Grant Thornton

Audit Findings for Orbitas Bereavement Services Limited

Year Ended 31st March 2024

25 November 2024

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25 November 2024

Dear Members of the Board

Audit Findings for Orbitas Bereavement Services Limited for the year ended 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available grant-thornton-ireland-transparency-report-2023.pdf (grantthornton.ie).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Michael Lowe

Partner
For Grant Thornton UK LLP

Contents

Introduction, status of the audit and audit opinion

Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion.

- Subsequent events update, up to the point of approval of the Financial Statements
- Formal distribution of this document to Those Charged With Governance
- Headed and signed Letter of Written Representations
- Final versions of the Annual Report inc. Financial Statements for signature

Subject to satisfactory completion of the above points,
we anticipate issuing a clean audit opinion.

Status:
- Significant elements outstanding – high risk of material adjustment or significant change to disclosures within the financial statements
- Some elements outstanding – moderate risk of material adjustment or significant change to disclosures within the financial statements
- Not considered likely to lead to material adjustment or significant change to disclosures within the financial statements

Audit findings

Grant Thornton

Significant risks
Revenue cycle includes fraudulent transactions

Risk identified

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. In the context of the entity's revenue streams we have identified the significant risk to be in respect of the occurrence of the revenue transactions with the risk specifically lying within those transactions that do not relate to the management fee. The significant risk within revenue has specifically been pinpointed to non-management fee related income.

Audit procedures performed

Our audit procedures included:

- The review and testing of revenue recognition policies
- Review of key contracts and testing the design and implementation of controls for each significant revenue stream.
- Obtaining written confirmation from contract counterparties regarding the amount of revenue billed and therefore recognisable throughout the reporting period.
- Substantive testing on a sample of invoices for each material external revenue stream.
- Review of invoices raised either side of the year end to confirm that cut-off is correct, and revenue has been recognised in correct periods.

Key observations

- The Revenue Cycle was identified as a significant risk in planning the audit. After performing these procedures, the engagement team found no issues.
- One control deficiency was noted during the course of our work regarding a lack of evidence that demonstrates where the entity has carried out its performance obligations. For the avoidance of doubt, we have been able to satisfy this occurrence by performing alternative audit procedures.
- We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology

Significant risks
Management override of controls

Risk identified

In accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls.

Audit procedures performed

Our audit procedures included:

- The review of accounting estimates, judgements and decisions made by management.
- Obtained an understanding of the design and implementation of the Company's internal controls through which journals are initiated, recorded, processed and reported.
- We confirmed the completeness of the general ledger reports by developing an expected closing trial balance to the actual closing trial balance.
- Our primary testing of journals included identification and substantive testing of journals that pose heightened risk of material misstatements. The journals tested include period end transactions, material post close entries, entries that constitute unusual items as well as journals that met defined characteristics.
- For our supplementary testing we analysed all remaining entries within the population using our data analytics software, Inflo, and generated a sample based on specific risk criteria, determined by an understanding of the entity. The sample was then agreed to supporting documentation to confirm the accuracy of amounts posted and the business rationale behind each selected transaction. This included a review of any unusual journal entries and significant transactions.

Key observations

- We have noted no material adjustments or findings in relation to management override of controls.
- We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.
- Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.

Other findings – significant matters

	Issue	Commentary	
1	Non-going concern basis of accounting	• During the course of our work, and communications with Management, we were made aware that on 25th June 2024 the Council Finance Committee made the decision to bring services provided by Ansa Environmental Services Limited and Orbitas Bereavement Services Limited back in house by 31 March 2025. • Since this date the company has begun making plans to transfer operations and trade which is expected to be completed on or before 1st April 2025. • Therefore, Management had asserted that the accounts ought to be prepared on a non-going concern basis.	**Auditor view** • As a consequence of the CFC decision, we challenged Management regarding the appropriateness of disclosures made within the financial statements, particularly in regard to going concern across the Strategic Report, Directors' Report and Accounting Policies. • Following discussion with Management, these disclosures were appropriately amended to reflect the known outcome of the case. • Our understanding is that the trade and assets of the Ansa and Orbitas businesses will be transferred back into the Council at Net Book Value (NBV), meaning that it is therefore appropriate that assets and liabilities are not remeasured to an alternative Fair Value, based on a break-up basis, at the Balance Sheet date. In this instance, NBV is equal to FV.

