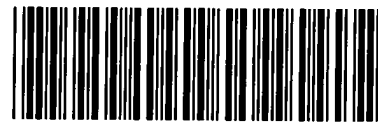


Financial Statements

31 March 2020

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COMPANIES HOUSE

Torus Foundation (formerly Commutual)
Charity Number: 1152903
Company Registration Number: 08444912



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TORUS FOUNDATION TRUSTEES, ADVISORS AND BANKERS

Charity registration number 1152903

Company registration number 08444912

Trustee	Category	Changes in the year
SJ Saunders	Chair, Director and Trustee	
P Morton	Director and Trustee	
J Bell	Director and Trustee	Appointed 28/01/2020
P Brennan	Director and Trustee	Resigned 20/06/2019
C Murray Howard	Director and Trustee	Appointed 07/10/2019
PJC Garrigan	Director and Trustee	
C D Martin	Director and Trustee	
E Stewart	Director and Trustee	
CE Haworth	Director and Trustee	Resigned 28/06/2019
T Jennings	Director and Trustee	Appointed 14/07/2020
PH Fieldsend	Secretary	Resigned 31/03/2020
R Clawson	Secretary	Appointed 01/04/2020

Registered office 4 Corporation Street
St Helens
Merseyside
WA9 1LD

Auditors BDO LLP
5 Temple Square
Temple Street
Liverpool, L2 5RH

Solicitors Brabners
Horton House
Exchange Flags
Liverpool, L2 3YL

Bankers Barclays Bank PLC
Liverpool Lord Street Branch
48b & 50 Lord Street , Liverpool L2 1TD

National Westminster Bank
5 Ormskirk Street
St. Helens
WA10 1DR

TRUSTEES' REPORT

The Trustees are pleased to present their annual Trustees' report together with the financial statements of the charity for the year ending 31 March 2020 which are also prepared to meet the requirements for a directors' report, accounts for Companies Act purposes and in accordance with the provisions applicable to companies entitled to the small companies exemption.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice: Accounting and Reporting by Charities, Charities SORP (FRS102) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102).

Volunteering and In Kind Contributions

The Foundation has been supported by 69 volunteers during 2019/20 who have given their time to help deliver the Charitable Objects.

The extensive range of partnerships developed across Torus Foundation add real value to the projects being delivered, through the additional assets and skills gifted by partners across the city region. A combined value of £362,968 in-kind funding was generated for the benefit of Torus Foundation customers in 2019/20.

Over 450 individual gifts of in-kind support were recorded throughout the year including; training sessions, room hire, sessional staff delivery, volunteer hours and access to events and experiences.

Objectives and Activities

Torus Group's charitable arm Torus Foundation became part of the Group in January 2017, to make a positive difference to communities across Merseyside and the surrounding area.

Activities focus on five key impact areas: Employment and Skills; Financial Inclusion; Health and Wellbeing; Digital Inclusion; and Youth. All activities are delivered through the Community Investment, New Leaf and FireFit Hub (TFFH) teams.

FINANCIAL REVIEW

In 2019/20, the charity received income of £4.2m (2018/19: £2.8m). This includes £2.0m received as Gift Aid from the Group, £1.6m income from New Leaf and additional income of £0.6m from TFFH membership fees, hire charges, and grant income received from Restricted Funds.

Achievements and Performance

Torus Foundation uses the HACT Wellbeing Evaluation Tool to measure the social value of projects which meet the HACT eligibility criteria. In 2019/20, the Foundation achieved £8.05 in social value impact for every £1 spent in 2019/20 (2018/19: £8.60), with a total of 2,263 people experiencing an outcome. Three programmes and 10 projects were measured during the year. These include the following:

Project name	No. experiencing outcome	Social Impact	Budget Impact Ratio
Universal Employment Services	527	£3,686,113	26.4
School Holiday Camps	338	£1,441,332	10.0
School Breakfast Clubs	521	£1,220,073	14.9
Digital Inclusion	479	£1,034,391	9.0
Activities for Adults (Liverpool)	87	£379,098	3.7
Activities for Adults (Warrington)	54	£255,133	3.3
Activities for Adults (St Helens)	26	£141,078	1.7
Liverpool Mutual In Work	104	£347,131	3.0
Intermediate Labour Market Project (ILM)	25	£317,813	1.8
Health Bursaries	102	£205,131	2.6

Source: Torus Foundation Impact Valuation Statement 2019/20. Figures derived from HACT Wellbeing Valuation methodology

Key projects that made a positive impact this year include:

Employment

Torus Foundation helped 651 people to find work:

- 622 Training courses were completed.
- 97 work placements and volunteer placements were undertaken.
- 27 young people aged between 16 and 29 benefited from Access to Work, an Intermediate Labour Market Programme that creates practical paid work experience placements.
- New Leaf helped 247 people into work, 580 into training or education, and 301 people to actively search for work.

Money Matters

- £164k in additional monies such as grants were obtained for customers.
- 104 local charities were awarded £65,000, through the Community Investment fund.
- 1,462 customers were supported with welfare benefits advice, resulting in £4,998,709 financial gain for customers.

Health & Wellbeing

- 2,411 people attended health and wellbeing sessions.
- 616 children attended School Breakfast Clubs at nine schools.
- 494 individual children attended the School Holiday Camp during the year.
- There were 66,731 visits to FireFit Hub in the year.
- 1,676 members visited FireFit Hub, with 706 average weekly youth zone visits.

Youth

- There were 66,731 visits to FireFit Hub in the year.
- 1,676 members visited FireFit Hub, with 706 average weekly youth zone visits.

Go Digital

- Torus Foundation teams carry out free IT sessions at 'Digital Hubs' across Liverpool, Warrington and St. Helens. These sessions aim to help tenants get online and meet the challenges of Welfare Reform, including making Universal Credit applications and managing claims. 844 people were supported at 36 digital hubs this year, 1,141 people completed digital training and 24 volunteer digital champions were supported.

Reserves

The charity establishes restricted reserves for specific purposes where their use is subject to external restrictions. Unrestricted reserves relate to historic surpluses and deficits from the charity's activities. Reserves are used to fund the Charity's future activities.

At the year end the charity held £35k in restricted reserves (2019: £34k) and £1,960k in unrestricted reserves (2019: £1,900k).

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Charity is a company limited by guarantee, incorporated on the 14th March 2013 and registered as a charity on the 11th July 2013.

The company's governance is set out in its Memorandum and Articles of Association of 13th March 2013. The management of the company's affairs is vested in the Board of Trustees about whom the Memorandum and Articles of Association state that there will be a minimum of 3.

In January 2017, the charity was incorporated into Liverpool Mutual Homes as ComMutual and a Board was formed from 3 former Toxteth Firefit Hub Trustees (P Morton, C Martin and P Garrigan) and 6 new Trustees.

On 1 January 2019, Liverpool Mutual Homes amalgamated with Torus62 Limited and its subsidiaries Helena Partnerships Limited and Golden Gates Housing Trust in accordance with the Co-Operative and Community Benefit Society Act 2014. This formed a new Community Benefit Society called Torus62 Limited. The former Torus community activities were transferred into Torus Foundation which now provides services across the entire Group and specifically its Heartland areas of Liverpool, St Helens and Warrington. This included the "New Leaf" contract which is a grant funded programme providing employment support and advice across the whole of Cheshire.

In April 2019, ComMutual changed its name to Torus Foundation.

Trustee training and development

The Trustees have continued to support the development of the organisation. The Trustees are drawn from a range of community representatives, including those associated with key stakeholders and key investors such as Merseyside Fire and Rescue Authority, Liverpool City Council and the Torus Group (Formerly Torus).

All Trustees have been involved in formulating the plans and action required to ensure the ongoing development of the short and medium term strategy for the organisation and have been involved in Group Away Days discussing issues including:

- The Group's Strategies
- Business Planning
- Fundraising

Trustees have engaged in annual training on the operational arrangements in place to safeguard children and vulnerable adults.

As part of Torus Foundation's on-going training and development, the Trustees have also had briefings on risk management, digital inclusion and money matters and will continue to receive 'Spotlight On' briefings at Board meetings.

As and when new Trustees are recruited and appointed, a full induction programme will be delivered to ensure that they are fully conversant with the aims, objectives and operation of Torus Foundation.

Public benefit

The Trustees have had due regard to the guidance published by the Charity Commission on public benefit and in particular the supplementary guidance on public benefit and fee charging, ensuring Torus Foundation's work delivers its aims and charitable objectives.

Going Concern

The charity has been affected by the Coronavirus pandemic which arose in March 2020. The delivery of activities has been reduced due to public health restrictions on leisure and health activities and other social distancing measures. Income has been impacted, although costs have also reduced. The charity has also made use of the governments job retention scheme to support its financial position. There is a risk that gift aid from commercial entities within the group may be restricted in 2020/21 and 2021/22. The Torus Board have given commitments to support the charity ensuring income is maintained at levels outlined in the Torus business case for amalgamation. In addition it will seek to commission additional services to support communities affected by the pandemic. A grant agreement with Torus has been put in place providing certainty over funding.

After reviewing the charity's revised forecast and projections, taking into account the pandemic impact, the Trustees have a reasonable expectation that Torus Foundation has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

Principal Risks and uncertainties

Risks that may prevent Torus Foundation from meeting its objectives are reported to Group Audit and Risk Committee on a quarterly basis. Risks are recorded and assessed in terms of their impact and probability.

A summary of the current risk areas for Torus Foundation are provided below:

Key Risk	Status	Planned Development in Internal Controls
Failure to increase revenue, as well as careful financial management	<ul style="list-style-type: none"> Bids continue to be submitted to try to diversify income streams and a growing commercial awareness at FFH will help. The Torus Foundation Fund Raising Strategy was approved at Torus 	<ul style="list-style-type: none"> Torus Foundation has entered into an Intra Group Agreement (IGA) and Service Level Agreement (SLA) with the Torus Group. Both the IGA and SLA provide a structured approach to governance and the provision of corporate services.

	Foundation Board in April 2018. Several applications for funding have been made and progress is recorded and presented to Torus Foundation Management Meetings as well as Torus Foundation Board.	<ul style="list-style-type: none"> Torus Foundation will continually seek to generate income by diversifying income streams and submitting successful bids and tenders which support the charitable objects.
Failure to meet Big Lottery conditions	<ul style="list-style-type: none"> Data captured to support My Place Outcomes KPI's in place for completion each month monitored at SMT, EMT and Torus Foundation Board Effective Business Planning with due consideration for My Place Outcomes Torus Foundation has achieved all of the MyPlace outcomes. 	<ul style="list-style-type: none"> The Big Lottery My Place grant conditions are in place until 2031. The conditions will continue to feature as a Business Plan priority and will be reported to Torus Foundation Board, Torus Group Audit and Risk Committee and Torus Group Board.

