

Audit Completion: year
ended 31 December 2021

Unite the Union

Report to the Executive Council



Contents

| | |
|----------------------------------|----|
| Contents | 1 |
| Introduction | 2 |
| Executive summary | 3 |
| Audit Scope and Materiality | 4 |
| Key matters | 6 |
| Overview of risks | 7 |
| Risk 1 | 8 |
| Risk 2 | 12 |
| Risk 3 | 14 |
| Risk 4 | 16 |
| Risk 5 | 17 |
| Significant matters | 19 |
| IT audit - BDO advantage | 20 |
| Additional consideration | 21 |
| Unadjusted and adjusted errors | 22 |
| Significant control deficiencies | 26 |
| Control deficiencies: other | 34 |
| Audit report overview | 36 |
| Additional matter req. | 38 |
| Outstanding matter | 39 |
| Appendices contents | 40 |
| Quality management | 41 |



Welcome

Introduction

- Contents
- **Introduction**
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit approach - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

We have pleasure in presenting our Audit Completion Report to the Executive Council. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two-way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 December 2021, specific audit findings and areas requiring further discussion and/or the attention of the Executive Council. At the completion stage of the audit, it is essential that we engage with the Executive Council 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 Executive Council meeting in June 2025, 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.

BDO LLP

5 June 2025

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

Overview

Executive summary

- Contents
- Introduction
- **Executive summary**
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

This summary provides an overview of the audit matters that we believe are important to the audit of the financial statements for the Group for the year ended 31 December 2021.

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.

Responsibilities of the Executive Council

The Executive Council are responsible for preparing and filing an Annual Report and financial statements which show a true and fair view, prepared in accordance with UK GAAP and the Trade Union and Labour Relations (consolidation) Act 1992.

Our audit of the financial statements does not relieve Management nor those charged with governance of their responsibilities for the preparation of the financial statements.

We recognise that you may wish to publish your annual report and financial statements and our audit report on your website or distribute them by means such as e-mail.

If you choose to do so, it is your responsibility to ensure that such publication properly presents the financial information and any auditors' report.

It is also your responsibility to advise us prior to publication of the annual report, financial statements and/or our audit report of any proposed changes and/or differences from the version approved and signed, no matter how minor, to determine whether they are acceptable or not and so we can ensure that the Firm is not misrepresented.

These responsibilities are outlined in the engagement letters issued periodically throughout this audit.

Group matters

This report sets out our findings relevant to the group headed by Unite the Union.

As such, matters arising from the audit of its wholly owned subsidiary company, Blackhorse HCC Limited ('Blackhorse'), are included in this report only to the extent they are of relevance to the group financial statements.

A separate report, specific to Blackhorse, will be issued to the directors of that company.

Independence

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

We highlight to you our letter dated 22 April 2025, setting out the outcome of our Ethics team investigation into historic non audit services provided by BDO LLP to Unite the Union and Blackhorse HCC Limited.

Overview

Our audit work is substantially complete. Outstanding matters are listed on page 38 in the appendices.

Certain restrictions have been placed upon our work, notably the ongoing police investigations. Our report does not address information privy to those ongoing police investigations.

Following the identification of instances of potential fraud and bribery, substantial changes to the planned audit approach and additional audit risk have been identified as detailed within the risk slides.

On the next page we summarise the key findings from our audit and their impact on our audit opinion, which will be disclaimed.

In addition, during the course of our audit, a substantial number of significant and other control deficiencies have been identified.

We strongly encourage the Executive Council and Management to put in steps to enhance controls throughout the Union, with the ongoing risk of fraud and error, and the potentially adverse impact on audit opinions in subsequent financial years.

Overview

Executive summary

- Contents
- Introduction
- Executive summary
- **Executive summary**
 - Audit Scope and Materiality
 - Key matters
- Overview of risks
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Audit report

Our objectives are to obtain reasonable assurance about whether the Union's financial statements as a whole are free from material misstatement, whether due to fraud or error.

In considering the basis of our audit opinion we have considered a number of key factors:

- The existence of ongoing police investigations by the Serious Fraud Office and South Wales Police, with limitations in our ability to determine the scope of their investigations, the evidence obtained and its potential impact on Unite and its financial statements.
- Evidence that certain former members of senior management may have acted dishonestly, not in accordance with Union policies and overrode controls.
- The existence of a wide range of significant control deficiencies, further facilitating potential management override of controls.
- Time-based limitations, reducing the ability to determine whether historic transactions are free from fraud.