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

			ITGC control area rating		
IT application	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**
Unit 4 ERP 7.10	ITGC assessment (design, implementation and operating effectiveness)	● (green)	● (green)	● (green)	● (green)

Assessment:

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for assessment

Other findings – internal controls

	Assessment	Issue and risk	Recommendations
1	●	**Cash at bank** • The Barclays bank letter includes Business Premium Account, these are no longer in use and not identified in the TB. There is a risk that cash could therefore be misstated through inappropriate use of these accounts.	• We recommend closing these accounts if they are no longer in use.
2	●	**Revenue** • There is a lack of evidence that demonstrates where the entity has carried out its performance obligation. There is a risk revenue is recognised too early or when the service did not occur. • For the avoidance of doubt, we have been able to satisfy this occurrence by performing alternative audit procedures.	• We recommend the entity having the relevant evidence to prove the performance obligation has been met.

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK) 265)

Assessment:
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

Other findings – update on internal control findings issued in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	• There is a risk that the VAT return is incorrectly completed as the TB balance does not agree to the year-end VAT return and that items are omitted from the year-end balance.	• The difference between the VAT return and TB in the audited year is trivial and therefore the engagement team consider this control point to be resolved

Assessment:

✓ Action completed

× Not yet addressed

Adjusted misstatements

There has been no adjusted misstatements in the year.

Unadjusted misstatements

There has been no unadjusted misstatements in the year.

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	• We have previously discussed the risk of fraud with the Board. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed
3	Matters in relation to laws and regulations	• We are not aware of any significant incidences
4	Written representations	• All information and explanations requested from management was provided. • We have requested a specific representation point from Management regarding the non-going concern basis of preparation of the financial statements.
5	Confirmation requests from third parties	• We have obtained confirmations from third parties regarding the year-end bank balances
6	Disclosures	• Our review found no material omissions in the financial statements.

Independence considerations

Independence considerations (continued)

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services

The following tables below sets out the total fees for non-audit services charged from the beginning of the financial year to the end of the audit engagement, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

There are no non-audit services provided.

None of the below services were provided on a contingent fee basis. The below fees are exclusive of disbursements, expenses and VAT.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Orbitas Bereavement Services Limited. The table summarises all services which were identified.

Audit Fees	£
Audit of Company	16,000
Total	**16,000**

Grant Thornton do not provide any non-audit services to Orbitas Bereavement Services Limited. As there are no non-audit services, no threats to our independence are present and thus no safeguards are required.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Additional insights

Related Parties: What and why we require information regarding related parties

What information is required?

We require the following information regarding related parties:

a) The identity of **all** the entity's related parties, including changes from the prior period;

b) The nature of the relationships between the entity and these related parties; and

c) Whether the entity entered into any transactions with these related parties during the period and, if so, the type and purpose of the transactions.

Applying the definition per IAS 24 to entities and people

Related party – Entities?

Includes but is not limited to entities within the same group which means that each parent, subsidiary and fellow subsidiaries are related to the others.
However, the definition is far broader than this, and care is required to identify all related entities.

Related party - People?

Key Management Personnel (KMP), individuals with control, joint control or significant influence over the entity, **and** close members of that person's family.

In group situations, KMP and close family members of the KMP of the immediate parent, any intermediate parent and the ultimate parent of the entity.

Why do management need to maintain related party information?

The entity is required to disclose related party transactions in accordance with the applicable accounting framework. To be able to discharge its responsibility to disclose this information, the entity must be equipped with sufficient processes supported by appropriate accounting records to be able to identify related party transactions for disclosure.

Companies Act 2006 (CA 2006) requires that the Company maintain adequate accounting records

Why we require information regarding related parties?

ISA (UK) 240 (Revised) requires auditors to obtain an understanding of the fraud risk factors, including those arising from related party relationships and transactions to identify and assess the risks of material misstatement due to fraud.

ISA (UK) 550 requires auditors to obtain sufficient appropriate audit evidence about whether related party relationships and transactions have been appropriately identified, accounted for and disclosed in accordance with the accounting framework.

Definition of Related Parties per Accounting Standards

The definition of related parties is similar under IAS 24 and UK GAAP.

A related party is a person or entity that is related to the entity that is preparing its financial statements. Please refer to the full definition in IAS 24 'Related Party Disclosures' paragraphs 9-12 or Section 33 of FRS 102.

A person or a close member of that person's family is related to a reporting entity if that person:

i. has control or joint control of the reporting entity;

ii. has significant influence over the reporting entity; or

iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

a) that person's children and spouse or domestic partner;

b) children of that person's spouse or domestic partner; and

c) dependants of that person or that person's spouse or domestic partner.

