Financial Statements

31 March 2022

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Torus Foundation
Charity Number: 1152903
Company Registration Number: 08444912

torus foundation

CONTENTS

TORUS FOUNDATION TRUSTEES, ADVISORS AND BANKERS

Charity registration number 1152903

Company registration number 08444912

Trustee	Category	Changes in the year
Sarah Jane Saunders	Chair, Director and Trustee	
Peter Graham Morton	Director and Trustee	Resigned 26/04/2022
Cllr Jeanie Bell	Director and Trustee	
Catherine Anne Murray-Howard	Director and Trustee	
Philip John Charles Garrigan	Director and Trustee	
Colleen Deanne Martin	Director and Trustee	Resigned 26/04/2022
Elaine Marie Stewart	Director and Trustee	Resigned 22/10/2021
Tom Jennings	Director and Trustee	Resigned 22/10/2021
Clare Gosling	Director and Trustee	Appointed 06/06/2022
Holly Chan	Director and Trustee	Appointed 06/06/2022
Uzair Patel	Director and Trustee	Appointed 06/06/2022
Simon Bean	Director and Trustee	Appointed 06/06/2022
Stephanie Donaldson	Director and Trustee	Appointed 06/06/2022
Tony Okotie	Director and Trustee	Appointed 06/06/2022
Ronnie Clawson	Secretary	

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
National Westminster Bank
5 Ormskirk Street
St Helens, Merseyside
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 31st March 2022 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 was unable to host volunteers during 2021/22 due to the Coronavirus Pandemic and the national restrictions imposed by the UK Government.

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 £407,989 in-kind funding was generated for the benefit of Torus Foundation customers in 2021/22.

OBJECTIVES AND ACTIVITIES

Torus Group's ("Group") 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 centre around five key focus areas: Employment and Skills; Financial Inclusion; Health and Wellbeing; Digital Inclusion; and Youth. Activities are delivered directly by Torus Foundation colleagues as well as through third party providers.

FINANCIAL REVIEW

In 2021/22, the charity received income of £8.6m (2020/21: £3.4m). This includes £1.4m received as Gift Aid from the Group (2020/21 £1.2m), £3.6m donation from the parent (2020/21: £0.8m) and £3.6m income from Torus for commissioned services, New Leaf, Springboard, TFFH membership fees, hire charges, and grant income received from Restricted Funds (2020/21: £1.2m).

ACHIEVEMENTS AND PERFORMANCE

Torus Foundation is producing an externally validated Social Impact Report for 2021/22, full details of which will be found at www.torusfoundation.org.uk.

EMPLOYMENT

Torus Foundation helped 1,004 people to find work:

- 44 work placements and volunteer placements were undertaken.
- 41 people were supported into an apprenticeship.
- 88% of customers reported an increase in skills and confidence as a result of engaging with the Torus Foundation Employment and Skills Team.

FINANCIAL INCLUSION

- 3,983 people were engaged in the financial inclusion service.
- 100% of customer reported an increase in skills and confidence as a result of engaging with the Torus Foundation financial inclusion service.
- A total of £4,335,233 in financial gains was obtained for Torus customers.

HEALTH & WELLBEING

- 2,968 people attended health and wellbeing sessions.
- 100% of customers reported an increase in their health and wellbeing as a result of engaging with the Torus Foundation Health and Wellbeing Service.

YOUTH

- In line with the Firefit Hub Youth Impact Framework, 650 outcomes were achieved by FireFit Hub members.
- The Charity became a licensed Duke of Edinburgh Award Centre.

DIGITAL INCLUSION

- 658 people received digital kit.
- 8 physical Digital Hubs were provided during the year prior to delivery moving to online provision.
- 889 online digital sessions were delivered.
- 97% of customers reported an increase in skills and confidence as a result of engaging with Torus Foundation Digital Inclusion Service.

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 £312k in restricted reserves (2021: £10k) and £3,010k in unrestricted reserves (2021: £934k).

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 Charity’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 three.

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

During 21-22 six new trustees were appointed.

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.

As and when new Trustees are recruited and appointed, a full induction is delivered to ensure that they are fully conversant with the aims, objectives and operation of the Charity.

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 the Charity's work delivers its aims and charitable objectives.

GOING CONCERN

The Charity continued to be impacted by the Coronavirus pandemic in 2021/22 due to the reduction in the delivery of charitable activities. This was due to the public health restrictions on leisure and health activities and other social distancing measures. Income has been impacted, although costs have also reduced.

The Group policy is to stress test Business Plans to ensure they are robust and stay within specified Golden Rules. The recent challenging economic operating environment has had an adverse impact on Group commercial entities and their ability to generate Gift Aid to the levels expected in the Torus Group amalgamation Business Plan. This is forecast to impact the Torus Foundation Gift Aid receipt in 2022/23. However, the Charity remains in a robust position to continue operations into the future with cash and cash equivalents £5.0m as at 31st March 2022.

After reviewing the Charity's revised forecast and projections, taking into account the principal risks and uncertainties, the Trustees have a reasonable expectation that the Charity 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 the Charity 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.

Torus aims to become a leading growth and regeneration group for the North West. Its charitable arm, Torus Foundation, aims to become a sector-leader in supporting communities to grow stronger and to thrive, providing targeted services to support tenants, customers and communities most in need. With a strategic focus on Liverpool, St Helens and Warrington, as well as key neighbouring areas, it will create better places to live and support sustained economic growth and regeneration.

KEY RISK AREA	KEY CONTROLS IN PLACE	MITIGATING ACTIONS
Being unable to deliver our Social Impact Ambitions	• Grant conditions tracker • Torus Foundation Fundraising Strategy • Torus Foundation Financial Plan • Partnership agreements with providers • Social impact evidence via CSR • Torus Foundation Board • HMS Business Plan Targets	• Social Impact Policy is being developed to capture the social impact delivered across all Group members. • The Charity continues to source external funding.

The recent and continuing challenging economic operating environment and the consequent adverse impact on Group Gift Aid generation in 2022/23 is a principal risk to delivering social impact ambitions. The Torus Foundation Board has recognised this risk in the medium term and has taken proactive action to address this issue with a review of projects and expenditure being undertaken. A cost reduction plan has been created for review and decision by the Torus Foundation Board with a view to prioritising charitable activity expenditure over the forthcoming year. Budgets and business plans will be updated following the decisions made including stress-testing of risks. Cash and finances are monitored on a monthly basis to support management decision making.

Further risk has been identified by the cost of living increases and the impact on the lives of Torus tenants and Torus Foundation communities. It is expected that the Charity will see an increased demand for services over the next year which could adversely affect the delivery of the charitable social impact ambitions.