Two further risk areas have been highlighted which include safeguarding and lack of skills. Torus Foundation provides a diverse offer for customers which requires staff to be occupationally competent to provide services which remain relevant for customers. The Foundation has developed a skills matrix which identifies essential training needs for staff which includes key topics such as health and safety and safeguarding. This matrix has provided the basis of a training plan which has been delivered across the year.

The Coronavirus pandemic creates risks affecting the delivery of services and finances of Torus Foundation. Following the outbreak, the business continuity plan was activated and group GOLD team meetings have taken place to manage the response and resilience stage. Regular updates have been provided to Boards. The recovery stage is underway and services are expected to recommence in the second half of 2020/21. A comprehensive plan has been implemented for the opening of the FireFit Hub, ensuring the safety of staff and customers is maintained. Budgets and business plans have been updated including stress testing of risks. Cash and finances are monitored on a monthly basis. A commitment has been provided by Torus to support Torus Foundation and ensure community activities can continue.

Plans for the future

Torus Foundation is an ambitious organisation and is keen to expand its impact across the three Torus Heartlands. Following a place shaping approach, the charity will use its regional influence and partner networks to ensure communities have the right resources; acting as an enabler and coordinator (where needed) to create places people want to live, work and do business.

Where possible, the charity will seek to work in collaboration, utilising the strengths of partners across Liverpool, St Helens and Warrington; promoting co investment models.

The Torus Foundation Fundraising Strategy sets out its approach to diversifying income to increase resilience as a charity and expand provision across the north west. Torus Foundation will maximise impact in communities by:

- Securing significant additional grant funding
- Implementing a corporate fundraising plan
- Leveraging additional monies through match funding and in-kind funding
- Explore commercial opportunities and tenders
- Expanding reach and delivery of projects within the FFH model

Torus Foundation will also look to expand its provision by amalgamating with other organisations where an opportunity exists to add value to the delivery of both organisations.

Post Balance Sheet Events

In response to the Coronavirus pandemic, Torus Foundation has temporarily suspended services which will impact on service delivery during 2020/21. Torus has provided a commitment to maintain income in 2020/21 and 2021/22.

There are no other events since the year-end that have had a significant effect on the charity's financial position.

External Auditors

Torus Group appoints the external auditors for all Group companies.

Annual General Meeting

Torus Foundation is not required to hold an Annual General Meeting under its Articles of Association.

Approval

The Trustees' report was approved by the Board on 01 September 2020 and signed on its behalf by:



Sarah Jane Saunders

Trustee

Date: 01 September 2020

TRUSTEES' RESPONSIBILITIES STATEMENT

The Trustees are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

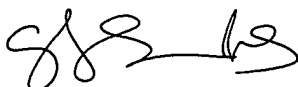
The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees confirm that:

- so far as each trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board of trustees



Sarah Jane Saunders

Trustee

Date: 1 September 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TORUS FOUNDATION

Opinion

We have audited the financial statements of Torus Foundation (formerly Commutual) ("the Charitable Company") for the year ended 31 March 2020 which comprise the statement of financial activities, the statement of financial position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The other information comprises the information in the Trustees' Report. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report, which includes the Directors' Report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report, which is included in the Trustees' Report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustee's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Companies Act 2006 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Hamid Ghafoor (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Liverpool

Date: 10 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF FINANCIAL ACTIVITIES
(including income and expenditure account)

For the year ended 31 March 2020

	Note	2020			2019		
		Un-restricted Funds	Restricted Funds	Total Funds	Un-restricted Funds	Restricted Funds	Total Funds
				£'000			£'000
Income:							
Donations and legacies	3	2,008	-	2,008	2,000	-	2,000
Income from charitable activities	4	2,019	66	2,085	681	56	737
Commercial trading activities	5	64	-	64	62	-	62
Investment income	6	11	-	11	10	-	10
Other income	7	24	-	24	22	-	22
Total Income		4,126	66	4,192	2,775	56	2,831
Expenditure on:							
Interest payable and financing costs		(7)	-	(7)	(2)	-	(2)
Charitable activities	8, 9	(4,029)	(55)	(4,084)	(2,833)	(45)	(2,878)
Total Expenditure		(4,036)	(55)	(4,091)	(2,835)	(45)	(2,880)
Net income and net movement in funds for the year		90	11	101	(60)	11	(49)
Actuarial (loss) on pension scheme	17	(40)	-	(40)	(309)	-	(309)
Transfer of reserves		10	(10)	-	-	-	-
Total funds at beginning of year		1,900	34	1,934	2,269	23	2,292
Total funds at end of year		1,960	35	1,995	1,900	34	1,934

The incoming resources and resulting net movement in funds arise from continuing activities.

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	14	49	64
Current assets			
Debtors	15	304	622
Cash and cash equivalents		2,784	3,749
Total current assets		3,088	4,371
Creditors: amounts falling due within one year	16	(663)	(2,139)
Net current assets		2,425	2,232
Total assets less current liabilities		2,474	2,296
Pension provision	17	(479)	(362)
Total net assets		1,995	1,934
The funds of the charity:			
Restricted funds	18	35	34
Unrestricted funds	18	1,960	1,900
Total charity funds		1,995	1,934

The financial statements were approved by the Board on 01 September 2020 and signed on its behalf by:



Sarah Jane Saunders
Trustee

Company Registration Number: 08444912

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**1. Legal status**

Torus Foundation is limited by guarantee and has no share capital. Every member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up whilst he or she is a member or within one period of ceasing to be a member for the debts and liabilities of the Society contracted before he or she ceases to be a member, such as may be required not exceeding £1.

Registered Office	4 Corporation Street St Helens Merseyside WA9 1LD
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2. Accounting policiesBasis of accounting

The Financial Statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with:

- Statement of Recommended Practice: Accounting and Reporting by Charities (Charities SORP (FRS102));
- Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102);
- Charities Act 2011 and the Companies Act 2006.

The charitable company constitutes a public benefit entity as defined by FRS102.

The charitable company has taken the exemption in relation to the preparation of a statement of cash flows on the basis that the company is included in the consolidated financial statements of Torus62 Limited as at 31 March 2020. These financial statements may be obtained from its registered office: 4 Corporation Street, St.Helens, Merseyside, WA9 1LD.

The charity has been affected by the Coronavirus pandemic which arose in March 2020. The delivery of activities has been reduced due to public health restrictions on leisure and health activities and other social distancing measures. Income has been impacted, although costs have also reduced. The charity has also made use of the governments job retention scheme to support its financial position. There is a risk that gift aid from commercial entities within the group may be restricted in 2020/21 and 2021/22. The Torus Board have given commitments to support the charity ensuring income is maintained at levels outlined in the Torus business case for amalgamation. In addition it will seek to commission additional services to support communities affected by the pandemic. A grant agreement with Torus has been put in place providing certainty over funding.

After reviewing the charity's revised forecast and projections, taking into account the pandemic impact, the Trustees have a reasonable expectation that Torus Foundation has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

Incoming resources

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Income from government and other grants, whether capital grants or revenue grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Volunteers and donated services

Donated professional services and donated facilities are recognised as income when the charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS102), the general volunteer time is not recognised. Refer to the Trustees' annual report for more information about their contribution.

On receipt, donation of professional services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Funds

Unrestricted funds are donations and other incoming resources receivable or generated for the furtherance of the charity's objects without further specified purpose and are available as general funds.

Restricted funds are to be used for specific purposes are laid down by the donor. Expenditure which meets these criteria is charged to the fund, together with a fair allocation of management and support costs.

Resources expended

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

Costs of raising funds comprise the costs associated with attracting donations, grants and legacies and the costs of trading for fundraising purposes.

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Other expenditure includes all expenditure that is neither related to raising funds for the charity nor part of its expenditure on charitable activities.

All costs are allocated between the expenditure categories of the Statement of Financial Activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly, others are apportioned on an appropriate basis, as set out in the notes to the accounts.

Debtors

Short term debtors are measured at transaction price, less any impairment and are measured subsequently at amortised cost using the effective interest method.

Creditors

Short term creditors are measured at transaction price.

Financial Instruments

The charity only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities, like accounts receivable and payable.

Fixed Assets

All fixed assets are initially recorded at cost.

Depreciation is provided to write off the cost of each asset over its useful economic life at the following rates

Fixtures and fittings	- 15% straight line
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Pension Cost

The Foundation participates in the Merseyside Pension Fund and the Cheshire Pension Fund, part of the Local Government Pension Scheme, both are multi-employer defined benefit schemes.

The difference between the realisable value of the assets held in the defined benefit pension schemes and the schemes' liabilities measured on an actuarial basis using the projected unit method are recognised in the Statement of Financial Position as a pension scheme asset or liability as appropriate.

The carrying value of any resulting pension scheme asset is restricted to the extent that the Foundation is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Changes in the defined benefit pension schemes asset or liability arising from factors other than cash contribution by the Foundation are charged to the Statement of Financial Activities in accordance with FRS 102.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

The Foundation also provides a Group Pension Scheme supplied by AVIVA, which is a defined contribution scheme. The income and expenditure charge represent the employer contribution payable to the scheme for the accounting period.

Reserves

The charity establishes restricted reserves for specific purposes where their use is subject to external restrictions. Unrestricted reserves relate to historic surpluses and deficits from the charity's activities. Reserves are used to fund the Charity's future activities.

Contingent liabilities

A contingent liability is identified and disclosed for those grants resulting from:

- A possible obligation which will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Trustees control or;
- A present obligation following a grant offer where settlement is either not considered probable.

Significant judgements and key areas of estimation uncertainty

The Trustees consider there to be no items in the financial statements where they have had to make significant judgements in the process of applying the charity's accounting policies or key sources of estimation uncertainty.