Confidentiality and UK General Data Protection Regulation (UK GDPR)

We are bound by the terms of our letter of engagement with you, and by the ICAEW Code of Ethics, to keep all information confidential.

All of our people are required to understand and comply with the provisions of UK GDPR and the Data Protection Act 2018 (DPA). The lawful basis for processing personal information in situations of statutory audit is to comply with a legal obligation. All personal information collected and obtained in held securely and in line with relevant retention policies.

Related Party Information is not provided

Where management does not provide a complete list of related parties or a list is not provided, we may need to modify our audit opinion.

IFRS reporters
New or revised accounting standards that are in effect

IFRS 17 Insurance Contracts	• IFRS 17 is mandatory for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted if IFRS 9 is also applied at the date of adoption or earlier. • IFRS 17 defines an insurance contract based on whether the contract transfers significant insurance risk. Therefore, contracts that meet this definition may be in the scope of IFRS 17 even if they issued by a non-insurer. There are scope exemptions for certain types of contracts. • Detailed transition requirements apply.
Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8	• The amendment to IAS 1 is effective for annual reporting periods beginning on or after 1 January 2023, but may be applied earlier. • The IAS 1 amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies. • The amendments to IFRS Practice Statement 2 include guidance and two additional examples on the application of materiality to accounting policy disclosures. • The amendment to IAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates.
IAS 12 narrow scope amendment Deferred tax related to assets and liabilities arising from a single transaction	• The amendments apply for annual reporting periods beginning on or after 1 January 2023, but may be applied earlier. • The IAS 12 amendment narrows the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The effect of this is that companies will need to recognise a deferred tax asset (DTA) and a deferred tax liability (DTL) for temporary differences arising on initial recognition of a lease and a decommissioning provision. • For leases and decommissioning liabilities, the associated DTA and DTL should be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised in retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.
IAS 12 narrow scope amendment International Tax Reform - Pillar Two Model Rules	• This IAS 12 amendment provides companies with a mandatory temporary relief from deferred tax accounting for the impact of the jurisdictional implementation of Pillar Two model rules. The mandatory temporary exception applies immediately and retrospectively (UKEB endorsement date is 19 July 2023). Companies are required to disclose that the relief has been applied. • The amendment also adds disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes. These disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

IFRS reporters
Future financial reporting changes

New IFRS accounting standards effective on or after 1 January 2024

Amendment to IAS 7 and IFRS 7 - Supplier finance

The amendments introduce enhanced disclosure requirements for supplier financing arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

Amendment to IAS 1 - Non-current liabilities with covenants

The amendments clarify how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances.

Amendment to IFRS 16 – Lease liability in a sale and leaseback

The amendment specifies how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use retained.

New IFRS accounting standards effective on or after 1 January 2025

Amendments to IAS 21 - Lack of Exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

IAS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective from **1 January 2027**, with earlier adoption allowed. Comparatives will require restatement.

Environmental, Social and Governance (ESG) reporting

The Financial Reporting Council's (FRC) update to its '2021 Statement of Intent on ESG'*

We draw attention to the FRCs communication News I Financial Reporting Council (frc.org.uk) issued in January 2023 which includes the update ESG Statement of Intent – What's Next (frc.org.uk) as well as the key areas of supervisory focus for 2024/2025.

1. Why are we communicating this to you?

Improving transparency on climate and wider ESG risks and opportunities, and related governance activities and behaviours, is a key priority of the FRC's ESG strategy. Management and Those Charged With Governance should consider the detail of the update, given the prominence placed on this area by the FRC for 2024 and beyond, how it may affect you and the actions that need to be taken.

2. What will the FRC's key areas of focus be in 2024?

The FRC have noted that one of their key areas of focus will be climate related risks, including TCFD disclosures.

They have also noted that their priority sectors are:

- Construction and Materials
- Food Producers
- Gas, Water & Multi-utilities
- Industrial Metals and Mining
- Retail

3. What does the update address?

- Areas where ongoing challenges in ESG reporting remain
- Actions for preparers to produce decision relevant information
- The FRC's plans to engage with the market to ensure that stakeholder needs are met as demand for ESG information continues to evolve

4. What resources relating to ESG reporting and governance do the update include?

To assist in navigating what remains a challenging and evolving reporting landscape, several links are included throughout the update on a wide range of material produced by the FRC.