PLANS FOR THE FUTURE

The Charity 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, *and*
- Expanding reach and delivery of projects within the FFH model.

The Charity will also look to expand its provision by joining with other organisations where an opportunity exists to add value to the delivery of both organisations.

POST BALANCE SHEET EVENTS

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

The Charity is not required to hold an Annual General Meeting under its Articles of Association.

APPROVAL

The Trustees' report was approved by the Board on 16th August 2022 and signed on its behalf by:

Sarah Jane Saunders
Trustee
Date: 16th August 2022

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: 16th August 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TORUS FOUNDATION

Opinion on the financial statements

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 2022 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.

We have audited the financial statements of Torus Foundation ("the Charitable Company) for the year ended 31 March 2022 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions related to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charitable Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Independent auditor's report (cont)

Other information

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

Other Companies Act 2006 reporting

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.

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' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Independent auditor's report (cont)

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 the 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Charitable Company, and the sector in which it operates we considered the risk of acts by the Charitable Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. We considered the significant laws and regulations to be United Kingdom Generally Accepted Accounting Practice (including FRS102 and the Charities Statement of Recommended Practice) and the UK Companies Act 2006. All audit team members were briefed to ensure they were aware of any relevant regulations in relation to their work, areas of potential non-compliance and fraud risks.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of an override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper incoming resources recognition.

Independent auditor's report (cont)

Our audit procedures in response to the above included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the recoverability of debtors and in relation to the estimates relating to the defined benefit pension schemes;
- Procedures to test incoming resources including agreement of incoming resources recognised to supporting documentation on a sample basis and testing incoming resources recorded around the year end to check the appropriate year end cut-off;
- Identifying and testing journal entries identified as potentially unusual. This testing included, but was not limited to, any journal entries posted with specific keywords, journals posted by unexpected users, and journals posted to least used accounts;
- Discussions with management, and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Discussions with management, and those charged with governance to understand if there has been any Serious Incident Reports made to the Charity Commission either during the period or post year end;
- A review of trustees' meeting minutes both during the period, and post year end, for any known or suspected instances of non-compliance with laws and regulation, Serious Incident Reports made to the Charity Commission or fraud;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

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.

DocuSigned by:
Hamid Ghafoor
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Hamid Ghafoor
(Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor, Liverpool
Date: 09 September 2022
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 2022

	Note	2022 Unrestricted Funds £'000	2022 Restricted Funds £'000	2022 Total Funds £'000	2021 Unrestricted Funds £'000	2021 Restricted Funds £'000	2021 Total Funds £'000
Income:							
Donations and legacies	3	5,002	-	5,002	1,982	-	1,982
Income from charitable activities	4	1,420	2,030	3,450	211	1,007	1,218
Commercial trading activities	5	182	-	182	50	-	50
Investment income	6	-	-	-	-	-	-
Other income	7	-	-	-	167	-	167
Total Income		**6,604**	**2,030**	**8,634**	**2,410**	**1,007**	**3,417**
Expenditure on:							
Interest payable and financing costs		(14)	-	(14)	(11)	-	(11)
Charitable activities	8, 9	(4,837)	(1,728)	(6,565)	(3,189)	(1,032)	(4,221)
Total Expenditure		**(4,851)**	**(1,728)**	**(6,579)**	**(3,200)**	**(1,032)**	**(4,232)**
Net income/(deficit) and net movement in funds for the year		**1,753**	**302**	**2,055**	**(790)**	**(25)**	**(815)**
Actuarial gain/(loss) on pension scheme	17	323	-	323	(236)	-	(236)
Transfer of reserves		-	-	-	-	-	-
Total funds at beginning of year		**934**	**10**	**944**	**1,960**	**35**	**1,995**
Total funds at end of year		**3,010**	**312**	**3,322**	**934**	**10**	**944**

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 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Tangible assets	14	248	79
Current assets			
Debtors	15	677	269
Cash and cash equivalents		4,954	2,983
Total current assets		5,631	3,252
Creditors: amounts falling due within one year	16	(2,104)	(1,648)
Net current assets		3,527	1,604
Total assets less current liabilities		3,775	1,683
Pension provision	17	(453)	(739)
Total net assets		3,322	944
The funds of the charity:			
Restricted funds	18	312	10
Unrestricted funds	18	3,010	934
Total charity funds		3,322	944

The financial statements were approved by the Board on 16th August 2022 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

The Charity 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

2. Accounting policies

<u>Basis of accounting</u>

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); and
- 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 2022. These financial statements may be obtained from its registered office: 4 Corporation Street, St Helens, Merseyside, WA9 1LD.

The Charity continued to be impacted by the Coronavirus pandemic in 2021/22 due to the reduction in the delivery of charitable activities. This was due to the public health restrictions on leisure and health activities and other social distancing measures. Income has been impacted, although costs have also reduced.

The recent challenging economic operating environment has had an adverse impact on Group commercial entities and their ability to generate Gift Aid to the levels expected in the Torus Group amalgamation Business Plan. This is forecast to impact the Torus Foundation Gift Aid receipt in 2022/23. However, the Charity remains in a robust position to continue operations into the future with cash and cash equivalents £5.0m as at 31st March 2022.

After reviewing the charity's revised forecast and projections, taking into account the principal risks and uncertainties, the Trustees have a reasonable expectation that the Charity 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, such as 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

Pension Cost

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

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 Charity 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 Charity 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 Charity 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

Management's estimate of the defined benefit obligation is based on several critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses.

Management apply a consistent set of assumptions with the exception of mortality rates, which are in line with those provided by Pensions Funds.