NOTES TO THE FINANCIAL STATEMENTS

3. Incoming resources from donations and legacies

	Un- restricted Funds £'000	Restricted Funds £'000	2020 Total Funds £'000	2019 Total Funds £'000
Donations				
Torus	2,008	-	2,008	2,000
	<u>2,008</u>	<u>-</u>	<u>2,008</u>	<u>2,000</u>

4. Income from Charitable Activities

	Un- restricted Funds £'000	Restricted funds £'000	2020 Total Funds £'000	2019 Total Funds £'000
Memberships, activities and hire	424	-	424	256
New Leaf and social inclusion	1,595	-	1,595	425
Henry Smith	-	-	-	17
Street Games	-	-	-	3
Greggs lunches	-	-	-	1
Steve Boko	-	-	-	13
One Digital Program	-	8	8	7
Coop Foundation	-	-	-	10
Hardship Fund	-	3	3	5
Merseyside Police	-	8	8	-
Liverpool City Council	-	6	6	-
ESC Lottery	-	4	4	-
Lottery	-	37	37	-
	<u>2,019</u>	<u>66</u>	<u>2,085</u>	<u>737</u>

NOTES TO THE FINANCIAL STATEMENTS

5. Commercial Trading Activities

	2020 Un- restricted Funds £'000	2020 Total Funds £'000	2019 Unrestricted Funds £'000	2019 Total Funds £'000
Vending income	20	20	9	9
Rent received	42	42	53	53
Other income	2	2	-	-
	<u>64</u>	<u>64</u>	<u>62</u>	<u>62</u>

6. Investment Income

	2020 Un- restricted Funds £'000	2020 Total Funds £'000	2019 Unrestricted Funds £'000	2019 Total Funds £'000
Bank interest receivable	11	11	10	10
	<u>11</u>	<u>11</u>	<u>10</u>	<u>10</u>

7. Other Income

	2020 Un- restricted Funds £'000	2020 Total Funds £'000	2019 Unrestricted Funds £'000	2019 Total Funds £'000
Other incoming resources	24	24	22	22
	<u>24</u>	<u>24</u>	<u>22</u>	<u>22</u>

NOTES TO THE FINANCIAL STATEMENTS

8. Costs of Charitable activities by fund type

	Un-restricted Funds £'000	Restricted Funds £'000	2020 Total Funds £'000	2019 Total Funds £'000
Staff costs	2,145	15	2,160	1,123
Events and activities project	1,718	40	1,758	1,648
Establishment expenses	50	-	50	76
Depreciation	12	-	12	7
Support costs	104	-	104	24
	4,029	55	4,084	2,878

Events and activities above include £65k of grants to local charities.

9. Costs of Charitable activities by activity type

	Activities Undertaken Directly £'000	Support Costs £'000	2020 Total Funds £'000	2019 Total Funds £'000
Staff costs	2,160	-	2,160	1,123
Events and activities project	1,758	-	1,758	1,657
Establishment expenses	50	104	154	76
Depreciation	12	-	12	7
Governance costs	-	-	-	15
	3,980	104	4,084	2,878

10. Governance costs

	2020 £'000	2019 £'000
Other professional	15	15
	15	15

11. Net Income/(Outgoing) resources for the year

	2020 £'000	2019 £'000
This is stated after charging:		
Depreciation	12	7

Auditor's remuneration for the company is included within the fees to Torus62 Limited and charged to Torus Foundation via a service level agreement.

NOTES TO THE FINANCIAL STATEMENTS

12. Staff Costs and Emoluments

Employee costs

Total staff costs were as follows:

	2020 £'000	2019 £'000
Wages and salaries	1,897	942
Social security costs	163	87
Other pension costs	168	94
	<u>2,228</u>	<u>1,123</u>

Particulars of employees:

The average number of employees during the year, calculated on the basis of full-time equivalents, was as follows:

	2020 Average Number	2019 Average Number
Management staff	3	3
Regeneration staff	8	8
Youth team and support staff	58	39
	<u>69</u>	<u>50</u>

One employee received remuneration between £60,000 and £70,000, and one employee received remuneration between £80,000 and £90,000 during the year (2019: one employee between £60,000 and £70,000). None of the Trustees received any remuneration during the period (2019: £Nil). Reimbursed expenses amounted to £Nil (2019: £Nil).

The key management personnel of the charity comprises the Trustees. None of the Trustees are employed by the charity.

13. Taxation

The company is exempt from corporation tax on its charitable activities.

NOTES TO THE FINANCIAL STATEMENTS

14. Tangible fixed assets

	Fixtures & Fittings
	2020
	£'000
Cost	
At 1st April 2019	72
Additions	-
Disposals	(3)
At 31st March 2020	69
Depreciation	
At 1st April 2019	8
Charge for the year	12
Disposals	-
At 31st March 2020	20
Net book value at 31st March 2020	49
At 31st March 2019	64

15. Debtors

	2020	2019
	£'000	£'000
Due within one year		
Trade debtors	10	12
Other debtors	4	5
Prepayments and accrued income	290	605
	304	622

NOTES TO THE FINANCIAL STATEMENTS

16. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	165	60
Amounts owed to Group undertakings	92	1,137
Other tax and social security	53	26
Other creditors	-	135
Accruals and deferred income	353	781
	<u>663</u>	<u>2,139</u>

Deferred income has increased to £74k from £22k in 2019/20. This is in relation to external lottery funding that is drawn in advance.

17. Pensions

Torus Foundation participates in the Local Government Pension Schemes administered by Wirral Metropolitan Borough Council as the Merseyside Pension Scheme (MPF), and Cheshire West and Chester Council as the Cheshire Pension Fund (CPF). Both funds are multi-employer schemes administered under the regulations governing the Local Government Pension Scheme, a defined benefit scheme.

Actuarial valuation took place prior to admission with assets and liabilities transferred from Torus62 and contribution rates agreed at 19.7% (Merseyside Pension Fund) and 23.1% (Cheshire Pension Fund).

Principal actuarial assumptions: Financial assumptions

	2020	2020	2019	2019
	CPF	MPF	CPF	MPF
	%	%	%	%
Discount rate	2.4	2.4	2.5	2.5
Future salary increases	2.8	2.8	3.2	3.2
Future pension increases	1.9	1.9	2.2	2.2
Inflation assumption	1.9	1.9	2.2	2.2

NOTES TO THE FINANCIAL STATEMENTS

17. Pensions (continued)

Mortality assumptions

	2020	2020	2019	2019
	CPF	MPF	CPF	MPF
	No of	No of	No of	No of
	years	years	years	years
Retiring today:				
Males	21.2	20.9	22.3	22.2
Females	23.6	24.0	24.5	25.0
Retiring in 20 years:				
Males	21.9	22.5	23.8	25.2
Females	25.0	25.9	26.5	27.9

Analysis of amounts recognised in operating costs	2020	2020	2020	2019
	CPF	MPF	Total	Total
	£'000	£'000	£'000	£'000
Current service cost	(99)	(73)	(172)	(77)
Past service costs/(gains)	-	-	-	(22)
Administration costs	-	(1)	(1)	(1)
Net operating (loss)	<u>(99)</u>	<u>(74)</u>	<u>(173)</u>	<u>(100)</u>

Analysis of amounts recognised in other financing costs	2020	2020	2020	2019
	CPF	MPF	Total	Total
	£'000	£'000	£'000	£'000
Expected return on pension scheme assets	38	16	54	14
Interest on pension scheme liabilities	<u>(41)</u>	<u>(20)</u>	<u>(61)</u>	<u>(15)</u>
Net operating loss	<u>(3)</u>	<u>(4)</u>	<u>(7)</u>	<u>(1)</u>

NOTES TO THE FINANCIAL STATEMENTS

17. Pensions (continued)

Reconciliation of defined benefit obligation	2020	2020	2020	2019
	CPF	MPF	Total	Total
	£'000	£'000	£'000	£'000
Opening defined benefit obligation	(1,593)	(825)	(2,418)	-
Current service cost	(99)	(73)	(172)	(77)
Past service cost	-	-	-	(22)
Interest cost	(41)	(20)	(61)	(15)
Contributions by members	(19)	(14)	(33)	(16)
Benefits paid	-	(8)	(8)	-
Actuarial gains / (losses)	526	(924)	(398)	(169)
Transfer of members to Torus Foundation	-	-	-	(2,119)
Closing defined benefit obligation	<u>(1,226)</u>	<u>(1,864)</u>	<u>(3,090)</u>	<u>(2,418)</u>
Reconciliation of the fair value of plan assets	2020	2020	2020	2019
	CPF	MPF	Total	Total
	£'000	£'000	£'000	£'000
Opening fair value of plan assets	1,463	593	2,056	-
Interest income on plan assets	38	16	54	14
Administration cost	-	(1)	(1)	(1)
Contributions by members	19	14	33	16
Contributions by employer	64	39	103	48
Benefits paid	-	8	8	-
Actuarial gains / (losses)	(526)	884	358	82
Transfer of members to Torus Foundation	-	-	-	1,897
Closing fair value of plan assets	<u>1,058</u>	<u>1,553</u>	<u>2,611</u>	<u>2,056</u>
Net pension liability	2020	2020	2020	2019
	CPF	MPF	Total	Total
	£'000	£'000	£'000	£'000
Defined benefit obligation net of plan assets	<u>(168)</u>	<u>(311)</u>	<u>(479)</u>	<u>(362)</u>
Analysis of amounts Recognised In Actuarial (Loss)/Gain Relating to Pension Schemes	2020	2020	2020	2019
	CPF	MPF	Total	Total
	£'000	£'000	£'000	£'000
Actuarial (losses) / gains on assets	(526)	884	358	82
Actuarial gains / (losses) arising on the scheme liabilities	526	(924)	(398)	(169)
Transfer of members obligations to Torus Foundation	-	-	-	(2,119)
Transfer of members assets to Torus Foundation	-	-	-	1,897
Net operating loss	<u>-</u>	<u>(40)</u>	<u>(40)</u>	<u>(309)</u>

NOTES TO THE FINANCIAL STATEMENTS

17. Pensions (continued)

Major categories of plan assets as a percentage of total plan assets	2020	2020	2019	2019
	CPF	MPF	CPF	MPF
	%	%	%	%
Equities	35	39	41	49
Gilts/bonds	47	30	47	16
Properties	8	8	8	10
Cash	10	3	4	3
Other	0	20	0	23

18. Funds

Restricted funds

	Restricted Funds £'000
Balance at 31 March 2018	23
Surplus for the year restated	11
Balance at 31 March 2019	34
Transfer of reserves	(10)
Surplus for the year	11
Balance at 31 March 2020	35

The restricted funds relate to specific projects and events run by the charity in accordance with the conditions of the funding arrangements with the funding provider.

Restricted funds carried forward at the year end are made up as follows:

Fund	Details
MPVRU (£3,534) - (2019 £0)	Outreach programme primarily working with 6-12 year olds with the aim of encouraging young people to join local youth provisions and stop them turning to crime or becoming involved in risk taking behaviours.
LCC – Sport Activators (£4,976) - (2019 £0)	Sports based intervention programme for 6-16 year olds focused on building resilience and positive behaviours of young people.
Hardship Fund (£326) - (2019 £0)	Funding from Ward Councillors to cover the costs of food vouchers and hampers for tenants during the Christmas Period.