Note: *The FRC published its first Statement of Intent on ESG in 2021, which identified underlying issues with the production, audit and assurance, distribution, consumption, supervision and regulation of ESG information. Since then, it has undertaken a significant number of initiatives both in the UK and internationally, to assist and support its wide range of stakeholders and drive best practice in high-quality and comparable ESG reporting and disclosure.

Climate Change – The roles and responsibilities of management

Why do management need to consider climate change?

Climate change is topical for investors and other stakeholders. The effects of climate change are increasingly visible, and it has the potential to impact a growing number of entities of all natures and sizes in various industries. This can be directly or indirectly, e.g., through their supply chain, customer base, financing, insurance and laws and regulations (both global and local).

This has led to growing demand by stakeholders for climate-related information for decision making. Reporting needs to consider both how a company is considering climate-related impacts on its business, as well as the impact the company has on the environment. This, together with the financial statement impact of climate-related considerations now and in the future, provides a key insight for investors and other stakeholders. It helps to understand the future the company faces, and the future it intends to help bring about.

Management's assessment of the potential impact on the entity's financial statements is an area of focus for the FRC. In the 'Annual Review of Corporate Reporting' published in October 2023, they highlighted detailed findings and expectations on corporate reporting. The full report can be accessed at FRC Annual Review of Corporate Reporting 2022/2023.

One of the expectations that the FRC has from companies in relation to financial statements is ensuring that

- Material climate change risks and uncertainties discussed in narrative reporting have been appropriately considered in the financial statements – both the impact on numbers and narrative disclosures
- Narrative reporting is consistent with the financial statements

We encourage management to stay abreast of developments in this area, as guidance and reporting requirements will continue to evolve in the coming years.

What do management need to consider when thinking about climate change?

We ask management to consider the aspects below and while these considerations are not exhaustive, it will be used as part of our audit procedures.

- The climate reporting requirements, directives, or legislation that the entity is required to comply with. See "Summary – current 'climate-related' reporting requirements for companies reporting in the UK" for further detail
- How management identifies and responds to climate related issues. This will include management's process(es) and controls for identifying and responding to the impact of climate change/ climate related issues and risk assessment of climate change to the business

What is our role when considering climate change?

The auditor's objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and report on whether the financial statements are prepared, in all material respects, in accordance with the financial reporting framework. If climate change impacts the entity, the auditor needs to consider whether the financial statements appropriately reflect this. This requires consideration of factors presenting a potential risk of material misstatement of the financial statements as a result of climate change. Where risks are identified, auditors need to determine an appropriate audit response to determine if they have a material impact on the financial statements.

Summary – current 'climate-related' reporting requirements for companies reporting in the UK

	Category of company				
	Small private	Medium private	Large private	AIM	Main markets[5]
Directors' report	✓	✓	✓	✓	✓
• SECR report			✓	If large	✓
• Stakeholder engagement			✓	If large	✓
Strategic report[1]		✓	✓	✓	✓
• s172 statement [6]			✓	✓	✓
• Environmental matters					✓
• Non-financial and sustainability information statement ('TCFD')[2]			> 500 employees and > £500m turnover	> 500 employees	> 500 employees
TCFD report					✓[3]
Viability report					✓
Financial statements [4]	✓	✓	✓	✓	✓

Notes

1. Forthcoming (not yet endorsed in the UK. Decisions on implementation will include any effective date for UK Sustainability Disclosure Standards (UK SDS). The effective date of 1 January 2024 stated in the ISSB standards therefore is not relevant in the context of UK reporting: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures
2. For accounting periods starting on or after 6 April 2022
3. The London Stock Exchange ("LSE") implemented changes to its listing rules, effective from July 29, 2024. The former distinctions between "premium" and "standard" listings for commercial entities have been abolished, replaced by a single category for "equity shares (commercial companies)". There is a transition (equity shares) category for those entities previously with a standard listing. The recent updates to the LSE's listing rules did not introduce changes to the Task Force on Climate-related Financial Disclosures (TCFD) requirements for entities that were previously standard or premium listed.
4. FRS 102 Factsheet 8 (frc.org.uk), IFRS standards and climate related disclosures IASB and Effects of climate-related matters on financial statements
5. Main Markets include: LSE Main Market, IPSX, The London Metal Exchange, ICE Futures Europe, Aquis Stock Exchange Limited and Cboe Europe Equities Regulated Market
6. All public limited companies (PLC), whether or not they are listed or registered on AIM or whether they meet the size thresholds, are excluded from being small or medium-sized under section 467 of the Companies Act 2006; hence all PLCs need to prepare a section 172 statement.

Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs (CFD)

Overview

For financial years starting on or after 6 April 2022, mandatory climate-related financial disclosure (CFD) requirements on climate change related risks and opportunities, where these are material, are required. These requirements have been built into the Companies Act.

Entities within scope are:

- All UK companies that are currently required to produce a non-financial information statement, being UK companies that have more than 500 employees and have either transferable securities admitted to trading on a UK regulated market and banking companies or insurance companies (Relevant Public Interest Entities (PIEs))
- UK registered companies with securities admitted to AIM with more than 500 employees
- UK registered companies not included in the categories above, which have more than 500 employees and a turnover of more than £500m
- Large LLPs, which are not traded or banking LLPs, and have more than 500 employees and a turnover of more than £500m
- Traded or banking LLPs which have more than 500 employees

Disclosure requirements

Disclosure requirements include descriptions of governance arrangements, how climate-related risks and opportunities are identified and the actual and potential impacts of the climate-related risks and opportunities identified. This is not an exhaustive list of the requirements.

These disclosures should be given in the Strategic Report in a separate section titled “Non-financial and sustainability information statement”. LLPs should include their disclosures either in the Energy and Carbon Report or, if a Strategic Report is prepared, within that report.

The requirements can be found in here: The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022

Further guidance on the application of these requirements can be found here:
Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs (publishing.service.gov.uk)

Financial Conduct Authority (FCA) requirements to make Task Force Climate-related Financial Disclosures (TCFD)

Overview

Entities in scope of the TCFD requirements are required to include a statement in their annual financial report, setting-out whether they have made disclosures consistent with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations. Where disclosures have not been made, there must be an explanation of why and a description of any steps they are taking or plan to take to make consistent disclosure in the future.

We draw attention to the new listing rules applicable from July 29, 2024, Primary Markets Effectiveness Review: Feedback to CP23/31 and final UK Listing Rules.

These recent updates have not introduced changes to the TCFD requirements and entities that were previously required to make TCFD disclosures will continue to be in scope under their remapped categories.

Entities within scope of the Task Force on Climate-related Financial Disclosures (TCFD) requirements under the new UK Listing Rules (and ESG sourcebook) are:

- All entities within the new "commercial companies" , "International secondary listing", "Non-equity and non-voting equity shares" and "transition" categories, and the "Certificates representing certain securities (depositary receipts)" category, other than investment entities or shell companies.
- Asset managers and certain asset owners above the £5 billion exemption threshold.

Further Review

We draw attention to FRC communication News Financial Reporting Council issued in July 2023.

The FRC and FCA published two reports which found that listed companies have made significant steps forward in the quality of climate-related information provided in their financial reports, but further improvements are needed. These reports can be found here:

The FRC report FRC Thematic review of climate-related metrics and targets July 2023

The FCA report Review of TCFD-aligned disclosures by premium listed commercial companies | FCA

Included in these reports is a full list of areas where companies will need to raise the quality of their disclosures.

The FRC noted that there have been improvements in the reporting of climate-related metrics and targets but there are still areas for further improvement. These include better linkage to risks and opportunities, more transparency and disclosure of how the impact of announced climate-related targets and transition plans have been considered.

Reminder – Companies Act and FCA disclosures

The requirements under the Companies Act (mandatory climate-related financial disclosures) and the requirements under the FCA rules (TCFD) can both apply to entities simultaneously.

The FCA rules apply the TCFD requirements on a "comply or explain" basis. The Companies Act requirements do not have the explain option and compliance is mandatory.

Corporate Sustainability Reporting Directive (CSRD)

Overview

If the group has branches or subsidiaries of a specified size that are trading in EU member states, then those entities will be required to provide extensive sustainability disclosures from 1 January 2025 in the annual reports and accounts of those entities.

The European Union's (EU) Corporate Sustainability Reporting Directive (CSRD) came into effect on 5 January 2023. Individual EU member states have 18 months from the effective date to incorporate the requirements of the CSRD into their domestic law. While member states cannot deviate from the minimum requirements set out in the CSRD they are able to make a number of elections during this exercise. These include the scoping requirements, the determination of the language that should be used for the sustainability report and permitting assurance to be provided by alternative providers to the statutory auditor.

What are the goals of the corporate sustainability reporting directive?