NOTES TO THE FINANCIAL STATEMENTS

3. Incoming resources from donations and legacies

	Unrestricted Funds 2021-22 £'000	Restricted Funds 2021-22 £'000	Total Funds 2021-22 £'000	Unrestricted Funds 2020-21 £'000	Restricted Funds 2020-21 £'000	Total Funds 2020-21 £'000
Donations						
Torus	5,002	-	5,002	1,982	-	1,982
	5,002	**-**	**5,002**	**1,982**	**-**	**1,982**

4. Income from Charitable Activities

	Unrestricted Funds 2021-22 £'000	Restricted funds 2021-22 £'000	Total Funds 2021-22 £'000	Unrestricted Funds 2020-21 £'000	Restricted funds 2020-21 £'000	Total Funds 2020-21 £'000
Memberships, activities and hire	1,420	-	1,420	211	-	211
New Leaf and social inclusion	-	937	937	-	771	771
Medicash	-	-	-	-	8	8
Street Games	-	3	3	-	4	4
St Helens Council	-	-	-	-	20	20
Steve Morgan Fund	-	-	-	-	23	23
Duke of Edinburgh	-	6	6	-	-	-
Energy Redress	-	347	347	-	80	80
Winter Energy	-	10	10	-	-	-
Springboard	-	350	350	-	-	-
Community Champions	-	22	22	-	-	-
Children in Need	-	41	41	-	21	21
NHS	-	7	7	-	-	-
Kickstart	-	266	266	-	-	-
Liverpool City Council	-	41	41	-	16	16
ESC Lottery	-	-	-	-	-	-
Lottery	-	-	-	-	64	64
	1,420	**2,030**	**3,450**	**211**	**1,007**	**1,218**

NOTES TO THE FINANCIAL STATEMENTS

5. Commercial Trading Activities

	2022 Unrestricted Funds £'000	2022 Total Funds £'000	2021 Unrestricted Funds £'000	2021 Total Funds £'000
Vending income	-	-	9	9
Rent received	182	182	38	38
Other income	-	-	3	3
	182	**182**	**50**	**50**

6. Investment Income

	2022 Unrestricted Funds £'000	2022 Total Funds £'000	2021 Unrestricted Funds £'000	2021 Total Funds £'000
Bank interest receivable	-	-	-	-
	-	**-**	**-**	**-**

7. Other Income

	2022 Unrestricted Funds £'000	2022 Total Funds £'000	2021 Unrestricted Funds £'000	2021 Total Funds £'000
Other incoming resources	-	-	167	167
	-	**-**	**167**	**167**

Other income relates to income from the Governments job retention scheme.

NOTES TO THE FINANCIAL STATEMENTS

8. Costs of Charitable activities by fund type

	Unrestricted Funds	Restricted Funds	2022 Total Funds	Unrestricted Funds	Restricted Funds	2021 Total Funds
	£'000	£'000	£'000	£'000	£'000	£'000
Staff costs	2,801	1,011	3,812	1,662	708	2,370
Events and activities project	1,974	717	2,691	1,473	324	1,797
Establishment expenses	(6)	-	(6)	7	-	7
Depreciation	18	-	18	12	-	12
Support costs	50	-	50	35	-	35
	4,837	**1,728**	**6,565**	**3,189**	**1,032**	**4,221**

9. Costs of Charitable activities by activity type

	Activities Undertaken Directly	Support Costs	2022 Total Funds	2021 Total Funds
	£'000	£'000	£'000	£'000
Staff costs	3,811	-	3,811	2,370
Events and activities project	2,692	-	2,692	1,797
Establishment expenses	(6)	50	44	42
Depreciation	18	-	18	12
Governance costs	-	-	-	-
	6,515	**50**	**6,565**	**4,221**

10. Governance costs

Governance costs are met by Torus62 Limited.

NOTES TO THE FINANCIAL STATEMENTS

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

This is stated after charging:	2022 £'000	2021 £'000
Depreciation	19	12

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

12. Staff Costs and Emoluments

Employee costs

Total staff costs were as follows:	2022 £'000	2021 £'000
Wages and salaries	3,141	1,975
Social security costs	288	165
Other pension costs	301	207
	3,730	**2,347**

Particulars of employees:

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

	2022 Average Number	2021 Average Number
Management staff	3	3
Regeneration staff	9	9
Youth team and support staff	93	68
	105	**80**

One employee received remuneration between £80,000 and £90,000, and one employee received remuneration between £90,000 and £100,000 during the year (2021: one employee between £70,000 and £80,000 and one employee between £80,000 and £90,000). None of the Trustees received any remuneration during the period (2021: £Nil). Reimbursed expenses amounted to £Nil (2021: £Nil).

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

NOTES TO THE FINANCIAL STATEMENTS

13. Taxation

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

14. Tangible fixed assets

	Fixtures & Fittings £'000
Cost	
At 1st April 2021	111
Additions	187
At 31st March 2022	298
Depreciation	
At 1st April 2021	32
Charge for the year	18
At 31st March 2022	50
Net book value at 31st March 2022	**248**
Net book value at 31st March 2021	**79**

15. Debtors

	2022 £'000	2021 £'000
Due within one year		
Trade debtors	53	4
Other debtors	-	-
Prepayments and accrued income	624	265
	677	**269**

16. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	80	23
Amounts owed to Group undertakings	50	126
Other tax and social security	96	60
Other creditors	-	1
Accruals and deferred income	1,878	1,438
	2,104	**1,648**

NOTES TO THE FINANCIAL STATEMENTS

17. Pensions

The Charity 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 23.0% (Merseyside Pension Fund) and 32.9% (Cheshire Pension Fund).

Principal actuarial assumptions: Financial assumptions	2022 CPF %	2022 MPF %	2021 CPF %	2021 MPF %
Discount rate	2.8	2.8	2.1	2.1
Future salary increases	3.8	3.8	3.1	3.1
Future pension increases	2.8	3.1	2.6	2.6
Inflation assumption	3.1	3.1	2.6	2.6

Mortality assumptions	2022 CPF No of years	2022 MPF No of years	2021 CPF No of years	2021 MPF No of years
Retiring today:				
Males	20.6	20.3	20.3	20.3
Females	23.8	23.5	23.5	23.5
Retiring in 20 years:				
Males	22.0	21.2	21.7	21.2
Females	25.3	24.8	25.1	24.8

Analysis of amounts recognised in operating costs	2022	2022	2022	2021
	CPF	MPF	Total	Total
	£'000	£'000	£'000	£'000
Current service cost	(119)	(88)	(207)	(131)
Past service costs/(gains)	-	-	-	-
Administration costs	-	(1)	(1)	(1)
Contributions by employer	-	-	-	-
Curtailments	-	-	-	-
Net operating (loss)	**(119)**	**(89)**	**(208)**	**(132)**

NOTES TO THE FINANCIAL STATEMENTS

17. Pensions (continued)

Analysis of amounts recognised in other financing costs	2022	2022	2022	2021
	CPF	MPF	Total	Total
	£'000	£'000	£'000	£'000
Expected return on pension scheme assets	29	38	67	65
Administration costs	-	-	-	-
Interest on pension scheme liabilities	(36)	(45)	(81)	(76)
Net financing costs	**(7)**	**(7)**	**(14)**	**(11)**

