



The Audit Findings for I4B Holdings Limited

Year Ended 31 March 2019

September 2019

Joanne Love

Director

T [+44 \(0\)161 953 6945](tel:+4401619536945)

E Joanne.Love@uk.gt.com

Sheena Phillips

Manager

T [+44 \(0\)20 7728 2625](tel:+4402077282625)

E Sheena.S.Phillips@uk.gt.com

Emma Morrison

In-Charge Accountant

T [+44 \(0\)20 7728 2678](tel:+4402077282678)

E Emma.V.Morrison@uk.gt.com



I4B Holdings Limited
Civic Centre
9 Engineers Way
Wembley
HA9 0FJ

Private and Confidential

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG
T +44 (0)20 7184 4300
www.grantthornton.co.uk

Dear Sirs

Audit Findings for I4B Holdings Limited for the year ended 31 March 2019

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, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with those charged with governance.

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 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.

Joanne Love

Director
For Grant Thornton UK LLP

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.


Contents

Section	Page
1. Status of the audit and Audit opinion	4
2. Audit Findings – Significant Risks	5
3. Audit Findings - Other Risks	7
4. Going Concern	9
5. Other communication requirements	10
6. Internal controls – issues identified in the current year	11
7. Misstatements	12
8. Independence and ethics	13
9. Fees and non-audit services	14
10. Communication of audit matters with those charged with governance	15

1. 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, subject to the outstanding matters detailed below.

Outstanding information:

- 
- Final review of updated financial statements.
 - Completion of fieldwork procedures – none of which is expected to impact on our opinion
 - Receipt of signed management representation letter
 - Update of going concern and post balance sheet events procedures to the point of signing the financial statements

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

Audit opinion

Our anticipated audit report opinion will be unmodified

This document is prepared solely for I4B Holdings Limited and should be read in its entirety. Grant Thornton UK LLP does not owe a duty of care or assume a responsibility to any third party who chooses to rely on any of the information contained in this document. Any third party who relies on this information does so entirely at their own risk.

2. Audit Findings - Significant Risks

Significant risks are defined by ISAs (UK) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

	Risks identified in our Audit Plan	Commentary
1	Improper revenue recognition <ul style="list-style-type: none"> Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. 	Auditor commentary <ul style="list-style-type: none"> We have undertaken the following audit procedures in relation to revenue recognition: <ul style="list-style-type: none"> Reviewed and tested revenue recognition policies. Performed a walkthrough to confirm our understanding of the processes and controls through which the business initiates, records, processes and reports revenue transactions. For a sample of properties, we have obtained rental agreements and agreed the income recognised to these agreements. <p>We have not identified any significant issues from the testing we have undertaken.</p>
2	Management override of controls <ul style="list-style-type: none"> Under ISA 240 (UK) there is a presumed risk that the risk of management over-ride of controls is present in all entities 	Auditor commentary <ul style="list-style-type: none"> We have undertaken the following audit procedures in this area: <ul style="list-style-type: none"> Reviewed accounting estimates, judgements and decisions made by management. Tested a sample of journals entries. Reviewed unusual significant transactions. <p>We have not identified any significant issues from the testing we have undertaken.</p>

This document is prepared solely for I4B Holdings Limited and should be read in its entirety. Grant Thornton UK LLP does not owe a duty of care or assume a responsibility to any third party who chooses to rely on any of the information contained in this document. Any third party who relies on this information does so entirely at their own risk.

2. Audit Findings - Significant Risks

Risks identified in our Audit Plan	Commentary
<p>3 Valuation of Investment properties.</p> <p>Significant judgement is required in the estimation of property valuations and there is a significant risk that these revaluation measurements are not in accordance with accounting standards.</p>	<p>Auditor commentary</p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none">– Reviewed the valuations of investment properties prepared by your property experts, Wilks Head & Eve (WH&E). The table below summarises the closing valuations and the basis on which the assessment is made. The valuation was reviewed by our own property valuation experts and no issues were identified from their review.– Considered the reasonableness of the assumptions applied by management and the overall valuation of the properties.– Reviewed the basis of prior year adjustment (reclassification of all properties to investment properties) and considered whether appropriate and in line with accounting standards. I4B Holdings Limited holds all its housing properties to earn rental and for capital appreciation and therefore, this classification is deemed appropriate. <p>We have not identified any significant issues from the testing we have undertaken.</p>

3. Audit Findings – Other Risks

Other risks are, in the auditor's judgment, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risks identified in our Audit Plan		Commentary
1	Creditors and accruals	Auditor Commentary
	<ul style="list-style-type: none">Creditors and accruals have been understated or have not been recorded in the correct period	<p>We have undertaken the following audit procedures in relation to expenditure and creditors</p> <ul style="list-style-type: none">Performed unrecorded liabilities testing through a review of post year-end invoices and payments.Performed a substantive analytical review of key expenditure items within the financial statement and completed detailed testing of a sample of expenditure items not tested elsewhere.We have obtained confirmation of the year end creditor balance with council and we have tested a sample of external creditors.
		<p>There were no significant findings identified from our testing of expenditure, creditors and accruals</p>

This document is prepared solely for I4B Holdings Limited and should be read in its entirety. Grant Thornton UK LLP does not owe a duty of care or assume a responsibility to any third party who chooses to rely on any of the information contained in this document. Any third party who relies on this information does so entirely at their own risk.