A key objective of the CSRD is enabling businesses to increase transparency and accountability of their reporting, and give stakeholders insight and guidance through analysis, benchmarking, and auditing. It's also intended to broaden the scope of sustainability management and reporting to include sustainability risks and opportunities. Ultimately, this should encourage businesses to develop a strategy to improve on sustainability.

The disclosure required by the CSRD is extensive. It covers the complete range of sustainability related topics such as climate change, biodiversity, employee working conditions, human rights etc.

Key things to know about the CSRD

Double materiality

Double materiality is fundamental to the new rules. In-scope companies will now have to report on a double materiality basis, identifying sustainability risks and opportunities, and the impact of the company on people and the environment. This means that companies will have to identify both the external impact on society and the environment (impact materiality), as well as the impact on the enterprise value (financial materiality).

Sustainability reporting standards

On 31 July 2023, the European Commission adopted 12 European Sustainability Reporting Standards (ESRS) that underpin the requirements of the CSRD. These standards have become law and will be published in the EU's Official Journal and will apply from 1st January 2024. There is no requirement, unlike the CSRD, for these to be included in the domestic law of EU member states.

Sustainability assurance

The CSRD has a requirement for mandatory assurance for all reported sustainability information. The assurance level commences with 'limited assurance' and over time will increase to 'reasonable assurance' following an assessment as to whether such a level of assurance is feasible for both auditors and entities. This is expected to have been completed by no later than 1 October 2028.

Corporate Sustainability Reporting Directive (CSRD)

Companies that are in scope and first-time application

- Large EU undertakings that are listed and have more than 500 employees - Reporting on financial years beginning on or after 1 January 2024
- Large Non-EU entities that are listed and have more than 500 employees - Reporting on financial years beginning on or after 1 January 2024
- All other large EU undertakings and EU undertakings that are parents of a large group - Reporting on financial years beginning on or after 1 January 2025
- Listed SME undertakings - Reporting on financial years beginning on or after 1 January 2026, with an optional deferral by two years (to 1 January 2028)
- Non-EU entities with significant activities in the EU - Reporting on financial years beginning on or after 1 January 2028

Size criteria

An EU entity will be a large entity if at least two of the following metrics are exceeded on two consecutive annual balance sheet dates:

- Total assets of €25 million
- Net turnover (revenue) of €50 million
- Average of 250 employees

A listed small or medium-sized undertaking is required to issue a CSRD report in accordance with simplified standards designed specifically for these types of undertakings. Micro-undertakings are exempt from issuing a CSRD report. To be a SME or micro-undertaking, two of the three respective thresholds cannot be exceeded as of the balance sheet date of two consecutive financial years.

	Micro undertakings	Small undertakings	Medium-sized undertakings
Balance sheet total	€450,000	€5,000,000	€25,000,000
Net turnover	€900,000	€10,000,000	€50,000,000
Average number of employees during the financial year	10	50	250

Non-EU entities with significant activities in the EU

Even if it does not have listed securities, a non-EU entity that has significant activities in the EU will be required to provide global consolidated reporting following the non-EU dedicated standards beginning in fiscal year 2028 if:

- Consolidated net turnover (revenue) generated in the EU exceeds €150 million for each of the last two consecutive financial years; and
- Either:
  - at least one entity in the consolidated group within the scope of CSRD is a large undertaking or a listed small or medium-sized undertaking; or
  - at least one branch generated more than €40 million annual net turnover in the EU in the preceding financial year.

Recommended action to take

- Identify which entities in the group are in the scope of the CSRD, taking into account any changes made by member states in their domestic laws
- Identify what information is required to be disclosed by the ESRS and determine how any data gaps will be addressed. This includes comparing new disclosure requirements to the current state
- Undertake a double materiality assessment. This may include policies, KPIs, and targets
- Determine what EU taxonomy* disclosures and KPIs will also need to be reported along with the ESRS disclosures

* The EU Taxonomy is a classification system developed by the European Union (EU) to identify and define economic activities that are considered environmentally sustainable.

Streamlined energy and carbon reporting (SECR)

The SECR framework

The SECR requirements came into force on 1 April 2019 and extended existing greenhouse gas reporting already in place for UK Quoted companies, to UK registered, unquoted, large companies as defined in the Companies Act 2006.