National Lottery (£21,147) - (2019 £0)	Funding for a Health and Wellbeing Officer to provide activities for customers aged over 55, additional funding to recruit Community Connectors from participants and to purchase equipment for residents of the Independent Living Schemes in Liverpool.
Sports England (£4,392) - (2019 £0)	Sport England is a funding project that has the aim of 'Tackling Youth Violence and Knife Crime' through engagement in positive activities such as boxing and basketball. The goal is to engage with young people who are involved in anti-social behaviour & young people who are at risk of becoming involved in crime and introduce a positive pathway to keep them away from gangs.
Big Music Project (£0) – (2019 £4,172)	A project for 14-25 year olds who plan and develop their own music and dance. This was then showcased at Manchester Met Student Union.
Satellite Clubs (£0) – (2019 £1,301)	Initially TFFH applied for 7 Satellite Clubs to run for 20 weeks. The idea is to link up with sports clubs around the Liverpool area who provide a coach to deliver sessions at TFFH, all the while establishing an exit route for the participants to feed straight in to the sports club. Satellite Clubs has been a success from the start, which has resulted in the continuation and sustaining of the project, which is currently on-going. We have won a number of National Participant of the year awards and received bursaries to up-skill volunteers and participants. Also building up a great working relationship with Merseyside Sports Partnership (MSP).
MSP Sustain (£0) – (2019 £800)	Sustain is added funding for the continuation of the Satellite Clubs project, the sessions and clubs that had already been successful in the 2 years prior were sustained for a further 20 weeks. TFFH exceeded all participant targets for the sustained funding.
Children in Need (£0) – (2019 £2,030)	The charity was successful in their bid for a Children in Need grant which is based around engagement of young people in physical activities, activator course, young leader courses and the celebration of their achievements throughout the project.
Street Games (£0) – (2019 £4,172)	The Street Games grant is to support FFH youth zone with purchase of equipment, and the delivery of grass roots door step sports. This includes the delivery of staff training sessions funded by Streetgames, such as Short Tennis.
Greggs Summer Camp Meals (£0) – (2019 £1,441)	Greggs gave Torus Foundation money which was only to be spent on children's lunches in the school holiday camps.
Medicash (£0) – (2019 £10,000)	Contribution towards launching the café at FFH. This included purchase of equipment, appliances and food.

NOTES TO THE FINANCIAL STATEMENTS

Unrestricted funds

	Unrestricted Funds £'000
Balance at 31 March 2018	2,269
Deficit for the year	(369)
Balance at 31 March 2019	1,900
Transfer of reserves	10
Surplus for the year	50
Balance at 31 March 2020	1,960

19. Financial assets and liabilities

	2020 £'000	2019 £'000
Categories of financial assets and financial liabilities		
Financial assets that are measured at amortised cost	2,798	3,766
Other liabilities measured at amortised cost	(218)	(221)
Financial assets		
Cash at bank	2,784	3,749
Financial assets on which no interest is earned	14	17
	2,798	3,766

20. Related party transactions

C Murray Howard, a trustee of the charity, is a representative of Torus62 Limited. Torus Foundation has entered into a Service Level Agreement with Torus62 Limited for the provision of support services such as IT, Human Resources, Finance and Asset Management. The value of services procured during the period was £422,217. In addition, Torus62 Limited hired various facilities at Toxteth Fire Fit Hub. This amounted to £214 (2019: £1,335).

C Martin, a trustee of the charity, is a representative of Liverpool City Council. Liverpool City Council hired various facilities at Toxteth Fire Fit Hub. This amounted to £748 (2019: £285).

P Garrigan, a trustee of the charity, is a representative of Merseyside Fire and Rescue. Merseyside Fire and Rescue hired facilities at Toxteth Fire Fit Hub with a value of £50 and also made a donation of £1500 (2019: £130).

21. Ultimate controlling party

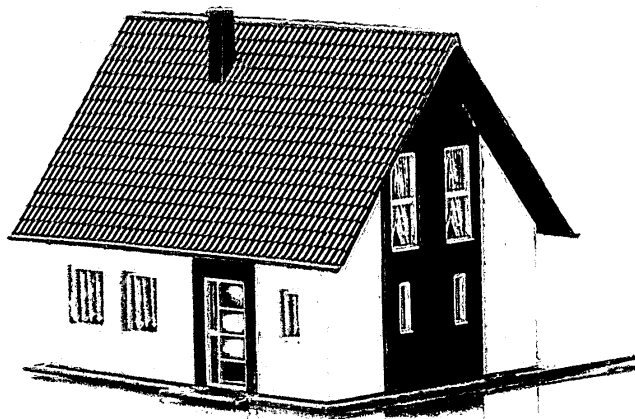
As Torus62 controls the appointment of the Board it is considered to be the beneficial owner. In the opinion of the Trustees Torus62 is the ultimate parent company and controlling party.

Report to the Audit & Risk Committee

TORUS GROUP

Audit Completion: Year ended 31 March 2020

10 September 2020 (initial draft issued 7 August 2020)



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WELCOME

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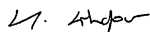
Appendices contents

In accordance with International Standards on Auditing (UK) we submit our Draft Completion Report to the Audit & Risk Committee setting out certain matters relating to the audit for the year ended 31 March 2020 that we are required to bring to your attention.

It summarises the results of completing the planned audit approach, specific audit findings and areas requiring the attention of the Audit & Risk Committee. At the completion stage of the audit it is essential that we engaged with the Audit & Risk Committee on the results of audit work on key risk areas, including significant estimates and judgements made by Management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We discussed these matters with you at the Audit & Risk Committee meeting on 18 August 2020, and received your input. This updated report reflects back the outcome of those discussions and our final conclusions.

We would also like to take this opportunity to thank the Management and staff of the Group for the co-operation and assistance provided during the audit. Whilst we have encountered some delays during the audit due to the considerable challenges of performing a first year audit remotely, management have endeavoured to ensure that requested explanations and documents were provided in a timely manner in clearly difficult circumstances whilst working remotely.



Hamid Ghafoor

10 September 2020

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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 primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Board and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW

Executive summary

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This summary provides an overview of the audit matters that we believe are important to Audit & Risk Committee in reviewing the results of the audit of the financial statements for the Group for the year ended 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Changes to audit approach from that communicated in our audit strategy

Due to Covid-19 we have had to amend our audit approach in a number of ways:

- the audit was performed remotely
- we performed additional work to confirm that the design and implementation of control activities related to the audit remained robust once your team commenced working remotely

- additional audit risks were identified and necessary procedures added to our initial audit plan - these changes were summarised in our planning report dated 15 April 2020 and were discussed with the Audit & Risk Committee on 23 April 2020.

Audit report

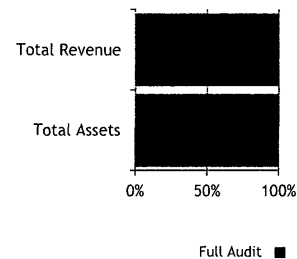
Despite the changes to our approach our audit work is complete and we anticipate issuing our audit opinion on the Group's financial statements for the year ended 31 March 2020 in line with the revised timetable.

No restrictions were placed on our work.

Audit scope

Our approach was designed to ensure we obtained the required level of assurance across the components of the group in accordance with ISA (UK) 600 (Audits of Group Financial Statements). This objective has been achieved.

To summarise our audit coverage, BDO UK has audited:



THE NUMBERS

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Final Materiality

Group Financial Statement Materiality was determined based on total assets and Specific Materiality was determined based on adjusted operating profit (as defined in your strictest loan covenant).

Unadjusted audit differences

There are 4 identified audit adjustments that have not been posted by management as they are immaterial. These adjustments do not impact on the surplus reported for the year (Page 16).

Financial reporting

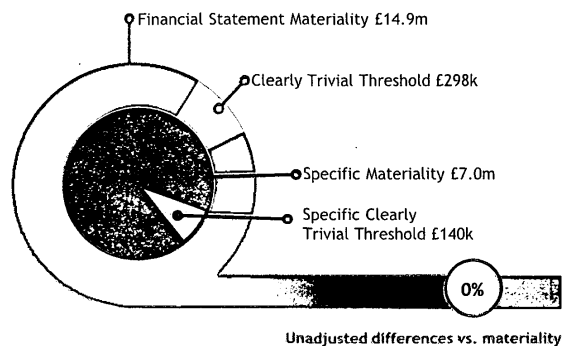
- We have not identified any non-compliance with group accounting policies or applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.
- Going Concern disclosures have been amended to reflect the current uncertainty in relation to Covid-19 impact on the respective business plans.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Company and Group in accordance with the FRC's Ethical Standard.



Entity	Abbreviation
Torus62 Limited	Torus62
Housing Maintenance Solutions Limited	HMS
Torus62 Developments Limited	TDL
Torus Foundation	TF
Torus Living Limited	TLL
Torus62 Commercial Services Limited	TCL

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OVERVIEW

As identified in our audit planning report dated 15 April 2020 we assessed the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the directing of the efforts of the engagement team. In this uncertain environment where business continuity plans have been activated due to Covid-19, forecasting future cash flows with any degree of certainty is challenging; we have therefore included a significant risk in relation to Going Concern.

The risks and our conclusion on our testing are summarised in the table below:

Significant Audit Risk Identified at Planning	Group	Torus62	HMS	TDL	TF	TLL	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control Findings to be reported in Management Letter	Specific Letter of Representation Point
Going concern - in particular COVID-19 impact	✓	✓	✓	✓	✓	✓	Yes	No	No	No	Yes
Impairment of properties developed for resale	✓	✓	x	✓	x	x	Yes	No	No	No	Yes
Management override	✓	✓	✓	✓	✓	✓	Yes	No	No	No	No
Revenue recognition	✓	✓	✓	✓	✓	✓	No	No	No	No	No

Areas requiring your attention

GOING CONCERN

In an uncertain environment where business continuity plans have been activated, forecasting future cash flows with any degree of certainty is challenging.

Risk description

The wider impact of Covid-19 is expected to impact the group's financial resources. This includes the possibility of:

- Reduced cash inflows due to rising rent arrears, deferred property sales, including first tranche and subsequent staircasing;
- The potential for impairment charges as a result of the above; and
- Changes to timing of cash outflows as development is potentially delayed and an emergency/essential only repairs service is operated.

Accordingly, we consider going concern to be a significant risk for the Group and the individual entities.

Details

Management have made an assessment of going concern for the group, which includes stress testing of multiple scenarios. The base case financial plan shows a high degree of resilience to the stress testing scenarios, aided by the headroom in its banking covenants.

Management are happy that the worst case scenario will not be a reality due to the mitigations in place. As well as the permanent mitigations in place in the business plan such as the minimum cash buffer other mitigations identified by management include pausing development, accelerating land sales and stopping non-essential repairs.

