(43,941)
Adjustment to accruals	(1,200)
Deficit per final financial statements	(45,141)

Appendix II: Unadjusted misstatements schedule

	ACTUAL DIFFERENCE Dr	ACTUAL DIFFERENCE Cr	PROFIT & LOSS Dr/(Cr)	BALANCE SHEET Dr/(Cr)
1 Unrestricted Grant Income			16,000	
Restricted Grant Income			(16,000)	
Being additional funding received in the year which had restrictions attached to it, but included in Unrestricted income.				
2 Accruals				14,000
Profit and loss account			(14,000)	
Expenses accrued where there is no obligation existing at the year-end. Relates to the £16,000 restricted fund above.				
3 Other debtors				2,316
Profit and loss account			(2,316)	
Distribution receivable from NEHL Ltd, not included				
TOTAL OF POTENTIAL ADJUSTMENTS			**(16,316)**	**16,316**

Appendix III: Report on the quality of accounting systems and management controls

Weakness	*Suggestion*	*Response of trustees*
Depreciation of leasehold improvements Leasehold improvements are depreciated on a straight-line basis over 5 years, irrespective of the length of the lease which is remaining.	We would advise that leasehold improvements are depreciated over the term of the lease. This will spread the cost over the period over which the asset is used and provide a fairer representation of the cost of improvements.	
Dilapidations The charity does not provide for the cost of potential future dilapidations being triggered on the vacation of leasehold properties. If the leases are tenant repairing then a cost could crystallise on vacation of the property.	Consideration should be given to accruing the potential dilapidations costs over the term of the lease. This will spread that cost over the period of time in which the property is used.	
Depreciation of freehold buildings The original property at Park House is not depreciated. The In-Patient Unit extension in 2007 along with the 'Bridge project' costs from 2016 are depreciated on a straight-line basis over 50 years, with no residual value attached to those.	We would advise that all Freehold Buildings are reviewed for a residual value, with the depreciation then charged on the difference. This will spread the cost over the period over which the asset is used and provide a fairer representation of the cost of Land and Buildings.	

Appendix IV : Letter of Representation

- Enclosed

Sumer Auditco Limited

RMT Ribchesters
Finchale House,
Belmont Business Park,
Durham,
DH1 1TW

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of St Cuthbert's Hospice for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the charity's financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice.

We confirm that to the best of our knowledge and belief, and having made appropriate enquiries of other trustees and officials of the charity:

Financial statements

1. We acknowledge and have fulfilled our responsibilities as trustees, as set out in the terms of your engagement letter dated 01 May 2025 under the Charity's Acts, for preparing financial statements in accordance with the applicable financial reporting framework that give a true and fair view and for making accurate representations to you as auditors.
2. The methods, significant assumptions and the data used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
3. We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.
4. Full disclosure is made in the financial statements of:
    a. outstanding capital commitments contracted for at the balance sheet date;
    b. all contingent liabilities including details of pending litigation and material claims against the company;
    c. all guarantees or warranties or other financial commitments including those given to or on behalf of other group companies.
5. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.
6. We confirm the financial statements are free of material misstatements, including omissions. We confirm that in our opinion the effects of unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

7. We can confirm that we are aware that a related party of the charity is a person or organisation which either (directly or indirectly) controls, has joint control of, or significantly influences the charity or vice versa and, as a result, will include trustees, other key management, close family and other business interests of the previous.

8. We confirm that all related party relationships and transactions have been accounted for and disclosed in accordance with the requirements of accounting standards.

9. We confirm that, having considered our expectations and intentions for the next twelve months and the availability of working capital, the charity is a going concern. We confirm that the disclosures in the accounting policies are an accurate reflection of the reasons for our consideration that the financial statements should be drawn up on a going concern basis. We confirm that we disclosed to you details of our plans for future actions relating to our going concern assessment including the feasibility of these plans.

Information provided

10. We confirm that all accounting records have been made available to you for the purpose of your audit, in accordance with your terms of engagement, and that all transactions undertaken by the company have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and shareholders' meetings, have been made available to you. We have given you unrestricted access to persons within the charity in order to obtain audit evidence and have provided any additional information that you have requested for the purposes of your audit.

11. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.

12. We acknowledge our responsibility for the design and implementation of internal controls to prevent and detect fraud and believe we have appropriately fulfilled these responsibilities. We confirm that we have disclosed to you the results of our risk assessment of the risk of fraud in the business.

13. 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; or
    - Others where the fraud could have a material effect on the financial statements.

14. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

15. We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the charity conducts its activities and which could affect the financial statements. The charity has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

16. We have disclosed to you the identity of the charity's related parties and all the related party relationships and transactions of which we are aware.
17. We confirm that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been accounted for and disclosed in accordance with the requirements of accounting standards.
18. We confirm that we have disclosed to you details of all banking and financing arrangements.
19. We confirm that the charity has had, at no time during the year, any arrangement, transaction or agreement to provide credit facilities (including advances and credits granted by the charity) for trustees, nor to provide guarantees of any kind on behalf of the trustees, except as already disclosed in the accounts.
20. We confirm that the charity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets.
21. We confirm that we have provided for all bad debts that we feel are irrecoverable. No further provision for bad debts is required.
22. We confirm that the PAYE and VAT regulations in force during the financial year have been complied with.
23. We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that:
    - so far as each trustee is aware, there is no relevant audit information of which you as auditors are unaware; and
    - each trustee has taken all the steps that they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that you are aware of that information.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and expertise (and, where appropriate of supporting documentation) sufficient to satisfy ourselves that we can properly make these representations to you and that to the best of our knowledge and belief they accurately reflect the representations made to you by the directors during the course of your audit.

Yours faithfully

Signed on behalf of the board of directors by:

.....

A Lamb
Trustee

Date.....3rd October 2025

Appendix V : Related party transactions

Name of related party	*Nature of relationship*	*Nature of transactions*
A Lamb	Trustee and Chairman	None
A Galloway	Trustee	None
R Painter	Trustee and Treasurer	None
P Flanagan	Trustee	None
G L MacArthur	Trustee and Vice Chair until 31/10/2024	None
L Wight	Trustee and Vice char from 01/11/2024	None
C L O'Donnell	Trustee – until 26/05/2024	None
N Hutchinson	Trustee – until 26/09/2024	None
P Harding	Trustee	None
K Roberts	Trustee	None
V Walton	Trustee	None
K Forsyth	Trustee	None
S Butler	Trustee – from 12/12/2024	None
J Bell	Trustee – from 12/12/2024	None

Name of related party	*Nature of relationship*	*Nature of transactions*
D Allen	Trustee – from 26/09/2024	None
J Drummond-Hill	Trustee – from 12/12/2024	None
G Bell	Trustee – from 26/06/2024	None
North East Hospices Lottery Limited	Company in which the Charity has a 25% equity.	Donations received and a debtor balance due.
L Barker	Chief Executive (from 1/4/25) – part of Senior Management Team	None
P Sturdy	Deputy Chief Executive – part of Senior Management Team	None
P Marriott	Chief Executive – resigned 31/03/2025	None