Size Limits	Two out of:
Turnover	>£36m
Balance sheet	>£18m
Employees	>250

Large Limited Liability Partnerships (LLPs), which are already required to undertake energy audits under Energy Savings Opportunities Scheme (ESOS) Regulations also fall within scope of the SECR framework. Companies using 40,000kWh or less energy in the 12 month reporting period are exempt. Public organisations, charities or voluntary bodies fall outside this legislation unless they operate as companies or LLPs and are above the relevant reporting thresholds.

The SECR was developed with the intention of making environmental reporting more consistent and to encourage more businesses to realise the benefits of measuring their environmental performance. Measurement is often the first step in reducing energy and other resource consumption and can assist businesses in gaining a better understanding of these increasingly important environmental challenges.

Group reporting

If reporting at the group level, when making energy and carbon disclosures, information of any subsidiaries included in the consolidation must also be taken into account. However, there is the option to exclude any information relating to a subsidiary which the subsidiary would not be obliged to include if reporting on its own account.

Furthermore, a subsidiary might not be obliged to include the energy and carbon information in its own accounts and reports, if it is included in the group report of a parent undertaking.

What needs to be in the financial statements?

Disclosure requirements include UK energy usage with comparatives, UK scope 1 and 2 greenhouse gas emissions with comparatives and methodology of how the data has been collated and prepared. This is not an exhaustive list of the requirements.

There are also voluntary Scope 3 greenhouse gas emissions disclosures that are encouraged.

A full list of requirements can be found at Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance.

These disclosures need to be made in the directors' report. Where energy usage and carbon emissions are of strategic importance to the company, disclosure may be included in the strategic report instead of the directors' report.

FRC Thematic Review

In September 2021, the FRC published their thematic review on SECR. The key findings from this review is that more needs to be done to make the disclosures understandable and relevant for users:

- Reports did not always provide sufficient information about the methodologies used to calculate the emissions and energy use information
- It was not always clear which entities were included in groups' SECR disclosures
- More thought is needed about how to integrate these disclosures with narrative reporting on climate change, where relevant, and make them easier for users to navigate
- It was sometimes unclear whether the ratios selected were the most appropriate for the entities' operations
- Disclosures about energy efficient measures did not always clearly describe the 'principal measures' taken by the entity in the current year
- The extent of third party assurance obtained over the SECR information was not adequately explained in most cases

The thematic review report provides a number of best practice examples, along with the expectations of the FRC for good SECR disclosures.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

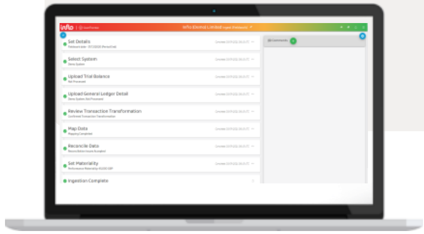
- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system



03 Cascade

A data analytic tool which visualises every transaction impacting revenue and receivables and highlights those impacting general ledger accounts outside of the normal course of business.

What you'll see

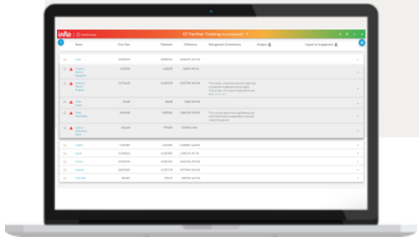
- A visualisation of your revenue process, highlighting potentially unusual transactions
- Significant reduction in sample sizes, but testing focussed where there are potentially unusual transactions

04 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement



The Grant Thornton Digital Audit – Open Banking

Using Open Banking, auditors can receive all the details of your banking activity directly from the banks

What is it?

Open Banking is a set of standards and technologies that allows individuals and businesses to share their financial data securely with third parties of their choice. It allows individuals and companies to consent to their banks sharing transactional information directly with specific third parties – for example, with Grant Thornton.

The process can take as little as 15 minutes from requesting your consent to receiving 100%-verified bank transactions in an Excel bank statement.

Grant Thornton's regulated Open Banking provider – Circit Limited – have successfully onboarded over 260 different banking institutions across the world and are adding more all the time.

Grant Thornton has easy to follow 'how to' documents to follow to get you setup and familiarised with this technology.

How will it work?

01 Enable Open Banking in your online banking portal

Ciricit has produced guides with screenshots for the largest UK bank to guide you in providing the required permission for your bank to respond to Open Banking requests.

Depending on your bank, this may be managed using 'roles', 'permissions' or 'authorisations.' Your bank administrator may be required to add these permissions or to approve the change.

If you encounter any difficulties or are unsure how to do this, ask your audit team for assistance.