3. Audit Findings – Other Risks

Risks identified in our Audit Plan		Commentary
2	Debt	Auditor Commentary
	Compliance with covenants	<p>I4B Holdings Limited has accounted for it's loan with Brent Council as a public benefit concessionary loan.</p> <p>We have confirmed the balance with the Council and recalculated interest payments due. We have also reviewed interest payments and relevant calculations prepared by management to check that it is in accordance with the loan agreements and assessed compliance.</p> <p>FRS 102 allows public benefit concessionary loan accounting between all entities in a public benefit interest group. Whilst I4B Holdings Limited has classified all its properties as investment properties (i.e. properties are held to generate rental income or capital appreciation or both), it appears reasonable for I4B Holdings Limited to account for it's loan with Brent Council as a public benefit concessionary loan.</p>

This document is prepared solely for I4B Holdings Limited and should be read in its entirety. Grant Thornton UK LLP does not owe a duty of care or assume a responsibility to any third party who chooses to rely on any of the information contained in this document. Any third party who relies on this information does so entirely at their own risk.

4. Going concern

Description	Work commentary
Accounts are to be prepared on a going concern basis	<p>The assessment of First Wave Housing Limited's ability to continue as a going concern is a vital part of the accounts approval process. For this reason, both the board and ourselves need to consider a period of at least 12 months from the date of approval of the financial statements.</p> <ul style="list-style-type: none"> • We have obtained assessment's assessment of going concern; • Considered the adequacy of disclosures within the financial statements; and . • Reviewed the letter of support which the Council has provided to the company. <p><i>[We are finalising our procedures in in this area]</i></p>

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570)

This document is prepared solely for I4B Holdings Limited and should be read in its entirety. Grant Thornton UK LLP does not owe a duty of care or assume a responsibility to any third party who chooses to rely on any of the information contained in this document. Any third party who relies on this information does so entirely at their own risk.

5. Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit processes.
2	Matters in relation to related parties	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance.
4	Written representations	<ul style="list-style-type: none"> A letter of representation will be requested from management.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We have received all confirmations from third parties.
6	Disclosures	<ul style="list-style-type: none"> For the financial year ended 31 March 2019, I4B Holdings Limited was entitled to exemption from providing requirements for the narrative report under the Companies Act 2006 (s.414 relating to small companies). I4B has taken advantage of this.
7	Audit evidence and explanations	<ul style="list-style-type: none"> All information and explanations requested from management was provided.
8	Other matters	<ul style="list-style-type: none"> As at 31 March 2019, I4B Holdings Limited has accounted for its loan with the London Borough of Brent as a public benefit entity concessionary loan. We challenged management about this, as the accounting policies did not disclose the entity as a Public Benefit Entity (PBE). <p>FRS 102 defines a Public Benefit Entity (PBE) as: “An entity whose primary objective is to provide goods or services for the general public, community or social benefit and where any equity is provided with a view to supporting the entity’s primary objectives rather than with a view to providing a financial return to equity providers, shareholders or members.”</p> <p>Taking into account the activities of both the Company and the Council, this definition would appear to be satisfied. Disclosure has been added to the accounts.</p>

This document is prepared solely for I4B Holdings Limited and should be read in its entirety. Grant Thornton UK LLP does not owe a duty of care or assume a responsibility to any third party who chooses to rely on any of the information contained in this document. Any third party who relies on this information does so entirely at their own risk.

6. Internal controls – issues identified in current year

The purpose of an audit is 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 here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with ISA 265.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported.

We have not identified any internal control deficiencies during the course of our current year audit that require reporting.

This document is prepared solely for I4B Holdings Limited and should be read in its entirety. Grant Thornton UK LLP does not owe a duty of care or assume a responsibility to any third party who chooses to rely on any of the information contained in this document. Any third party who relies on this information does so entirely at their own risk.

7. Misstatements

Adjusted misstatements

There are no adjusted misstatements identified during the course of the audit that require reporting.

Unadjusted misstatements

There are no unadjusted misstatements identified during the course of the audit that require reporting.

This document is prepared solely for I4B Holdings Limited and should be read in its entirety. Grant Thornton UK LLP does not owe a duty of care or assume a responsibility to any third party who chooses to rely on any of the information contained in this document. Any third party who relies on this information does so entirely at their own risk.

8. Independence and ethics

Independence and ethics

- 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. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

This document is prepared solely for I4B Holdings Limited and should be read in its entirety. Grant Thornton UK LLP does not owe a duty of care or assume a responsibility to any third party who chooses to rely on any of the information contained in this document. Any third party who relies on this information does so entirely at their own risk.

9. Fees and non-audit services

The table below sets out the total fees for audit and charged from the beginning of the financial year for the 2019 year end engagements as well as the threats to our independence and safeguards have been applied to mitigate these threats. There were no non audit related services provided to the client.

	Fees £	Threat identified	Safeguards
Audit of I4B Holdings Limited	30,000	None – assurance service	n/a
Total	30,000		

- None of the above services were provided on a contingent fee basis
- 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 I4B Holdings Limited.
- The fees reconcile to the financial statements.

This document is prepared solely for I4B Holdings Limited and should be read in its entirety. Grant Thornton UK LLP does not owe a duty of care or assume a responsibility to any third party who chooses to rely on any of the information contained in this document. Any third party who relies on this information does so entirely at their own risk.

10. 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	•	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.
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	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.
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	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
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		•

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.