Pages 8 to 13 set out details of specific procedures performed to address the risk of material misstatement as a result of fraud. However, the Executive Committee should carefully read the wider report, with virtually every aspect of our work encompassing an element of fraud consideration.

In assessing the basis of our opinion, two critical factors have been considered:

| Matter | Outcome |
|---|--|
| Does the existence of ongoing police investigations prevent us from determining whether other matters relating to potential fraud may exist that could have a material impact on the financial statements? | Yes - Both investigations are substantial in size and are expected to incorporate not just third parties but also former members of senior management at Unite. As a result, investigations may have identified acts of dishonesty and fraud that could have wider implications for the Union and these financial statements. We are unable to confirm the scope of these investigations and details of evidence obtained. An uncertainty inherent to these financial statement exists. |
| Do the known actions of former members of senior management, their ability to override controls and the weak control environment create a risk of fraud that is considered pervasive throughout the financial statements? | Yes - Former members of senior management appear to have been motivated to commit fraud, and their dominant personalities and a weak control environment facilitates opportunities to commit fraud. Furthermore, limitations largely resulting from the passing of time, reduce the risk that instances of fraud are identified. Fraud could have occurred over critical areas of the business, including expenditure, procurement and by the manipulation of information via the use of journals. We are unable to limit the fraud risk to more specific parts of the Union's operations and hence a pervasive fraud environment existed throughout the year. |

As a result, and in accordance with ISA240, ISA700 and ISA705, it is expected that our audit opinion will be disclaimed, recognising that the specific conditions and events relevant to 2021 prevent the attainment of reasonable assurance.

In addition, limitations of scope exist in relation to the completeness of related party transactions (refer to page 17) and the existence and completeness of bank and loan balances (refer to page 19).

Further details in relation to wording contained in our audit opinion are set out on page 36 and 37.

We welcome a discussion with the Executive Council of this assessment and the implications of a disclaimed audit opinion.

Audit scope and materiality

Executive summary

- Contents
- Introduction
- Executive summary
- **Executive summary**
 - **Audit Scope and Materiality**
 - Key matters
- Overview of risks
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Final Materiality

Group Materiality was determined based on revenue.

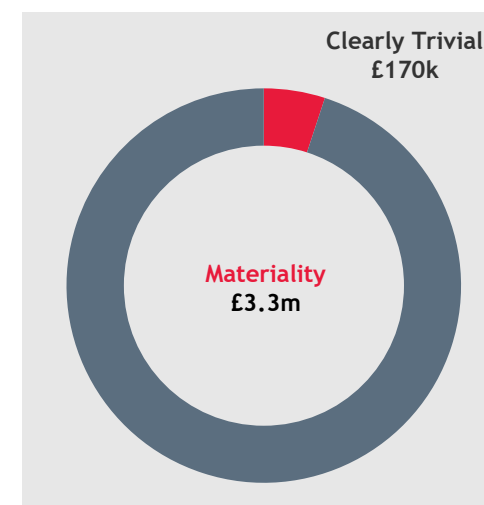
Further to the identification of potential fraud and bribery materiality, performance materiality and clearly trivial threshold were reassessed and subsequently reduced.

Materiality thresholds are summarised below:

| Component | Previously assessed | | Revised | |
|-----------|---------------------|-----------------|-------------|-----------------|
| | Materiality | Clearly trivial | Materiality | Clearly trivial |
| Group | £3.9m | £195k | £3.3m | £170k |
| Unite | £3.8m | £190k | £3.3m | £160k |

Unadjusted audit differences

To date have identified 11 audit adjustments that, if posted, would decrease reported deficit by £1,636k, and net assets by £1,636k. We are currently in discussion with management over the potential recognition of a small number of unadjusted audit differences. If recognised this will reduce the overall impact of unadjusted audit differences.