02 Provide consent to share your transactions

Once you have provided the appropriate permission to your user account in Step 1, you can follow the link in the email from Circit. This will take you to Circit's website where you will be guided through the process of providing consent.

This registers your consent for your bank to share information with Circit. Circit will then make this information available to Grant Thornton for the purpose of your audit.

The benefits of Open Banking

01 Efficiency

First year setup can take as little as 15 minutes and in subsequent years you can securely provide bank data to your auditor in less than a minute.

Once consent is received, then data can be extracted in seconds. Moreover, as the data is direct from the banks, there is no need for audit teams to spend time doing verification procedures.

No more hassle with downloading multiple bank statements in PDF format.

02 Audit Quality

Laborious audit tests can be automated using Open Banking data, letting your auditors focus their attention on the complex and judgmental areas.

03 Security

Open banking is consent-driven technology by design.
You control access and can revoke your consent at any time.

The Grant Thornton Digital Audit – Open Banking

Is my data secure?

Open Banking Security

01 **Highly regulated**
Every participant providing Open Banking services must be regulated by the FCA.

02 **Consent Driven**
Your data cannot be accessed without your consent, which can be revoked at any time.

03 **Connected to your bank**
Your security details are never shared with any party other than your bank.

04 **Secure APIs**
Open Banking is run over rigorously tested APIs with bank-level security.

Circit Security

circit

01 **ISO Certification**
Circit has ISO 27001 certification.

02 **Encryption**
All content is encrypted in transit and at rest, with keys safeguarded with FIPS 140-2 Level 2 validated Hardware Security Modules.

03 **Secure infrastructure**
Multi-layered security powered by Microsoft Azure, with active monitoring of physical data centres, infrastructure, firewalls and operations to protect your data at every level.

04 **GDPR**
All data processing is GDPR-compliant. Data is not stored outside the European Economic Area or countries deemed to have an ‘adequate level of protection’ as confirmed by the European Commission (and, hence, covered by the UK’s own adequacy regulations).

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Interest audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency, and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public and private businesses that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of revenue
- clear oversight at group level when working with component auditors, including detailed review of working papers to flush out the critical issues early.

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

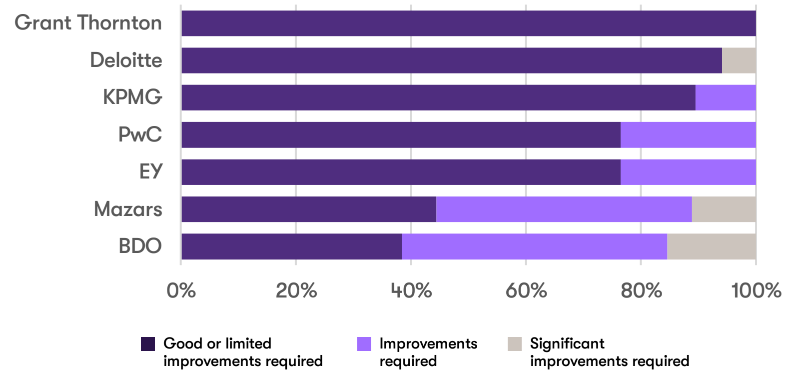
Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing businesses where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit

FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



Grant Thornton at a glance

We are the UK member firm of a global network that employs 62,000 people in 140 countries. We combine global scale with local insight and understanding to give you the assurance, tax, and advisory services you need to realise your ambitions.

We go beyond business as usual, so you can too. We make business more personal by investing in building relationships.

Whether you're growing in one market or many, you consistently get a great service you can trust. We work at a pace that matters – yours – bringing both flexibility and rigour. We celebrate fresh thinking and diverse perspectives to bring you proactive insights and positive progress.

Americas
42 markets
18,500+ people
$2.9bn revenue (USD)

Africa
22 markets
3,500+ people
$120mn revenue (USD)

Europe
49 markets
17,700+ people
$2.3bn revenue (USD)

Middle East
9 markets
1000+ people
$70mn revenue (USD)

CIS
10 markets
750+ people
$40mn revenue (USD)

Asia Pacific
19 markets
20,200+ people
$1.2bn revenue (USD)

27
UK offices

200+
Partners

5,000
UK employees

£570m
Turnover

No.1
Independent nominated adviser of AiM

6th
Largest auditor – FTSE 350

6th
Largest auditor – UK's top privately-held companies

51%
FTSE 100 are non-audit clients

Appendices

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

Grant Thornton