Results

We have reviewed the following:

- Actual performance in FY20 against the prior period assessment/budget
- The suitability of assumptions applied by Management when producing revised forecasts for FY21 and longer term budgets
- Commitments and future development intentions
- Availability of loan finance (in particular the revised post-merger loan arrangements), amount of available security to underpin future loan facilities, ability to repay loans when they fall due
- Stress testing of adverse variations in revenue and additional unexpected costs
- The appropriateness of sensitivities prepared by Management and the probability that events trigger a loan default, covenant breach or loss of funds.

Discussion and conclusion

Following completion of our testing we were comfortable that the group has sufficient head room in its loan covenants and in available facilities to withstand the potential impact of Covid-19 on areas such as rent arrears or property sales. As such the preparation of the financial statements on a going concern basis remains appropriate.

Specifically in relation to Torus Foundation we are satisfied that the arrangements in place to provide such funding as is required by the charity, which have been approved by funders, are sufficient to prepare the financial statements on a going concern basis.

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Entity level risk for: All group entities		
Group level risk	Yes	
Significant management judgement	Yes	
Use of experts	No	
Unadjusted error	No	
Adjusted error	No	
Additional disclosure required	Yes	
Significant Control Findings	No	
Letter of Representation point	Yes	

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IMPAIRMENT OF PROPERTIES DEVELOPED FOR SALE

Due to the volume of property under construction and the level of judgement involved in estimating both sales proceeds and costs to complete we consider there is a significant risk that the carrying amount of properties developed for sale is misstated.

Entity level risk for: Group, Torus62 and TDL		
Group level risk		Yes
Significant management judgement		Yes
Use of experts		No
Unadjusted error		No
Adjusted error		No
Additional disclosure required		No
Significant Control Findings		No
Letter of Representation point		Yes

Risk description

There are impairment losses in FY2020 in Torus62 in the year totalling £2.18m relating to property identified for demolition. This impairment charge is unrelated to the impact of Covid-19 and relates to fixed asset housing properties.

Properties developed for sale must be held at the lower of cost and net realisable value (sales proceeds less costs to sell and costs to complete).

There may be various issues impacting the property market as a result of the COVID-19 outbreak causing it to weaken. There was a period where people were unable to view properties owing to government restrictions and the financial repercussions of COVID-19, which are not yet fully understood, for many people and organisations will make spending large sums on purchasing property less of a priority.

Details

At 31 March 2020 property for resale consisted of:

- Torus62 Shared ownership:
 - Completed properties - £5,878k
 - Under construction - £12,006k
- Torus62 outright sale:
 - Completed properties - £nil
 - Under construction - £3,623k
- TDL outright sale:
 - Completed properties - £nil
 - Under construction - £8,972k

Planned approach to testing

We considered management's impairment consideration, challenging and corroborating the key assumptions and judgements.

For a sample of properties under development, we obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation and compared the incurred expenditure to the estimated amount to ensure that the cost to complete estimate reflects actual costs.

We assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year.

We corroborated expected sales proceeds relating to developments for sale based on post year end activity and the wider property market.

Discussion and conclusion

No issues were identified in our testing.

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ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

Risk description

Under International Standards on Auditing (UK) 240, there is a presumed significant risk of management override of the system of internal controls. The primary responsibility for the detection of fraud rests with Management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.

Details

Our understanding is that the most likely areas where management override could take place are the posting of journals and in the judgements involved in accounting estimates within the financial statements.

Entity level risk for: All group entities	
Group level risk	Yes
Significant management judgement	Yes
Use of experts	No
Unadjusted error	No
Adjusted error	No
Additional disclosure required	Yes
Significant Control Findings	No
Letter of Representation point	Yes

Results

We obtained a complete list of journals and, using information gathered during the audit and our understanding of the entity we target tested those journals and adjustments that we considered may be inappropriate or unusual. We did this using our data analytics tool, Advantage.

We also reviewed material journals and transactions outside of what is considered the normal course of business.

We reviewed significant accounting estimates and judgements to ensure they were appropriate. Further details in relation to investment property valuations (page 9) and pension scheme assumptions (page 15) are included elsewhere in this report.

Discussion and conclusion

Our consideration of the key estimates used by management in the preparation of the financial statements is noted on pages 13 and 14.

No issues identified based on the work performed.

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REVENUE RECOGNITION

Under International Standard on Auditing 240 “The auditor’s responsibility to consider fraud in an audit of financial statements” there is an assumption that revenue recognition is a fraud risk.

Entity level risk for: All group entities	
Group level risk	Yes
Significant management judgement	No
Use of experts	No
Unadjusted error	No
Adjusted error	No
Additional disclosure required	No
Significant Control Findings	No
Letter of Representation point	No

Risk description and Details

Income from contracts and projects

Income from contracts should be recognised in line with the terms of the contract and is therefore subject to management judgement; we therefore consider this a significant risk for certain group entities.

Other group entities receive income that is specific to certain stand alone projects and should be recognised in line with the specified criteria (e.g. based on certain milestones).

Property sales

For proceeds on sale of properties, the principal risk relates to ensuring sales are recorded in the correct period.

Repairs and Construction Income

HMS revenue stream is largely construction and repairs work provided to Torus62 and external customers.

Cut off is a key area of focus to ensure works are *invoiced and recorded in the correct financial period.*

Also the proper recording of the 2 sides of the transaction in the respective group entities and appropriate elimination of these intergroup transactions on consolidation.

Proper consideration needs to be given to revenue recognition on development contracts.

Results

Income from contracts and projects

We compared the revenue recognised for a sample of contracts/projects to the terms and conditions to confirm it has been recognised on an appropriate basis and within the correct accounting period.

We reviewed the disclosures in relation to your accounting policies and key judgments and estimates in this area.

Property sales

A sample of sales in the year agreed back to completion statements and bank receipts.

Cut off testing performed to confirm that sales were recognised in the correct accounting period.

Repairs and Construction Income

We performed testing on the invoices that have been recognised in FY2020 and FY2021 to ensure that they reflect work that has been completed.

We agreed a sample of transactions from invoice back to repairs system and visa versa.

Work on the consolidation focused on agreement of intergroup transaction elimination and ensuring no internally generated profits are reflected in the group financial statements.

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Under International Standard on Auditing 240 “The auditor’s responsibility to consider fraud in an audit of financial statements” there is an assumption that revenue recognition is a fraud risk.

Entity level risk for: All group entities except ACTL (no income)

Group level risk	Yes
Significant management judgement	No
Use of experts	No
Unadjusted error	Yes
Adjusted error	No
Additional disclosure required	No
Significant Control Findings	No
Letter of Representation point	No

Risk description and Details

Other income

The risk of material misstatement was rebutted for rental income as outlined in our audit planning report dated 15 April 2020.

Other material income streams include:

- Intergroup management charges
- Grant funding and amortisation
- Donations

Results

Other income

Sample based and other substantive testing on all material income streams (at individual entity materiality) was performed in order to confirm completeness, existence and accuracy of the transactions recorded and reported.

We agreed that inter group transactions were appropriately eliminated on consolidation.

We identified one adjustment in relation to revenue being overstated in Torus Foundation by £24k. However this adjustment does not impact on the reported surplus for the year and has not been adjusted for by management on the basis that it is immaterial (see page 16). The adjustment is below our clearly trivial threshold at group level.

Discussion and conclusion

Other than the immaterial adjustment noted above no issues identified based on the work performed subject to completion of the review and follow up process.

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ACCOUNTING PRACTICES

Overview	Financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Statement of Recommended Practice Accounting by registered social housing providers (Housing SORP 2018) and the Accounting Direction for private registered providers of social housing from April 2019.
Discussion	
Accounting policies	<ul style="list-style-type: none">The early drafts of the financial statements included some information on the going concern period considered, the stress testing performed and the key outcomes of the assessment - we recommended further detail was added and worked with management to ensure this disclosure was adequate.We have not identified any non-compliance with group accounting policies or applicable accounting framework.
Financial Statement Disclosures	<ul style="list-style-type: none">We advised that additional narrative was required in relation to the investment property valuation uncertainty as noted in the third party Savills valuation report. However as investment property is not material we do not consider that this requires any specific comments to be included in our audit report.
The items above have been updated in subsequent drafts.	

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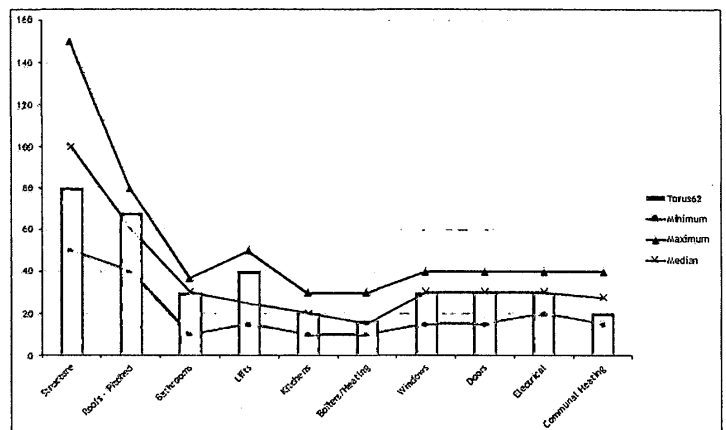
Key estimates relate to:

- the Useful Economic Life (UEL) of components and the amortisation of social housing grant
- The actuarial assumptions used in the SHPS pension liabilities.

Discussion: Useful Economic Lives

Torus62 component lives are broadly consistent with prior year and have been benchmarked against our sector clients as shown in the chart.

The UELs used by the group are consistent with others in the sector.



Discussion: Grant amortisation

The UEL adopted for grant amortisation is to amortise over the life of the structure, except where the grant related specifically to components. This is in line with the prior year and with the approach adopted by others in the sector. As noted above structure UEL is consistent with others in the sector.

ESTIMATES (2)

Defined benefit pension actuarial assumptions

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The assumptions feeding through into the local government defined benefit pension scheme assumptions are based on market conditions and therefore should not have significant variations across entities with similar year ends (subject to changes in scheme durations and scheme specific variations).

These assumptions are ultimately the responsibility of the Board but should be set based upon advice given by an actuary.

Management have reviewed the assumptions used by the scheme actuaries and had their own third party pensions adviser review them also. In discussions with BDO management have adopted uniform key assumptions across the different schemes.

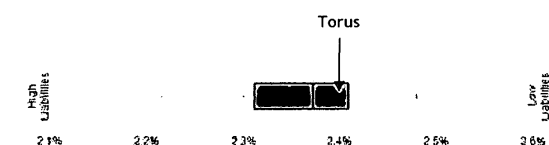
Discussion

In the management representation letter we request that you confirm to us that the valuation of the pension liability is calculated with reference to market levels and the most relevant demographic and financial assumptions at 31 March 2020.

