

# HAZLEWOODS INVESTMENT TRUST TEAM

DRIVING LIFELONG PROSPERITY

Spring 2021

## ENSURING EFFICIENT COMPLIANCE IN UNCERTAIN TIMES



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### INSIDE

- About us
- How can we help you?
- Our approach
- Quality assurance
- Meet the team

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# About us

Hazlewoods is a UK top 25 independent firm of chartered accountants. We advise businesses on a national basis and have a long-standing reputation for quality, innovative solutions and service.

Our investment trusts team looks after a range of trusts and is renowned for excellent service, delivered on time, with pro-active advice that comes from clear reporting and communication to audit committees.

15 of our 30 Partners trained and progressed at Hazlewoods which allows us to have continuity of service and the opportunity to get to know you.

We take a long-term view, to maximise all round benefit and are much more than just accountants.

- We put our clients at the heart of all we do.
- We aim to be accessible and responsive.
- We provide clear and practical advice.
- We aim for the highest quality.
- We strive for continuous improvement.

## HOW CAN WE HELP YOU?

For investment trusts looking for an independent compliance partner, our specialist team provides a friendly service, drawing on our extensive experience of both investment trusts and listed companies, to provide technical advice in relation to accounting and disclosures matters that is tailored to your business. We are used to working with advisers (administration and investment managers) to provide a seamless service and ensure timely reporting.

## AUDITING AND REPORTING IN A PANDEMIC

As an industry we have had to adapt how we audit in a world now all too familiar with the coronavirus pandemic. Existing key risks have heightened and going concern is identified as a key risk on all audits unless it can be clearly rebutted. In order to mitigate risks, while the basis of our audit approach remains unchanged, we are seeing more stress testing of key assumptions and estimates, and the need for more involvement requiring more involvement from investment managers and also those signing the financial statements, who are responsible for going concern assertions.

### What is new in reporting?

While corporate reporting requirements have been moving away from 'boilerplate' disclosures for some time, particularly with the introduction of section 172 statements, now more than ever it is crucial to get the right message across in the financial statements so that the users of them understand the financial position of the investment trust and its objectives and strategies.

# Our audit approach

Regular communication with our clients and their advisers is crucial to the delivery of a 'no surprises audit'.

We understand the organisational structure of investment trusts, with many key functions outsourced to service providers including investment managers and administrators. We have a strong reputation of working together with trust advisers to achieve an efficient and seamless compliance service.

This co-operation, together with comprehensive and collaborative planning before the year-end, ensures audits will run smoothly and to agreed timescales.

Our experience with investment trusts allows us to review and assess the risks involved in detail and tailor our work to mitigate these risks, providing constructive feedback and support throughout the process. This includes any updates in accounting standards, corporate reporting, or noted opportunities in systems and controls.

Our audit findings report provides a concise summary plus any additional points of significance that we believe should be highlighted to management. For those that have not received one previously, they are very well received.

## KEY AUDIT RISKS

The typical audit risks we identify during our investment trust audits are:

### INVESTMENTS

Forming the largest asset recognised, the investment portfolio forms a key focus of our audit, whether that is for listed valuations or valuations of unquoted investments.

### ALLOCATION OF EXPENSES

Under the AIC SORP investment trusts can elect to apply an allocation approach, apportioning indirect costs between revenue and capital or a non-allocation approach, allocating all indirect costs to revenue.

### INVESTMENT TRUST STATUS

Maintaining investment trust status for tax purposes is key for investment trusts.

### REVENUE RECOGNITION

Revenue recognition is deemed to be high risk by international audit standards in every statutory audit, regardless of the client, sector, size of business etc. unless it can be rebutted.

### MANAGEMENT OVERRIDE

Management override is similarly always deemed to be high risk in every statutory audit, regardless of the client, sector, size of business etc.

## TAX COMPLIANCE

For investment trusts where we are not engaged for audit compliance services, we are able and do provide tax only compliance services for those who require this, including tagging of financial statements and submission of tax computations to HM Revenue & Customs.

With the introduction of the new ethics rules from 15 March 2020 that apply to investment trusts as PIEs, it is important for the boards

of investment trusts to review the services provided to them by their auditor and, in our experience, some investment trusts are having to seek alternative service providers for either their audit or tax services.

Our award-winning tax team works with a range of corporate clients, from international groups to owner managed businesses and tailor their advice to suit the specific needs of each business in order to

optimise the tax position. They are proud to communicate in an easy to understand manner, providing as much or as little detail as is required by individuals and businesses and would be happy to discuss your requirements.

# Quality assurance

The quality of our work is maintained externally through regulation by the ICAEW and inspection by the FRC and QAD, along with detailed training from top quality providers.

In addition, we annually review a sample of audit files with an external reviewer, who is an experienced QAD reviewer. Our investment trust audits include a second partner review and we have a nominated quality partner who sets the firm's policies in respect of quality control.

## MEET THE SENIOR TEAM



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WE ARE AN INDEPENDENT MEMBER OF  
**THE GLOBAL ADVISORY  
AND ACCOUNTING NETWORK**