Reconciliation of defined benefit obligation	2022	2022	2022	2021
	CPF	MPF	Total	Total
	£'000	£'000	£'000	£'000
Opening defined benefit obligation	(1,670)	(2,181)	(3,851)	(3,090)
Current service cost	(119)	(88)	(207)	(131)
Past service cost	-	-	-	-
Interest cost	(36)	(45)	(81)	(76)
Contributions by members	(20)	(15)	(35)	(27)
Benefits paid	1	49	50	23
Actuarial gains / (losses)	61	61	122	(550)
Closing defined benefit obligation	**(1,783)**	**(2,219)**	**(4,002)**	**(3,851)**

Reconciliation of the fair value of plan assets	2022	2022	2022	2021
	CPF	MPF	Total	Total
	£'000	£'000	£'000	£'000
Opening fair value of plan assets	1,320	1,792	3,112	2,611
Interest income on plan assets	29	38	67	65
Administration cost	-	(1)	(1)	(1)
Contributions by members	20	15	35	27
Contributions by employer	94	91	185	119

Benefits paid	(1)	(49)	(50)	(23)
Actuarial gains / (losses)	71	130	201	314
Transfer of members to Torus Foundation	-	-	-	-
Closing fair value of plan assets	**1,533**	**2,016**	**3,549**	**3,112**

Net pension liability	**2022**	**2022**	**2022**	**2021**
	CPF	**MPF**	**Total**	**Total**
	£'000	£'000	£'000	£'000
Defined benefit obligation net of plan assets	**(250)**	**(203)**	**(453)**	**(739)**

NOTES TO THE FINANCIAL STATEMENTS

17. Pensions (continued)

Analysis of amounts Recognised In Actuarial (Loss)/Gain Relating to Pension Schemes	**2022**	**2022**	**2022**	**2021**
	CPF	**MPF**	**Total**	**Total**
	£'000	£'000	£'000	£'000
Actuarial (losses) / gains on assets	71	130	201	314
Actuarial gains / (losses) arising on the scheme liabilities	61	61	122	(550)
Net actuarial loss	**132**	**191**	**323**	**(236)**

Major categories of plan assets as a percentage of total plan assets	**2022**	**2022**	**2021**	**2021**
	CPF	**MPF**	**CPF**	**MPF**
	%	%	%	%
Equities	37	38	39	40
Gilts/bonds	45	31	44	30
Properties	12	7	12	7
Cash	6	4	5	5
Other	-	20	-	18

18. Funds

Restricted Funds	£'000
Balance at 31 March 2020	**35**
Transfer of reserves	-
Deficit for the year	(25)
Balance at 31 March 2021	**10**
Transfer of reserves	-
Surplus for the year	302
Balance at 31 March 2022	**312**

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.

NOTES TO THE FINANCIAL STATEMENTS

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

Balance at 31st March 21, £	Income 21-22, £	Expenditure 21-22, £	Balance at 31st March 22, £	Fund Name	Details
1,250	-	-	1,250	**Sports England**	Sports 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 and at risk of becoming involved in crime and introduced a positive pathway to keep them away from gang-related activities.
4,444	-	(4,440)	4	**Medicash**	Funding to provide nutritious hot meals for families who may be struggling because of the effects of the Coronavirus Pandemic.
-	1,111	(1,200)	(89)	**This Girl Can**	Funding to provide access and support for woman to participate in physical activities, improving their physical and emotional health and wellbeing. Funding primarily targets women who have low levels of engagement in physical activity, encouraging them to not only take up such activities but also sustain their involvement.
1,363	2,500	(2,775)	1,088	**Street Games**	The Street Games grant is to support the FFH youth zone with the purchase of equipment and the delivery of grass-roots door-step sports. This includes the delivery of staff training sessions such as short tennis.
3,262	41,398	(40,941)	3,719	**Children In Need**	The funding is to fund three outreach engagement posts to engage 8 to 16 year olds in the community and sign-post them to centre-based youth activities.
-	80,422	(73,111)	7,311	**Energy Redress Supported Energy**	Energy Savings Trust Project which provides in-depth one-to-one advice to people who are experiencing complex problems with their fuel bills, meters and debts.

Balance at 31st March 21, £	Income 21-22, £	Expenditure 21-22, £	Balance at 31st March 22, £	Fund Name	Details
-	935,386	(935,386)	-	**New Leaf**	New Leaf is part of the Building Better Opportunities Programme and funded by the European Social Fund and the National Lottery Community Fund . It is to help people get into work or training through 1-2-1 mentoring, money advice, access to volunteering and mental help support. The programme is open to anyone living in Warrington or Cheshire who is currently out of work. It provides investment in local projects that increase economic development by investing in projects which support skills development, employment, job creation, social inclusion and local community regeneration.
-	350,388	(350,388)	-	**Springboard**	Springboard is an ESF funded project generated to tackle the impact on the economy and labour market of COVID-19. The project directly assists participants who have recently lost their job or whose job has been affected as a result of the pandemic [furloughed, hours reduced etc] and young people who are struggling to get into stable employment for the first time to gain a new job quickly, acting as a 'Covid Response Employment Service'.
-	21,735	(21,735)	-	**Community Champions**	This is funding to focus on Health and Wellbeing around vaccinations for the BAME community providing workshops activities and promotion for the community to engage and improve their health and wellbeing.
-	266,476	(214,743)	51,733	**Kick Start**	The Kickstart Programme is part of a Government Initiative to support young people aged 18-24 who are claiming universal credit getting back into employment. Part of the funding is to support and develop new skills and to help applicants move into sustained employment after they have completed their six month funded role.

Balance at 31st March 21, £	Income 21-22, £	Expenditure 21-22, £	Balance at 31st March 22, £	Fund Name	Details
-	7,221	(7,221)	-	**NHS**	To support community partnerships in recognition of the impact of Covid-19 on the wider community. Grant funding is for activities delivered through partnership between the NHS and relevant social and health care organisations from the public or third sector. Project Aim is a co-designed project to improve the mental well-being of young people through the development of new youth-focused social prescribing pathways between clinical NHS Trust services and local youth organisations.
-	5,605	(2,474)	3,131	**Duke of Edinburgh**	This project is funding out of core-funding, corporate and donations and is to provide equipment, administration for young to complete their DofE course at no cost to themselves.
-	267,012	(22,886)	244,126	**Winter Energy Fund**	The Winter Energy fund is to provide charities to support vulnerable energy customers by providing energy vouchers.
-	20,140	(20,140)	-	**Liverpool City Council -HAF**	This is to provide nutritious meals and activities for disadvantaged young people aged 6 to 16 during school holidays.
-	20,000	(20,000)	-	**Liverpool City Council - Pantries**	Funding to support the set-up of community food pantries which offer local communities access to a variety of healthy food options for a small weekly fee, in order to combat chronic food insecurity.
-	10,000	(10,000)	-	**Cheshire Community Fund**	Funding to provide essential white goods and furniture and support to those in need. These items might include a cooker, fridge, washing machine, sofa or table and chairs, depending on the damage caused by the Warrington Floods.
10,319	**2,029,394**	**(1,727,439)**	**312,274**	**TOTAL**	