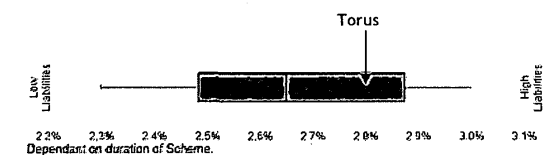
To support your assessment of whether such a representation to us is appropriate, we provide an indication of minimum, maximum and most common key actuarial assumptions that we have seen from a sample of valuations chosen from a cross-section of our client base (preparing accounts at 31 March 2020) and the position of Torus within the typical ranges. Note that following initial discussions with the finance team the CPI assumption was adjusted to 1.9% which brings it in line with the expected range.

This information, taken together with your own understanding of the employee and scheme beneficiary profile for the respective group entity, can be used to highlight possible instances in which a chosen assumption may deviate significantly from what might be appropriate for your organisation.

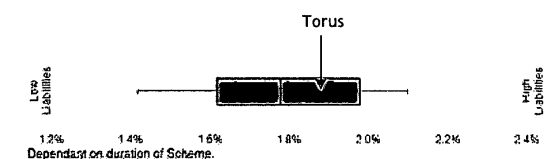
Discount rate



RPI



CPI



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Consideration of impairment of housing properties

Under the social housing SORP management are required to consider whether there are any impairment triggers in relation to their stock of housing properties and where issues are identified an impairment assessment must be carried out.

Covid-19 is clearly an issue that must be considered in this context. Management have produced their impairment assessment and concluded that there are no material issues in relation to impairment (other than those matters already dealt with during the year pre-Covid relating to planned demolitions).

The vast majority of housing properties are social housing units and the conclusion management have reached is consistent with what we are seeing elsewhere in the sector in respect of this type of property and with information coming from leading property valuers in the sector.

Laws and regulations

We made enquiries of management and reviewed correspondence with the relevant authorities. We did not identify any significant matters in connection with laws and regulations. We ask that those charged with governance advise us if they become aware of any instance of non compliance that have not been brought to our attention.

Where we receive a representation that the requirements of law have not been met, we will need to consider whether there is any impact on our audit based on the information available at the completion of our work.

Fraud

Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We sought confirmation from you whether you were aware of any known, suspected or alleged frauds during our meeting on 18 August 2020 and received no reports of such issues.

Related parties

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

We did not identify any significant matters in connection with related parties.

AUDIT DIFFERENCES

Summary for the current year

There are no audit differences that have been reflected in the financial statements.

There are 4 audit differences identified by our audit work that have not been adjusted by Management. These adjustments have no impact on the draft group surplus for the year. None of the adjustments are above our 'clearly trivial' level in respect of the group accounts and all adjustments are well below materiality in the individual entities concerned.

	Income and expenditure		Balance sheet	
	Dr E'000	Cr E'000	Dr E'000	Cr E'000
Unadjusted audit differences				
JNL1 - HMS - Reclassification of debit balances on purchase ledger				
DR Other debtors			27	
CR Trade creditors				27
JNL2 - TF - Reclassification of debit balances on purchase ledger				
DR Other debtors			2	
CR Trade creditors				2
JNL3 - TF - Overstatement of accrued income and related liability				
DR Accruals			24	
CR Prepayments and Accrued income				24
DR Revenue	24			
CR Expenses		24		
JNL4 - TDL - Reclassification to net off VAT control account balances and split out from trade debtors				
DR Other creditors			187	
CR Trade debtors				233
DR Other debtors			46	

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We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit & Risk Committee.

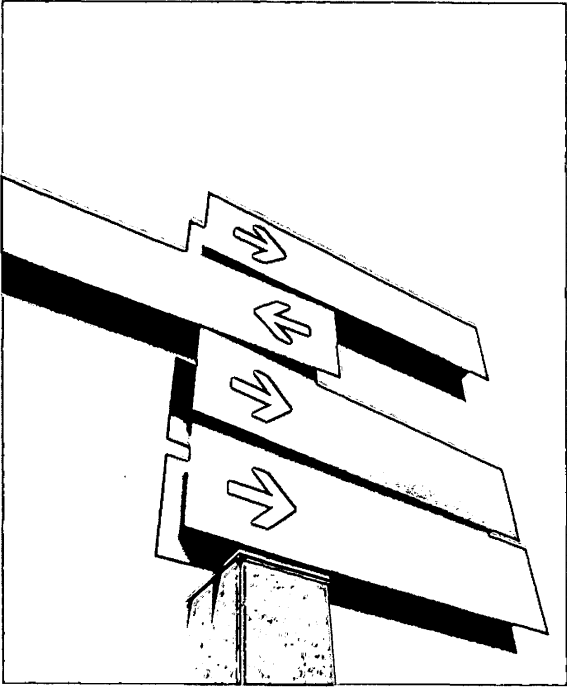
As the purpose of the audit is for us to express an opinion on the Group's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We have not identified any significant deficiencies within the internal control environment during the audit.

Whilst we have not identified any significant deficiencies we do note that the current process of operating two accounting systems and two housing management systems makes the accounting and audit process extremely challenging and time consuming. We know management are looking to change to a combined system and we recommend that management ensure this happens sooner rather than later.

Further we noted that the accounting system does not allow retrospective sales ledger and purchase ledger reports to be run and some of this information had to be recreated manually. It is therefore important that such reports are run as at each reporting date as part of documented financial reporting close procedures.



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AUDIT REPORT OVERVIEW

Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements of:

- Torus62 Limited
- Housing Maintenance Solutions Limited
- Torus62 Developments Limited
- Torus Foundation
- Torus Living Limited

Going concern

We have nothing to report in respect of the board's assessment of the applicability of the going concern basis of accounting or the Group's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

Comments on the strategic report and the board report and statutory other information

Our review of the front end of the financial statements did not identify any significant matters. Recommended changes to improve the quality of the disclosures have been fed back to management and the financial statements updated to reflect these recommendations where appropriate.

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INDEPENDENCE

Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC’s Ethical Standard, we are required as auditors to confirm our independence and discuss with you any independence issues including threats to our independence and the safeguards applied to mitigate them.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2020.

Details of services, other than audit, provided by us to the Group during the period and up to the date of this report are set out in the appendices. We understand that the provision of these services was approved by the Audit & Risk Committee in advance in accordance with the Group’s policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our planning report and are shown below.

Details of other threats and safeguards applied are given in the appendices.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Group.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Association and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

ENGAGEMENT TEAM ROTATION	NUMBER OF YEARS INVOLVED	ROTATION TO TAKE PLACE BEFORE YEAR ENDED
Hamid Ghafoor - Audit Partner	1	31 March 2030
Andrew Holt - Audit Senior Manager	1	31 March 2030

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FEES

Fees summary for year ended 31 March 2020

	£	£
Audit fee for period ending 31 March 2020		
• Audit of company (including group financial statements)	64,000	
• Audit of subsidiaries	30,000	
Total audit		94,000
Total non-audit services (see next page)		8,067
Total fees		102,067



INDEPENDENCE THREATS AND SAFEGUARDS

We have provided services other than audit to the Group as set out below. We do not consider there to be any other threats that may be considered to bear on our objectivity and independence. Our overall assessment is that the safeguards described below are appropriate and effective.

	Fees 2020 £	Threats	Safeguards
Non-audit services			
Audit related assurance services - loan covenant reporting (1 report)	1,100	N/A	N/A
Audit related assurance services - VAT shelter and Right to Buy reporting (4 reports)	4,400	N/A	N/A
Homes England mock compliance review	1,542	N/A	N/A
Homes England reporting relating to grant usage	1,025	N/A	N/A
Total assurance services	8,067		
Total other non-audit services	-		
Total non-audit services	8,067		

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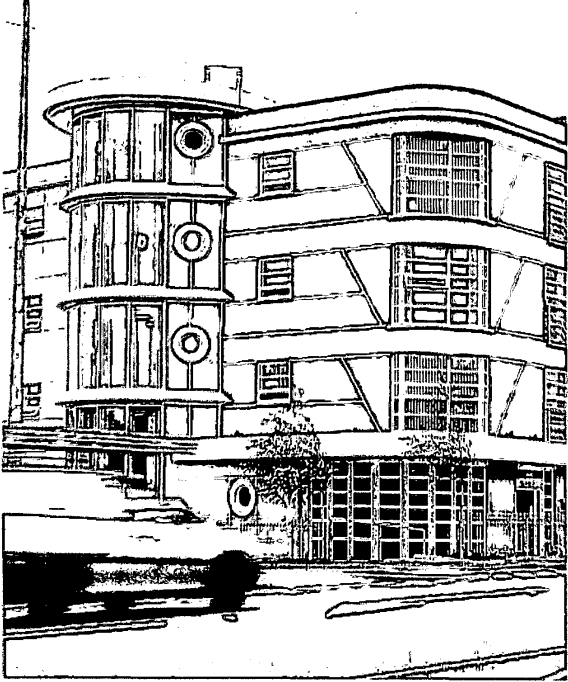
We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidated and association financial statements. We report our opinion on the financial statements to the members.

We read and consider the ‘other information’ contained in the Annual Report such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

For statutory other information such as the strategic report and the Directors report, we will form an opinion on whether the information given in the other information is consistent with the financial statements and our knowledge obtained in the audit and whether the reports have been prepared in accordance with applicable legal requirements.

What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Audit & Risk Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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	Issue	Comments
1	Significant difficulties encountered during the audit.	The challenges of auditing remotely were not insignificant, however with great understanding on both sides we were able to overcome these challenges.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.
6	Limitations on the audit where information was restricted.	No exceptions to note.

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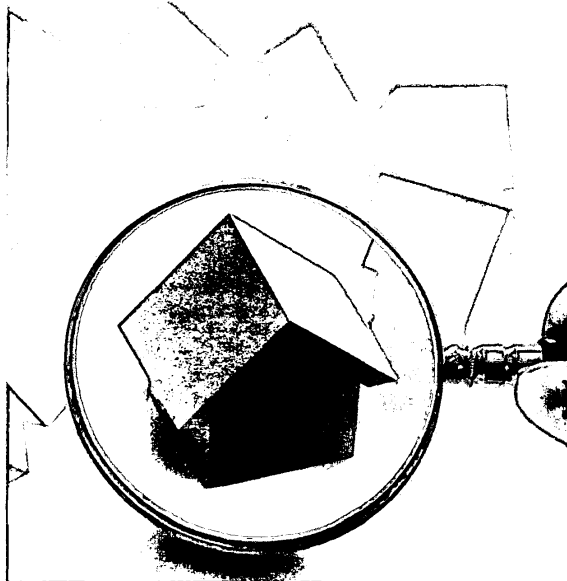
Latest regulatory developments (3)

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BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

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LETTER OF REPRESENTATION

5 Temple Square
Temple Street
Liverpool
L2 5RH

Torus62 Limited
Helena Central
4 Corporation St
St Helens
Merseyside
WA9 1LD

Dear Madams/Sirs

Financial Statements of Torus62 Limited and subsidiary undertakings for the year ended 31 March 2020

We confirm that the following representations given to you in connection with your audit of the consolidated and parent association's financial statements (together the "financial statements") for the year ended 31 March 2020 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other directors and officials of the association and other group companies as appropriate.