Key matters

Executive summary

- Contents
- Introduction
- Executive summary
- **Executive summary**
 - Audit Scope and Materiality
 - **Key matters**
- Overview of risks
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Financial reporting

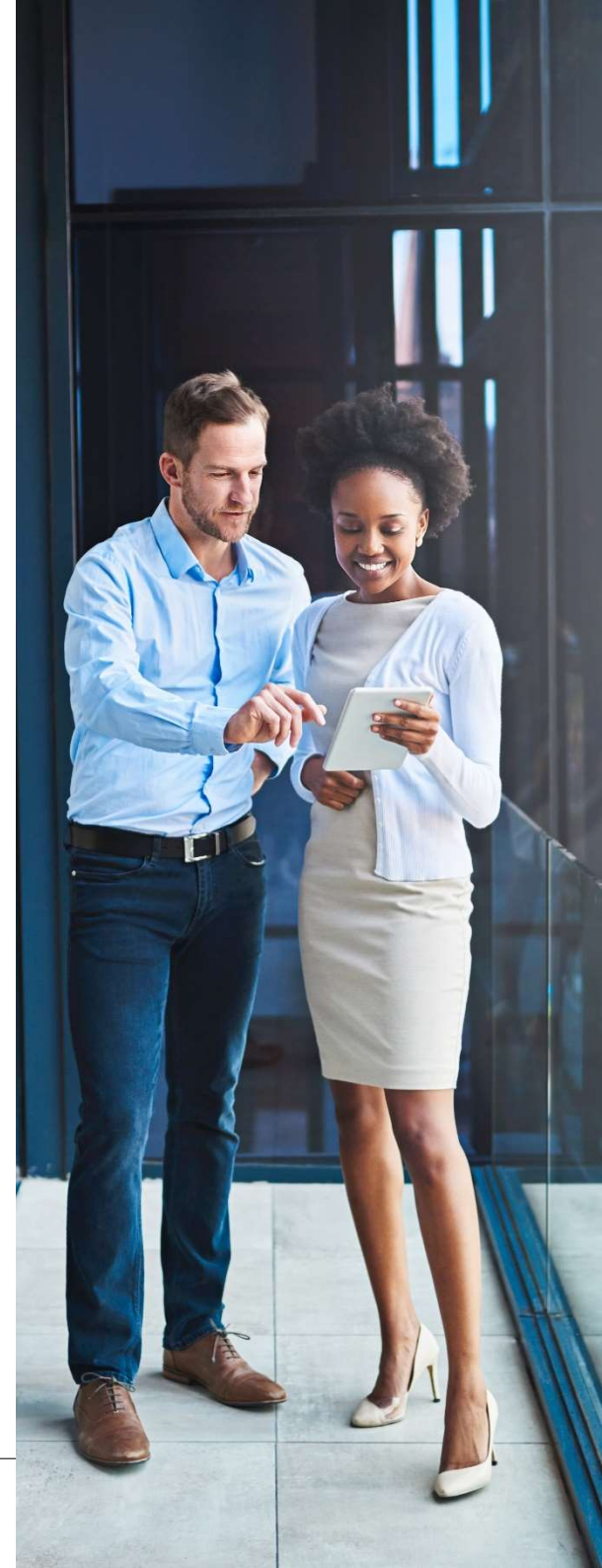
- We have not identified any non-compliance with Union's accounting policies or applicable accounting framework.
- No significant accounting policy changes have been identified impacting the current year.

Prior period adjustments

- As summarised on page 15, prior period adjustments have been identified and recognised in relation to impairment of the hotel and regional office based in Birmingham.
- As a direct consequence of the above restatement, within the individual financial statements of Unite, its investment in Blackhorse and its loans to that company have also been restated. Further details are contained within page 19.

Other matters that require discussion or confirmation

- Control deficiencies identified in relation to a wide variety of areas, although we note that our assessment is based on the control environment in operation during 2021.
- 22 significant and 10 other deficiencies have been identified.
- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of representation.



Overview of risks

- Contents
- Introduction
- Executive summary
- Executive summary
- **Overview of risks**
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 2
 - Risk 2
 - Risk 3
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 5
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

As outlined in our Audit Planning Report, risks 1-4 (below) were originally assessed as being the most significant risks of material misstatement. However, following the identification of instances of potential fraud, our overall assessment of risk has been revised with 22 separate significant risks now identified. These are summarised on page 18 of this report.