NOTES TO THE FINANCIAL STATEMENTS

Unrestricted funds	£'000
Balance at 31 March 2020	**1,960**
Transfer of reserves	-
Deficit for the year	(1,026)
Balance at 31 March 2021	**934**
Transfer of reserves	-
Surplus for the year	2,076
Balance at 31 March 2022	**3,010**

19. Financial assets and liabilities

	2022 £'000	2021 £'000
Categories of financial assets and financial liabilities		
Financial assets that are measured at amortised cost	5,007	2,987
Other liabilities measured at amortised cost	(177)	(84)
Financial assets		
Cash at bank	4,954	2,983
Financial assets on which no interest is earned	53	4
	5,007	**2,987**

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 £369k (2021-£569k).

C Martin, a trustee of the charity, is a representative of Liverpool City Council. Liverpool City Council provided funding for a project delivered by Torus Foundation with a value of £61,875 (2021- £2,880).

P Garrigan, a trustee of the charity, is a representative of Merseyside Fire and Rescue. Merseyside Fire and Rescue donated £1,500 during 20-21. Torus Foundation also paid £82k to Merseyside Fire and Rescue for the lease and associated utility costs for the Toxteth Fire Fit Hub.

J Bell, a trustee of the charity, is a representative of St Helens Borough Council. St Helens Borough Council donated £20,000 during 20-21.

21. Ultimate controlling party

An Intra Group Agreement is in place between Torus62 and its subsidiaries, whereby subsidiaries agree that their immediate and ultimate shareholder/member is Torus62. 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.

Audit Completion: year ended 31 March 2022

Torus62 Limited

Draft Report to the Audit Committee

IDEAS | PEOPLE | TRUST

CONTENTS

WELCOME

Contents

In accordance with International Standards on Auditing (UK) we submit our Additional Report to the Audit Committee setting out certain matters relating to the audit for the year ended 31 March 2022 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 further discussion and/or the attention of the Audit Committee. At the completion stage of the audit it is essential that we engage with the Audit 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 look forward to discussing these matters with you at the Audit Committee meeting on 04 August 2022, and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

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.

H. Ghafoor

Hamid Ghafoor

July 2022

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OVERVIEW
Executive summary

Contents

This summary provides an overview of the audit matters that we believe are important to the Audit Committee in reviewing the results of the audit of the financial statements for the Group for the year ended 31 March 2022.

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.

Our audit work is substantially complete and subject to the to the successful resolution of outstanding matters we anticipate issuing an unmodified audit opinion on the Group's financial statements for the year ended 31 March 2022 in line with the agreed timetable.

Outstanding matters are set out in detail on page 23.

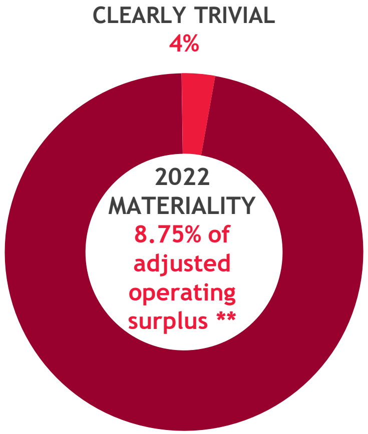
Other than downgrading the going concern risk from a significant risk to a normal risk, there were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Final Materiality

Group Materiality was determined based on adjusted operating profit (as defined in your strictest loan covenant).

There was no change to basis of calculating materiality and triviality from that reported in our planning report.



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.

RISK OVERVIEW
Executive summary

Contents

As identified in our audit planning report we assessed the following matters as being 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. Risks that are only significant in subsidiaries are considered in the appendices.

Significant Audit Risks	Significant Management Judgement Involved	Use of Experts Required	Error Identified	Control deficiencies identified	Specific Letter of Representation Point	Work complete at time of drafting
Identified at planning						
Fraud in revenue recognition leads to material misstatement - Income from contracts and projects	Yes	No	No	No	Yes	Yes
Management override of controls or bias in accounting estimates and judgements leads to material misstatement	Yes	Yes	No	No	Yes	Yes
Data Migration- transfer of financial and standing data between systems could lead to material misstatements	No	No	No	Yes	Yes	Yes
Development Programme- due to a large number of developments undertaken by the group, this poses a significant risk of material misstatements due to the estimates involves	Yes	No	No	No	No	Yes

Areas requiring your attention

OTHER MATTERS
Executive summary

Contents

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 are in line with best practice and reflect the current Going Concern Status of the Group & each individual subsidiary.

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 Association and Group in accordance with the FRC's Ethical Standard.

Fees summary

	£'000
Audit fee	122
Total non audit services	13
Total fees	**135**

AUDITED ENTITIES

Entity	Nature of Operations	Significant component? Reason for classification	Audit Risks	Component Materiality and basis of assessment	Component clearly trivial threshold	Audit strategy
Torus 62 Co-operative & Community Benefit Societies Act 2014	Social Housing (parent)	Yes Size	Group & Entity - Risk no. 1, 2, 3, 4	8% of adjusted operating surplus**	3%	Statutory audit performed by BDO UK
Torus62 Developments Limited Companies Act 2006	Development company for certain internal new build schemes	Yes Size	Risk no. 1, 2, 4	2% of Turnover	3%	Statutory audit performed by BDO UK
Housing Maintenance Solutions Limited Companies Act 2006	Property repairs and build services - principally interna	Yes Size	Risk no. 1, 2	2% of Turnover	3%	Statutory audit performed by BDO UK
Torus Foundation Charities Act 2011 & Companies Act 2006	Charity - support services and other charitable projects	Yes Size	Risk no. 1, 2	2% of Turnover	3%	Statutory audit performed by BDO UK
Torus Living Limited Companies Act 2006	Dormant	No - dormant				
Torus Commercial Services Limited Companies Act 2006	Dormant	No - dormant				

1. FRAUD IN REVENUE RECOGNITION LEADS TO MATERIAL MISSTATEMENT - INCOME FROM CONTRACTS AND PROJECTS

ISA (UK) 240 notes that there is a presumed significant risk resulting from the intentional misstatement of revenue

Significant risk	■
Normal risk	
Fraud risk	■
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	■
Controls testing approach	
Substantive testing approach	■
Risk highlighted by Association	

Risk description

The amounts reported in relation to revenue represent information of significant interest to many users of the financial statements. This puts revenue at a greater risk of manipulation, bias and misstatement.