We have fulfilled our responsibilities as directors for the preparation and presentation of the consolidated and parent financial statements as set out in the terms of the audit engagement letter, and in particular that the financial statements give a true and fair view of the financial position of the group and association as at 31 March 2020 and of the results of its operations and cash flows for the year then ended in accordance with applicable financial reporting framework and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the group and association have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all meetings of management and non-executives have been made available to you.

Going concern

We have made an assessment of the group's and the association's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the group and association's are able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment, we considered the financial impact of Covid-19 on our cash flow forecasts and forward loan covenant compliance, performing stress testing of these plans. We have appropriately disclosed the inherent uncertainty in our operating environment and its impact on our going concern assessment in our financial statements and narrative reports.

Having performed our assessment we were able to conclude that the group and association are able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the group's and the association's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which our business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below.

In our opinion, the effects of not correcting such identified misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable accounting framework.

There were no loans, transactions or arrangements between the group, the association and its directors and their connected persons at any time in the year which were required to be disclosed.

Taxation

We are not aware of any non-compliance relating to the group or the association's tax affairs that might result in a material penalty or interest charge.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the consolidated and parent financial statements.

Accounting estimates

None of the association's current asset properties for sale or work in progress balances are stated in the balance sheet at 31 March 2020 at an amount exceeding their recoverable amount.

We confirm that none of the group or association's assets are stated in the balance sheet at 31 March 2020 at an amount exceeding their recoverable amount as defined in FRS102 Section 27 - Impairment of assets.

All housing properties are in existence and beneficially owned by the group. Title deeds are held by mortgagees, local authorities or solicitors as security for specific charges against the properties, in respect of housing loans outstanding at the balance sheet date, where appropriate.

We confirm that the bad debt provision of 100% of former tenants and 100% of current tenant balances older than 60 days is appropriate based on receipts during the current year.

We confirm that cash flow forecasts used in our assessment of going concern are based on our best estimate of committed development costs, loan drawings and related interest charges and overheads adjusted for inflation.

We confirm that the valuation of the pension liability is calculated with reference to market levels and the most relevant demographic and financial assumptions at 31 March 2020.

We confirm that the valuation of investment property is calculated with reference to market levels and the most relevant financial assumptions at 31 March 2020.

We have disclosed all known actual or possible cross guarantees between entities in the group and association with third parties and in particular any such guarantees between regulated and non-regulated entities.

Litigation and claims

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

(Signed on behalf of the board of directors)

Date:

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We are seeing various issues begin to arise from COVID-19 that can have an impact on both the Corporation Tax and VAT position of housing groups - in particular, change of tenure and payment of accrued qualifying charitable donations by subsidiaries that have fallen into negative reserves. We have outlined below some of the key areas for consideration and our interpretation of the impact at 22 April 2020. As with all things COVID-19 related, this is a fast moving area, so this article will be updated online as relevant guidance, experience and best practice emerges.

<https://www.bdo.co.uk/en-gb/insights/industries/not-for-profit/tax-implications-of-covid-19-for-social-housing>

AREA	ISSUE	TAX IMPLICATION
Change of tenure	As a result of the slow house sale conditions caused by COVID-19, many housing associations are considering switching developed properties from 'sale' to 'rent' in order to improve cashflow in the short-to-medium term.	<p>There are potential Corporation Tax issues arising from the appropriation of properties to/from stock and from the sale of properties to subsidiaries, all of which can constitute chargeable disposals and may therefore give rise to a Corporation Tax liability.</p> <p>Where a change of tenure and/or transfer of properties to a subsidiary is being considered, contemporaneous documentation evidencing the following will be of the utmost importance in order to defend against potential challenges from HMRC:</p> <ul style="list-style-type: none">the point at which the intention to change tenure crystallisedthe values at which properties to be transferred within the group are to pass. <p>For VAT purposes, the change from outright sale to rent is a change from a taxable intention to an exempt one.</p> <p>This can result in the repayment of some, or all, of input tax previously recovered and will need to be considered and quantified as part of the business case.</p>
Losses	Managing losses in charitable groups can give rise to a number of Corporation Tax issues if not handled correctly.	<p>Where losses are surrendered for group relief without payment, a mismatch between accounting and tax losses may result. This can have an impact on future qualifying charitable donations (QCDs), and may ultimately mean that subsidiaries are unable to fully offset the taxable profits of future periods by way of donation.</p> <p>Where one subsidiary surrenders losses to another on a £-for-£ basis, any excess over and above the tax value of the surrendered loss may be viewed as a distribution to the parent - meaning that sufficient distributable reserves will need to be available to fund the payment.</p>

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AREA	ISSUE	TAX IMPLICATION
Funding of subsidiaries	Some commercial subsidiaries of housing associations are seeing a fall in profits, so additional funding is being provided by the parent association.	<p>Funding of troubled subsidiaries by a charitable parent - whether via loan or share issue - must be considered carefully in the context of the approved charitable investment (ACI) rules.</p> <p>Any investment in a subsidiary that is not made on commercial terms and/or does not generate an acceptable financial return for the charity risks failing to qualify as an ACI. In which case, the charity will suffer a Corporation Tax liability on an amount of otherwise exempt income, equal to the amount of the investment.</p> <p>Extra care should be taken over amounts owed by subsidiaries to their parents in respect of existing debts, management fees or services provided. Where these amounts remain unpaid over long periods of time, HMRC may take the view that they are in effect investments in the subsidiary, therefore, subject to the ACI rules.</p>
Payment of QCDs	100% subsidiaries of charitable housing associations have nine months following the end of a given accounting period to donate away the taxable profits of that accounting period to their parent. All donations must be made in cash from available distributable reserves <u>at the point at which the payment is made</u> (rather than the balance sheet date).	<p>If, by the time an accrued QCD is paid, the subsidiary has gone into a negative reserves position, the payment of the QCD could constitute an unlawful distribution. This would leave the subsidiary unable to donate away its taxable profit for the preceding accounting period, therefore, unable to mitigate its Corporation Tax liability for the period.</p> <p>Timing of payments will need to be considered in light of any potential decrease in the profitability of commercial subsidiaries.</p>
Corporate Interest Restriction (CIR)	Some housing associations are considering taking on additional lending in order to ease cashflow problems resulting from the impact of COVID-19. This could potentially increase the amount of finance interest payable outside the group, such that the group is brought into the CIR regime.	<p>Where this is the case, the group will be required to comply with the additional reporting requirements under CIR and will also be subject to a restriction on the tax deductions available in respect of its interest payments.</p> <p>CIR will need to be considered generally where additional external lending is to be taken on.</p> <p>It should also be noted that where any lending is capitalised in the group (particularly on stock), there is the potential for complex interactions between the CIR rules and other aspects of the UK tax regime.</p>

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AREA	ISSUE	TAX IMPLICATION
VAT deferral	HMRC have granted an automatic option to defer payment for VAT that falls due between 20 March and 30 June. The deferred VAT must be paid by 31 March 2021.	Entities that are in a VAT payment position may want to take advantage of the deferral opportunity to improve cashflow.
	VAT returns must still be submitted as normal.	Entities that are in a VAT repayment position should still expect to receive payment from HMRC as normal, although we recommend submitting the returns as quickly as possible.
VAT on abortive costs	Many housing associations do not have a standardised procedure in place for treating the VAT on projects that were stopped before settling on a firm intention.	If such costs are likely to increase, consideration should be given to deciding on a treatment.
		If the costs are within a design and build subsidiary, consider whether these can be passed up to the housing association, and what the associated VAT treatment is.

FRC ETHICAL STANDARD

Issued in December 2019

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In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitional provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines.

Key headlines	Impact
The objective, reasonable & informed third party test	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles.
Extra-territorial impact	For group audits where the audited entity has overseas operations, the ES will require all BDO Member firms to be independent of the UK audited entity and its UK and overseas affiliates in accordance with the UK Ethical Standard, irrespective of if their audit work is relied upon.
Contingent fees	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
Secondments	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
Recruitment and remuneration services	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.
Non-audit services to a public interest entity (PIE)	Moving to a "white-list" of permitted non-audit services for PIEs. The white-list largely consists of services which are either audit-related or required by law and/or regulation. The provision of services not on the white-list are prohibited. The ES separates those permitted services which are exempt from the 70% fee cap and those services which are subject to the fee cap.
Other entities of public interest ('OEPI')	OEPI is a new term in the Ethical Standard. The FRC have imposed the 'white-list' applicable to PIE audited entities to also apply to OEPIs. OEPIs are entities which, according to the FRC, do not meet the definition of a PIE but nevertheless are of significant public interest to stakeholders. They include AIM listed entities which exceed the threshold to be an <i>SME listed entity</i> - generally those with a market cap of more than €200m; Lloyd's syndicates; Private sector pension schemes with more than 10,000 members and more than £1 billion of assets; Entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860), excluding fund management entities which are included within a private equity or venture capital limited partnership fund structure. These would be entities which: <ul style="list-style-type: none"> - Have more than 2000 employees; and / or - Have a turnover of more than £200 million and a balance sheet total of more than £2 billion. <p>The FRC have noted that the rules applicable to OEPIs will apply from periods commencing on or after 15 December 2020.</p>

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LATEST REGULATORY DEVELOPMENTS

Future of Audit, Regulation and Market Competition

A number of corporate governance, financial reporting and audit failures since the ‘financial crises’ have led to auditing being the focus of the BEIS Select Committee and the commissioning of three separate, but related, independent reviews scrutinising audit, auditors and the corporate and audit regulatory environment. Although these independent reviews started at various times since 2018, none have yet fully concluded upon and further consultations on precisely what the implementation will look like is expected to take place during 2020. However, that is not to say that changes have not already begun: There are already a number of changes being made by the market participants themselves such as increased operational separation audit from consulting and voluntary restriction of non-audit services. There have also been a number of changes arise through regulation such as the further restriction on non-audit services introduced with the new ethical standard in December 2019. Other expected changes will be implemented via a suite of consultations expected in 2020. Detailed below is a summary of the current reports issued and their status with a summary of the contents.