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.

| # | Significant audit risk | Significant management judgement | Use of experts required | Unadjusted error reported | Adjusted error reported | Significant control findings reported | Specific letter of representation point |
|---|---------------------------------|----------------------------------|-------------------------|---------------------------|-------------------------|---------------------------------------|---|
| 1 | Management override of controls | Yes | No | No | No | Yes | Yes |
| 2 | Fraud in revenue recognition | No | No | No | No | Yes | Yes |
| 3 | Impairment of PPE | Yes | Yes | No | Yes | Yes | Yes |
| 4 | Pensions | Yes | Yes | Yes | No | No | Yes |
| 5 | Other significant risks | Yes | No | Yes | No | Yes | Yes |

Management override of controls

Risk one

Risk detail

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. In accordance with ISA240, we are required to consider this as a significant risk of material misstatement due to fraud.

During the course of the audit, a number of events occurred that resulted in our assessment of risk to be revised, notably:

- ▶ In April 2022, South Wales Police in a joint operation with HMRC, raided a number of Unite premises.
- ▶ A subsequent investigation commissioned by the current General Secretary at Unite identified serious concerns relating to a former member of Unite's senior management team. That individual was suspended and subsequently resigned, although he operated senior posts throughout the financial year ended 31 December 2021.
- ▶ Following discovery of significant overspend in the construction of the hotel and regional office in Birmingham, the current General Secretary commissioned 3 separate investigations. Instances of potential fraud and bribery are currently subject to an ongoing Serious Fraud Office investigation.
- ▶ These reports also highlight irregularities involving other members of senior management, including dishonesty, non-compliance with Union policies and procedures and wrong-doing. While none of these individuals remain in post, they operated during part of the financial year ended 31 December 2021.

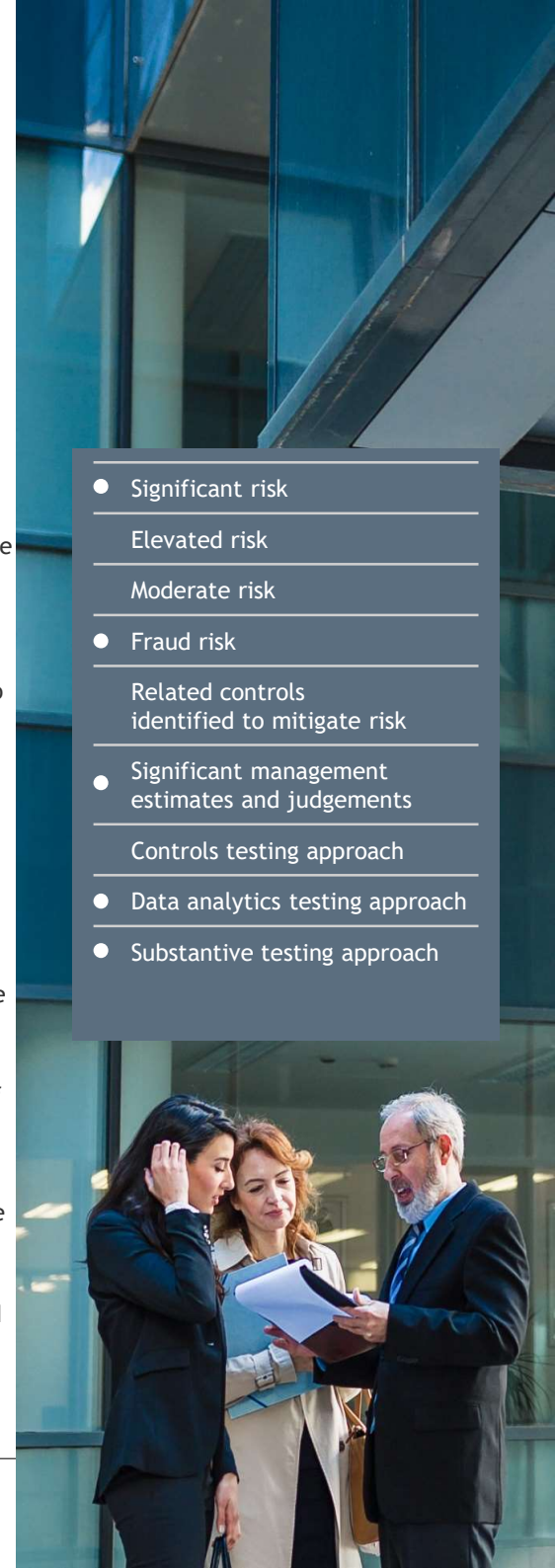
In addition, as a result of our testing a range of significant control deficiencies were identified (pages 26 to 34), further enhancing the potential for management override to have taken place.