Rental income & Service Charges

International Standard on Auditing 240 "The auditor's responsibility to consider fraud in an audit of financial statements" states there is an assumption that revenue recognition is a fraud risk.

We were therefore required to target it as part of our audit response unless we were able to rebut that risk. We rebutted the risk for rental income; whilst there is an element of manual intervention and variation in the increases/decreases applied to rents we considered that the risk of material misstatement through fraud and error remained low.

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 considered this a significant risk.

Certain 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 SLA's in PFI contracts).

Property sales

For proceeds on sale of properties, including first tranche shared ownership properties, the primary risk related to ensuring sales are recorded in the correct period.

Other income

Subsidiary entities have a number of smaller income streams that are grouped together for disclosure purposes. There was a risk that these are not fully understood.

Discussion & Conclusion

TORUS62 - Material streams consist of:

-Rental & Service Charge Income, confirmed rental increased and calculated total rental income

- First Tranche Shared Ownership, agreed a sample to completion document, confirming amount disposed

Foundation - Material streams consist of:

- Community initiatives, Donations & other charitable activities, whereby we've agreed a sample to 3rd party supporting documentation and bank receipt

Developments - Material streams consist of:

- Development works for TORUS62, performed a recalculation based on cost & markup to within immaterial differences

HMS - Material streams consist of:

- Housing maintenance, whereby we've agreed a sample to supporting documentation and bank receipt.

Based on our review of the streams noted above, the testing performed indicates that revenue is materially correct.

We have no further issues to report.

2. MANAGEMENT OVERRIDE OF CONTROLS OR BIAS IN ACCOUNTING ESTIMATES AND JUDGEMENTS LEADS TO MATERIAL MISSTATEMENT

Contents

ISA (UK) 240 presumes that Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively

Significant risk	■
Normal risk	
Fraud risk	■
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	■
Controls testing approach	
Substantive testing approach	■
Risk highlighted by Association	

Risk detail

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. We are required to consider this as a significant risk of material misstatement due to fraud.

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

Accounting estimates reviewed in previous years have been appropriate in terms of their thought process and calculation, however we will review accounting estimates and judgement to ensure they remain appropriate.

The key areas of estimate and judgement identified by management are:

- The assumptions used in the calculation of, and the disclosures in relation to the defined benefit pension scheme
- The assumptions used in the consideration of the impairment of housing properties
- The assumptions used in the valuation of investment properties
- Whether there are any indications of impairment
- Recoverability of receivables including rent arrears
- The allocation of costs for mixed tenure developments
- and shared ownership properties
- The useful economic lives of tangible fixed assets

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 what is considered the normal course of business.

We reviewed significant accounting estimates and judgements to ensure they were appropriate; significant areas are:

- The assumptions used in the calculation of, and the disclosures in relation to the defined benefit pension scheme
- The assumptions used in the valuation of investment properties
- The assumptions used in calculating the recoverability of rent arrears
- Useful economic lives of housing property components

Discussion and conclusion

In respect of our review of estimates and judgements we are satisfied with the approach taken.

In respect of journals work, we have no issues to report

3. DATA MIGRATION - TRANSFER OF FINANCIAL AND STANDING DATA BETWEEN SYSTEMS COULD LEAD TO A MATERIAL MISSTATEMENT

ISA (UK) 240 notes that there is a presumed significant risk resulting from the intentional misstatement of revenue

Significant risk	■
Normal risk	
Fraud risk	■
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	■
Controls testing approach	
Substantive testing approach	■
Risk highlighted by Association	

Risk detail

Following discussions held at the planning meeting, it was noted that within the year a number of the group entities decided to close down one of the two finance & housing management systems in operation and move all data to the other system. It is noted that no new system was input.

Through this, management had the ability to manipulate accounting records. We are required to consider this as a significant risk of material misstatement due to fraud.

Our understanding is that balances were transferred in at a specific point of time and value, with the journal data itself remaining in the old financial system.

Details

- A review was undertaken of the closing TB from Open Accounts, with this then compared to the TB Imported into QL Finance

- A review of standing data was performed to ensure the transfer of non-financial data between systems has been done correctly

- BDO IT specialists have performed an IT audit on the transfer of data and to report their findings

Discussion & Conclusion

Testing performed on the migration of both financial and standing data presented no issues.

As noted above, in order to arrive at a stage whereby we could conclude upon the Data Migration, BDO IT Specialists supported the audit team. It is noted that they raised management letter points which have been included within Page 18 of this report.

Note that these issues did not impact our assessment on the financial and standing data migration that occurred however do carry best practice recommendations

4. DEVELOPMENT PROGRAMME

Contents

ISA (UK) 240 notes that there is a presumed significant risk resulting from the intentional misstatement of revenue

Significant risk	■
Normal risk	
Fraud risk	■
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	■
Controls testing approach	
Substantive testing approach	■
Risk highlighted by Association	

Risk detail

Within the group, there is a very large development programme being undertaken. We are required to consider this as a significant risk of material misstatement due to fraud. There is significant estimate in regards to costs being appropriately allocated between revenue and capital, and any income recognition, or cost overruns are appropriately recognised.

As there is significant estimate in regard to the stage of completion as at the year end we have assessed this as a significant risk of material misstatement.

We have also investigated any long term revenue contracts in relation to development schemes (e.g. Golden Brick) in order to test the revenue recognition policy utilised by the entity is appropriate

Discussion & Conclusion

We agreed the year end valuations to QS certificates/statements, we agreed the initial budgeted figure to development appraisals, and we agreed the latest estimates to updated contracts/board reports, we agreed the total EUV-SH valuation to Savills reports to give comfort that replacement cost would be higher than current value.

All developments were reviewed for impairment, with a focus predominantly on costs to complete for each scheme, and whether this makes them unviable as a result of external market changes.

We have confirmed for all Golden Brick schemes, that the appropriate stage of completion was reached prior to revenue being recognised by the Revenue. We have done this by agreeing to contracts & completion data.

No issues were identified in relation to cost to complete on projects tested or within long term contract testing.

GOING CONCERN

Contents

We are required to highlight any judgements about events or conditions that may cast significant doubt over the entity's ability to continue as a going concern

Directors' responsibilities

It is the Directors' responsibility to make an assessment of the Association's and the Group's ability to continue as a Going Concern to support the basis of preparation for the financial statements. This is a requirement of both Companies Act 2006 and the accounting standards.