Initiative	Timeline 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Status
BEIS Select Committee	‘Carillion’ report issued 5/2018	‘Future of audit’ report issued 24/4/2019	Government response issued 7/6/2019			It is a priority area for the Committee which has a watching brief
Competition and Markets Authority (CMA) Report ‘Statutory Audit Services Market Study’	Launch of Market study 9/10/2018	Responses to consultation 21/1/2019	Report and recommendations published 18/4/2019	First BEIS consultation on implementation ended 13/9/2019		Further consultations expected in 2020
‘Report of the Independent Review in to the quality and Effectiveness of Audit’ - Sir Donald Brydon		Team appointed to undertake review 2/2019	Consultation ended 7/6/2019		Brydon report issued 9/12/2019	Further consultations expected in 2020
‘Independent Review of the FRC’ by Sir John Kingman	Kingman Report published - 83 recommendations 18/12/2018	Secretary of State announces plans for a new regulator (ARGA) 11/3/2019	48 recommendations to be implemented by FRC BEIS first implementation consultation ended 11/6/2019			Further consultations expected in 2020

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Future of Audit, Regulation and Market Competition

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Report	Topic	Key points
'Independent Review of the FRC' by Sir John Kingman	December 2018 - Future of regulation and the FRC - requested by the Secretary of State	<ul style="list-style-type: none"> Highlighted deficiencies in FRC and its operating effectiveness New regulator to replace FRC 'Audit, Reporting and Governance Authority' Reconsideration of which entities are classed as 'public interest' <p>A number of changes require legislation changes but the Financial Reporting Council are working on implementation where possible.</p>
Related BEIS consultation	BEIS consultation - independent review of the FRC - March 2019 - Recommends adopting a significant number of the Kingman proposals without further consultation - ended June 2019	<p>The proposals being classed as:</p> <ul style="list-style-type: none"> FRC and BEIS will implement as soon as possible Can be implemented once considered, in advance of legislation Primary legislation required <p>Further consultations are expected and will form part of the 2020 suite of consultations undertaken.</p>
Competition and Markets Authority (CMA) Report 'Statutory Audit Services Market Study'	April 2019 - Future of market competition	<p>Report 18 April 2019 - suggestions include</p> <ul style="list-style-type: none"> Increased accountability of audit committees including a focus on how they select auditors and their consideration of audit quality Mandatory joint audits for largest companies including one member not from the big 4 and peer reviews An operational split between the audit and non audit practices of the big 4 A 5 year review of progress by the new regulator <p>Further consultations are expected and will form part of the 2020 suite of consultations undertaken.</p>

LATEST REGULATORY DEVELOPMENTS (3)

Future of Audit, Regulation and Market Competition

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Report	Topic	Key points
BEIS (Business, Energy and Industrial Strategy Committee) Report 'The Future of Audit' - 24 April	Consideration of 2 reports - CMA and Kingman - to ensure they will lead to coherent framework	<p>This report considers the CMA and Kingman reports and supports their recommendations and encourages implementation. In particular:</p> <ul style="list-style-type: none"> • Implement Kingman recommendations as soon as possible • Endorsement of CMAs suggestion to split firms operations between audit and non-audit • Segmented market cap and joint audits for FTSE 100 • Detecting fraud a priority • Tightening of dividend regime • Make audit more forward looking • Welcomes introduction of ARGAs - deal with failures more quickly and more stringently <p>Published June 2019.</p>

LATEST REGULATORY DEVELOPMENTS: BRYDON

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In December 2019 Sir Donald Brydon published his "Report of the Independent Review in to the quality and Effectiveness of Audit". This report proposes a fundamental changes to the audit profession, the scope of audit and how the audit committee interacts with auditors and shareholders. The report introduces over 100 actions in a number of areas including:

- Audit Purpose, Audit Profession and Auditor reporting
- Directors' Reporting
- Role of Shareholders
- Other stakeholders
- Internal Controls
- Fraud
- Transparency
- Technology
- Auditor Liability
- Audit Committees
- KPIs and APMs (Alternative Performance Measures)
- ARGA - the new regulator

Key considerations for Audit Firms :

- A new definition of audit: " The purpose of an audit is to help establish and maintain deserved confidence in a company, in its directors and in the information for which they have responsibility to report, including the financial statements."
- Recognition of other stakeholders alongside the audit committee
- Creation of a standalone audit profession as opposed to an extension of the accounting profession
- Introduce the need for 'professional suspicion' alongside 'professional scepticism'.

- Replace 'true and fair' with 'present fairly, in all material respects'.
- Retain binary audit opinion but create continuity between reports, increase transparency further, have regard to other public information.
- Report specifically on the directors' statement in relation to fraud.
- Audit firms ensure a clear separation between the team which negotiates the audit fees, and the team which carries out the audit

Key considerations for Audit Committees are as follows:

- Recommendations for Directors to present to shareholders a three year audit and assurance policy dealing with auditors appointment, assurance budget and risks.
- Directors to present an annual Public Interest Statement and Resilience Statement (replacing the going concern and viability statements) in the annual report.
- Directors to present an annual statement on the actions they have taken to prevent fraud.
- CEO and CFO to provide an annual attestation to the board of directors as to the effectiveness of the company's internal controls over financial reporting.
- Directors be required to disclose when any material failure of their internal controls has taken place.
- Any Alternative Performance Measures reported by a company, and any use of Key Performance Indicators to underpin executive remuneration, should be subject to audit.
- Publication by the directors of a risk report in advance of the audit with Shareholders to be given a formal opportunity to propose matters to be covered in the audit and also permitted to question the Audit Committee Chair and the auditor.

AUDIT COMMITTEE GUIDANCE

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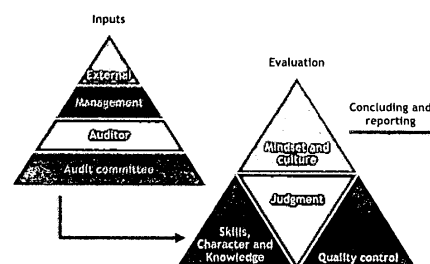
FRC PRACTICE AID FOR AUDIT COMMITTEES

The Financial Reporting Council (FRC) issued an updated practice aid for audit committees in December 2019 and a full copy can be found on the [FRC website](#). In their practice aid the FRC note: 'The directors of a company (the Board as a whole) are responsible for ensuring its financial statements are prepared in accordance with the applicable financial reporting framework and for overseeing the company's internal control framework. A high-quality audit provides investors and other stakeholders with a high level of assurance that the financial statements of an entity give a true and fair view and provide a reliable and trustworthy basis for taking decisions.'

The practice aid then discusses how the role of audit committees in serving the interests of investors and other stakeholders is through their independent oversight of the annual corporate reporting process including the audit. The FRC highlight that the responsibility for appointing the external auditor, approving their remuneration and any non audit services work, ensuring their independence and challenging them over the quality of their work falls to the audit committee and can play a key role in facilitating a high quality audit (see note below).

It gives guidance for Audit Committees in the following areas:

- Audit tenders and the tender process including audit fee negotiations and auditor independence
- A model for use by audit committees in making an overall assessment of an external auditor including inputs, evaluations and concluding:



- Transparency - reporting to the Board on how the audit committee has discharged these responsibilities
- Some guidance on key areas of audit judgement

The provision of high quality audits are a key focus of FRC and the new Executive Director of Supervision, David Rule, sent a letter to all audit firms in November 2019 explaining the factors he would expect to see in place in order to facilitate the delivery of high quality audits. A copy of the letter can be found on the [FRC website](#).

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Reverse charge VAT for construction services

From October 2020, a VAT-registered business, which supplies certain construction services to another VAT-registered business for onward sale, will be required to issue a VAT invoice stating that the service is subject to the domestic reverse charge. However, it is the recipient that must account for the VAT due on that supply through its VAT return, instead of paying the VAT amount to the supplier. The recipient may recover that VAT amount as input tax, subject to the normal rules. These rules apply equally to charitable entities who are involved in property transactions.

VAT on electronic publications

Following the 2020 budget, from 1 December, the zero rate of VAT will be applied to e-publications: e-books, e-newspapers, e-magazines and academic e-journals will be entitled to the same VAT treatment as their physical equivalents. Suppliers are expected to pass on the cost saving to their customers. However, supplies to EU consumers are liable to VAT in the customer's country. Until the UK leaves the EU VAT regime, UK suppliers can use the UK VAT MOSS to account for EU VAT, but after this they will have to use the VAT MOSS system of another EU country.

Off payroll labour

The changes to the off-payroll rules were due to come into effect on 6 April 2020. This has now been delayed until April 2021 because of the spread of the coronavirus (COVID-19) pandemic.

The delay is to help businesses and individuals deal with the economic impact of COVID-19. The delay to the introduction of the changes is not a cancellation.

Any entity (aside from those regarded as small) engaging the services of workers via Personal Service Companies (PSC), or other intermediaries including partnerships and LLPs, is required to introduce processes for assessing whether the workers are 'deemed employees' and formally notify the workers of this assessment.

Where the workers are regarded as 'deemed employees' the entity paying the PSC is required to operate PAYE and NIC (and Apprenticeship Levy if relevant) when processing payments. Recognising that this is a difficult area HMRC has published a self help guide and a communications guide.

Social housing providers are reminded that the definition of "turnover", one of the three tests to determine the size of an organisation, is intended to have the same meaning as provided for in the Companies Act (2006). This is for "turnover" to reflect trading income from which an organisation would report as a profit or a loss, or income and expenditure.

Internal audit

A new Code of Practice was issued by the Chartered Institute of Internal Auditors in January. The Code builds on existing Standards and seeks to increase the effectiveness of internal audit by clarifying expectations and requirements. A key development in the consultation phase was the growing recognition of the need for proportionality. The code is set out over 9 headings, covering such areas as scope, reporting, independence and relationships with boards and external auditors. This is the first Internal Audit Code produced for general application for private and third sector organisations.

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Revised ISAs - Going Concern

The Financial Reporting Council (FRC) has issued a revised going concern standard in response to recent Enforcement cases and well-publicised corporate failures where the auditor’s report failed to highlight concerns about the prospects of entities which collapsed shortly after. The new standard is effective for audits of financial statements for periods commencing on or after 15 December 2019.

The revised standard (ISA UK 570 Going Concern) follows concerns about the quality and rigour of audit and increases the work auditors are required to do when assessing whether an entity is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards. The FRC hopes that UK experience will lead to further strengthening of requirements at the international level.

The revised standard requires:

- greater work on the part of the auditor to more robustly challenge management’s assessment of going concern, thoroughly test the adequacy of the supporting evidence and evaluate the risk of management bias
- improved transparency with a new reporting requirement for the auditor of public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management’s assessment is appropriate, and to set out the work they have done in this respect
- a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when the auditor draws their conclusions on going concern.



FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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