Audit approach

- ▶ The total number of significant risks of material misstatement increased from 4 to 22.
- ▶ These additional risks extend throughout most areas of the financial statements, reflecting the potential for management override to have been applied.
- ▶ As a consequence:
 - Our assessment of materiality and clearly trivial was revised downwards, with a consequential increase in sample sizes.
 - Review of investigations commissioned by Unite, with specific consideration of their findings on BDO's audit approach.
 - Controls-based testing was prohibited.
 - A number of additional audit tests were performed, specifically designed to address areas of heightened fraud risk.
 - The engagement of BDO's forensics and other support teams throughout the duration of the audit.

- Significant risk
- Elevated risk
- Moderate risk
- Fraud risk
- Related controls identified to mitigate risk
- Significant management estimates and judgements
- Controls testing approach
- Data analytics testing approach
- Substantive testing approach

- ▶ Contents
- ▶ Introduction
- ▶ Executive summary
- ▶ Executive summary
- ▶ Overview of risks
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 2
 - Risk 2
 - Risk 3
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 5
- ▶ Significant matters
- ▶ IT audit - BDO advantage
- ▶ Audit report overview
- ▶ Audit report overview
- ▶ Additional matter req.
- ▶ Outstanding matter
- ▶ Appendices contents



Management override of controls

Risk one

- Contents
- Introduction
- Executive summary
- Executive summary
- **Overview of risks**
 - Risk 1
 - **Risk 1**
 - Risk 1
 - Risk 1
 - Risk 2
 - Risk 2
 - Risk 3
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 5
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Results

Journals

Our audit procedures included the following:

- Review and verification of large and unusual journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals.
- A review and verification of a sample of other journals irrespective of their risk characteristics.
- A critical review of the consolidation and, in particular, manual or late journals posted at consolidated level.

Additional procedures resulting from the enhanced fraud risk:

- The performance of Operational Effectiveness testing to determine whether controls relating to system access and admin/superusers prevent unauthorised access to another user's account.
- The determination as to whether any of the members of management highlighted as a fraud risk had access to Navision and/or posted journals. According to logs within Navision, none of the individuals posted journals during the year.

Journals (continued)

- Review and verification of journals containing a number of specific key words that may indicate that the posting of the journal was due to an instruction from senior management.
- Review of selected journals posted by Admin Accounts.
- Review and verification of debit to revenue journals, noting that the elimination of income could facilitate its extraction from the Union.
- Review and verification of journals that impact both expenditure and cash, noting that these characteristics may facilitate unauthorised cash extraction.



Management override of controls

Risk one

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 2
 - Risk 2
 - Risk 3
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 5
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Results

Affiliated Service Providers / Unite Open-Source

As a result of the completion of a detailed review of the report commissioned by Unite, in addition to enhanced testing of journals (see page 9), the following additional procedures were performed:

- The identification, review and verification of all journals posted in the year that impacted nominal accounts relevant to Affiliated Service Providers ('ASPs').
- Supplier testing, with the identification of 'risky' suppliers with verification of their existence to Companies House and consideration as to the nature of costs incurred.
- In addition, an analysis of expenditure incurred from suppliers not previously used by Unite was obtained. Due to its immaterial value (£1.9m) a sample of 1 supplier was tested with invoice details and the nature of the service verified.
- The analysis of expenditure by supplier, with higher value suppliers selected and the nature of services provided or good supplied compared to their expected based on Open Source research.
- Supplier bank account details were compared to employee bank account details with any commonality tested.
- A sample of costs authorised by Unite Executive 1 were scrutinised to confirm amounts represent a valid business expense.
- For ASP income testing, see page 13.
- Open-Source investigative work was performed by BDO forensic experts to determine whether additional relationships existed between Unite Executive 1 and ASPs. No additional connections were identified.

Results

Birmingham hotel / Unite Executive 2

During this audit three separate reports have been commissioned by Unite, investigating events surrounding the construction of the Birmingham hotel. Beyond the direct consequence of impairment (see pages 14 and 15) events and actions established specific management override risks relating to another former member of senior management.

- In addition to broader supplier testing previously summarised, the value of works performed by the Birmingham hotel principal contractor in 2021 and earlier was obtained with those other projects considered for impairment.
- Extension of journals testing (see page 9) to include, where relevant, (i) Unite Executive 2 (ii) journals with the name of the principal contract in the description.
- Open-Source investigative work similar to Unite Executive 1 / ASPs, assessing the nature of relationships between Unite Executive 2 and the principal contractor.