This assessment should be supported by detailed cash flow forecasts with clear details of the key underlying assumptions, consideration of available finance and covenant compliance throughout the forecast period, and a consideration of the forecast's sensitivity to reasonably possible variations in those assumptions along with any other relevant factors.

The going concern assessment should cover a minimum of 12 months from the date of the directors' approval of the financial statements. However, consideration should also be given to any major events or circumstances that may fall outside this period.

Going concern assessments should be prepared for the Group and each individual entity and should be separate from, albeit clearly linked to, general budget setting and forecasting.

Audit responsibilities

Our responsibilities in respect of going concern are:

a. To obtain sufficient appropriate audit evidence regarding, and conclude on, i) whether a material uncertainty related to going concern exists; and ii) the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements; and

b. b. To report in accordance with ISA (UK) 570

We will obtain an understanding of the business model, objectives, strategies and related business risk, the measurement and review of the entity's financial performance including forecasting and budgeting processes and the entity's risk assessment process. We will evaluate:

a. The Directors' method including the relevance and reliability of underlying data used to make the assessment, whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other.

b. b. The Directors' plans for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances.

c. c. The adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment and any material uncertainties that may exist.

POLICIES

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.

The following are significant matters arising during the audit work in respect of accounting policies that we want to bring to your attention.

Policies:

Overview	Discussion
Accounting policies	• To date we have not identified any non-compliance with group accounting policies or applicable accounting framework; though note our final financial statement reviews are not yet complete
Financial statement disclosures	• As mentioned above, our final financial statement reviews are not yet complete. However, we have provided feedback on issues that have been identified through first review and the completion of a disclosure checklist on the financial statements of each entity.

KEY JUDGEMENTS

The following are what we consider to be the significant judgements associated with the financial statements that have not already been discussed in the Risks section of our report.

Judgements: Housing property, Development Programme & Property Held for Sale impairment indicators

Overview	Discussion
Housing properties are the biggest number on the balance sheet of the group and the process of assessing impairment for such properties in line with the social housing SORP requires management judgement We have also investigated impairment indicators for Housing Property and Property held for Sale	We reviewed management's impairment paper and the underlying calculations and are satisfied that they have followed an appropriate process in relation to this assessment. The only impairment triggers that have been identified and acted upon are long term void properties and decommissioned units earmarked for demolition. This is in line with our expectations given the events during the year and the nature of the Torus property, i.e. most of the stock came from stock transfer transactions and therefore has a low initial cost. Work on the development programme has been included on Risk #4 In regards to property held for sale, we have agreed a sample of properties sold in the year to completion document with all items being sold at greater than cost. We have also tested cost by agreeing the total scheme cost to contract and allocating to property based on Floor Area as per site appraisals. No issues were noted in testing.

ESTIMATES

The following are what we consider to be the significant accounting estimates associated with the financial statements that have not already been discussed in the Risks section of our report.

Estimates: The Useful Economic Life (UEL) of components and the amortisation of social housing grant

Overview	Discussion
We have benchmarked the UEL of Torus' housing property component lives against BDO's portfolio of housing clients.	The rates of depreciation adopted by management are in line with those adopted within the sector, therefore on balance we consider that the UELs used are appropriate. UEL's are unchanged from the prior year.

Estimate: Defined benefit pension schemes actuarial assumptions

Overview

The assumptions feeding through into the position of the defined benefit pension schemes 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.

Discussion

In the management representation letter we request that you confirm to us that the valuation of the net pension liability is calculated with reference to market levels and the most relevant demographic and financial assumptions at 31 March 2022.

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 2022) and the position of TORUS62 within the typical ranges. These ranges will be provided by our actuarial experts for periods ended 31 March 2022.

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.

Note – As at this point, note that our work on Defined Benefit Pension Schemes is ongoing, specifically in relation to the Merseyside Pension Fund

Estimate: Assumptions used in calculating the recoverability of rent arrears

Debtors include the total rent and service charge arrears which is comprised of both current and former tenant arrears. Former tenant arrears are fully provided for in the financial statements at the point the tenant leaves the property. Current tenant arrears are provided for at specific rates according to the age of the debt.

The method of provisioning is consistent with what has been seen across the sector and from our review of arrears and bad debts is materially appropriate for the experience of the Group.

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Fraud

Whilst the Board 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 will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the audit plan and no such issues were notified to us.

Laws and regulations

The most significant considerations for your business are Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, Companies Act 2006, Corporate and VAT legislation, Employment Taxes, Health and Safety and the Bribery Act 2010. We made enquiries of management and reviewed correspondence with the relevant authorities. We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Internal audit

We reviewed the audit work of the Group's internal audit function to assist our risk scoping at the planning stage.

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.

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

We have not noted any adjustments through our audit testing that are required to bring to your attention.

Contents

CONTROL ENVIRONMENT

Area	Observation & implication	Recommendation	BDO Update / Management response
Cash & Bank - Identified in PY	BDO identified that bank reconciliations had not been accurately completed at the year end.	Monthly bank reconciliations should be completed and reviewed by management	BDO - All appropriately completed & review in the current year
Management Override - Journals - Identified in PY	No Support Manual Journal to cash - Where supporting documentation is not stored for manual adjustments it can be difficult in hindsight to understand why this adjustment was made, and if manual journals to cash are not reviewed this could lead to an increased risk of fraud	All manual journals should be stored along with supporting documentation, and all manual journals to cash should be appropriately approved.	BDO - No issues identified in the current year with documentation of manual journals however it is noted that at present there are two samples currently outstanding
IT Audit - CY	No user access review is performed to ensure all user have the appropriate access, roles and there is no segregation of duties conflict.	We recommend that all user accounts and access rights are independently reviewed and evidenced on a regular basis, the frequency of that review being determined by the amount of user administration activity that has taken place. During a period of high activity we would suggest a half-yearly or quarterly review and at least once a year during a period of low activity	Management Response (MR) - There is a workgroup project in QL to assess and implement updated access for all users and as part of this, the access will be reviewed and updated to ensure staff have access only to menu items required for their role, taking account SOD, were the system allows
IT Audit - CY	Unidentified end users with a business role that have administrative access to the QL application, which gives them unrestricted access to the system including the ability to create new user accounts and assign system privileges.	We recommend that management implement audit logging that records activity performed by privileged accounts at application level. Activity should be independently monitored, investigated as appropriate and formally signed off by an independent reviewer.	MR - The sys admin access enables Business SME's to view all events in the scheduler and not just those raised by themselves (key for critical business processes). For users/business to have true 'sys admin' privilege they would need to have all menu items including parameters which they do not have access to. As for monitoring the activity in QL we will discuss with the Supplier as the activity log in QL only shows which forms (screens) have been accessed.
IT Audit - CY	We have identified end users with a business role that have administrative access to the QL application, which gives them unrestricted access to the system including the ability to create new user accounts and assign system privileges.	Good practice is to assign administrative privileges to an independent individual with no transaction processing or monitoring role.	MR - The sys admin access enables Business SME's to view all events in the scheduler and not just those raised by themselves (key for critical business processes). For users/business to have true 'sys admin' privilege they would need to have all menu items including parameters which they do not have access to.

INDEPENDENCE

Contents

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 2022.

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] were provided in our planning report. We understand that the provision of these services was approved by the Audit 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.

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.

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

APPENDICES CONTENTS

OUR RESPONSIBILITIES

Responsibilities and reporting

Contents

Our responsibilities and reporting

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 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.

We are additionally required to include in our report:

- Where we conclude there is no material uncertainty in relation to going concern, a statement to that effect
- A conclusion that management’s use of the going concern basis of account is appropriate.
- An explanation of the extent to which the audit was capable of detecting irregularities, including fraud.

What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Audit 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.

COMMUNICATION WITH YOU

Those Charged with Governance (TCWG)

References in this report to Those Charged With Governance are to the Board as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit Committee.

In communicating with TCWG of the parent and the group, we consider TCWG of subsidiary entities to be informed about matters relevant to their subsidiary. Please let us know if this is not appropriate.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two-way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Additional matters we are required to report

	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
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.
	Group matters	
6	Limitations on the audit where information was restricted.	No exceptions to note.
7	Any issues with the quality of component auditors work.	No exceptions to note.
8	Any fraud or suspected fraud at group or component level.	No exceptions to note.

OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2022

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Board meeting at which this report is considered:

- Final partner review of audit file & accounts
- Going Concern
- MPF Control Reports

AUDIT QUALITY

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

LOOKING FORWARD

ISA (UK) 315 REVISED (JUNE 2020) IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT

Overview

The standard introduces significant changes in approach to risk identification and assessment, which are intended to drive a more focused response from auditors to identified risks. The are some implications for the way that we carry out our audits which include the following:

- Our risk assessment procedures are to be designed and performed in a way that the information obtained provides an appropriate basis to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion level. Approaching risk assessment procedures in this way facilitates targeted test design, focusing on the areas that really matter.
- We will put an increased focus on understanding the IT environment and the entity's system of internal control
- The way that we assess risk will be enhanced to consider:
  - Inherent Risk of material misstatement and Control Risk separately
  - Clearly defined inherent risk factors to enhance inherent risk assessment
  - A broader spectrum of risk categories, which will involve a more granular consideration of risk
- A new stand-back requirement for material classes of transactions, balances and disclosures.

Two of the key benefits to these changes are expected to be:

- An ability to scale and flex our audit approach to the specific circumstances of the audited entity
- Clearer links between the risk and the resulting work effort, to ensure we put audit effort where it is needed.

Effective Date

- The ISA is effective for audits of financial statements for periods beginning on or after 15 December 2021 so will impact your year ended 31 March 2023.

How does this impact your audit?

- The BDO Risk Identification and Assessment Methodology has been revised to comply with the requirements of the revised ISA.
- Your audit team expect to spend more time understanding the entity at the planning phase of the audit, spending more time planning, and the planning will be a more interactive and iterative process.
- Audit fees will reflect our increased investment in complying with these new requirements, particularly in the first year.
- As a product of this additional focus, you may receive greater insight into your control environment and have a better understanding of our assessment of risks and what could go wrong in your financial reporting processes.

ACCOUNTING FOR REPAIR OBLIGATIONS IN NEW SHARED OWNERSHIP MODEL AND RIGHT TO SHARED OWNERSHIP

Changes in the model for shared ownership came into effect from 1 April 2021. This model will:

1. Reduce the minimum initial share from 25% to 10%
2. Introduce a new gradual staircasing offer, to allow people to buy additional shares in their home in 1% instalments with heavily reduced fees
3. Introduce a 10-year period during which the shared owner will receive support from their landlord to pay for essential repairs required to the external fabric of the building and structural repairs to walls, floors, ceiling and stairs inside of the home - but only to the extent that the repair is not already covered by any claim made by the tenant under the new build guarantee
4. Give Shared Ownership leaseholders (shared owners) more control when they come to sell their home.

The changes to the model in points 1, 2 and 4 do not change the fundamental nature of shared ownership and therefore the current accounting treatment, set out in the Statement of Recommended Practice for registered social housing providers (the "Housing SORP"). Point 3 will create a new obligation for social housing providers, which may be considered an obligating event for the purpose of recognising a provision in accordance with Section 21 of FRS 102. At the point of first tranche sale the provider will need to consider if it is probable (i.e., more likely than not) that any payment for major repairs may be necessary and whether the obligation can be measured reliably (in accordance with FRS102 paragraph 21.4(c).

If it is not considered probable that a payment is likely to arise a contingent liability will exist, which will require disclosure unless the possibility of any outflow of resources is remote. Disclosure should be made in accordance with FRS102, paragraph 21.15.

If it is considered probable that there will be an outflow of economic benefit, a provision for the best estimate of the expected costs will need to be included as a cost of the sale and a provision created on the balance sheet. If the time value of money is likely to be material this should be discounted to the present value of the expected costs. Where a number of properties are sold under the new shared ownership scheme, a housing provider may consider it appropriate to utilise a portfolio approach to the measurement and unwinding of provisions.

The new Right to Shared Ownership will give social tenants living in new rented homes the opportunity to purchase a stake in their home and then purchase further shares when they can afford to do so. The first consideration will be the categorisation of the property - where a property is developed for social/affordable rent, albeit the Right to Shared Ownership (RTSO) exists, and the instigation of the RTSO option is not within the control of the social landlord it is perceived that the property should initially be recognised within Property, Plant and Equipment as General Needs Rental based on the original intended use of the property. In this case social landlords should follow the recognition and measurement criteria set out in paragraphs 8.13 to 8.30 of the SORP.

Where the original intention of use for a property is shared ownership and the social landlord controls the timing of the first tranche sale, the social landlord should follow the accounting treatment for Shared Ownership set out in paragraphs 8.31 to 8.40.

Subsequent disposal: Where a disposal (either in full or in part) is made of a property with Right to Shared Ownership which has been classified as property, plant and equipment (fixed assets) the disposal will be treated as a disposal of property, plant and equipment in accordance with paragraphs 17.27 to 17.30 of FRS102.

The repairs obligation will also apply to the RTSO properties.

FOR MORE INFORMATION:

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