Other

- The identification of financial arrangements, involving properties, made available to certain staff and senior management that appear to have facilitated financial upside for those individuals with the Union taking on disproportionate risk.
- Property disposals throughout the year were reviewed with no additional transactions involving staff at Unite.
- Staff expenses and credit card payments were analysed with no unusual patterns identified.
- Review of unadjusted audit differences for indications of bias or deliberate misstatement.

Management override of controls

Risk one

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 2
 - Risk 2
 - Risk 3
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 5
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Results

Estimates and judgements

- A review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias.

| Estimates and judgements | Report ref |
|---|--|
| The assumptions used in the calculation of, and the disclosures in relation to the defined benefit pension scheme | Page 16 |
| The assumptions used in the consideration of the impairment of PPE | Pages 14 and 15 |
| Impairment of investment in Blackhorse | Page 19 |
| Recoverability of loan to Blackhorse | Page 19 |
| Useful economic life of PPE | No change in the year. |
| Provision for legal costs | Provision basis consistent with level of ongoing legal activity. |
| The valuation of investments, notably Unity Trust Bank plc | Valuation aligned to represent the transaction price from recent trades. |

Discussion and conclusion

- Audit testing has not identified any additional instances of management override of control or potential fraud.
- However, audit testing, when combined with Unite's own investigations, establish a range of actions and behaviours that indicate that key members of senior management could have overridden controls. Furthermore, in our opinion, the control environment operating at that time did not include appropriate safeguards, notably in relation to management override of controls.
- Whilst targeted testing was sought to provide reasonable assurance:
 - Instances of material expenditure being approved without appropriate challenge raise concerns that a broader range of expenditure beyond those tested for audit purposes could have been subject to management override.
 - A culture throughout the organisation that did not challenge the appropriateness of transactions and failed to ensure appropriate financial reporting tools were available to support effective governance of the Union.
 - A series of highly focused investigations that are limited to only a small number of financial statement areas, such as PPE and other income.
 - A passing of time that significantly limits both Unite's and our ability to appropriately scrutinise items of income and expenditure and hence to verify whether they represent an appropriate transaction.
 - Substantial concerns relating to the honesty and integrity of two former members of senior management throughout the year subject to audit and an inherent ability for them to override controls.
 - The existence of ongoing police investigations, where the scope of work and evidence obtained remains unavailable to Unite or BDO.
- On this basis, we are unable to reach a conclusion in relation to our audit consideration of management override of control. This is considered further within our overall conclusion on page 4.

Fraud in revenue recognition

Risk two

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 2
 - Risk 2
 - Risk 3
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 5
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

| | C | E | A | V | P | 2021 (£'000s) | 2020 (£'000s) |
|-----------------|---|---|---|---|---|---------------|---------------|
| Membership | X | X | X | | | £161,490 | £161,044 |
| Legal and other | X | X | X | | | £2,427 | £6,726 |
| Property | X | X | X | | | £1,430 | £1,929 |

Risk detail

- Under International Standard on Auditing 240 “The Auditor’s responsibility to consider fraud in an audit of financial statements” there is a presumption that income recognition presents a fraud risk. These risks may arise from the use of inappropriate accounting policies, failure to apply the Union’s stated accounting policies or from an inappropriate use of estimates in calculating revenue.
- For Unite, the principal risk relates to the incorrect application of year end cut off within membership income. Our work was therefore designed to focus on these areas.
- Following the identification of suspected fraud within certain Associated Service Providers, our assessment of audit risk has been revised to include the completeness of all forms of other income, where controls operated during the year did not appropriately address the risk that income due to Unite may not be remitted.

- Recognising the heightened risk of management override of controls, the following additional significant risks have been recognised:
 - The existence of accuracy of other income
 - Membership income data input errors
 - Intentional manipulation of member information to misstate income or facilitate fraud
 - The monthly contribution accrual could be allocated incorrectly.

Audit approach

- As part of our audit work, we have gained an understanding of the significant income systems and observed the operation of relevant financial controls to prevent the loss of income and ensure that income is recorded in the correct period.

- Significant risk
- Elevated risk
- Moderate risk
- Fraud risk
- Related controls identified to mitigate risk
- Significant management estimates and judgements
- Controls testing approach
- Data analytics testing approach
- Substantive testing approach



Fraud in revenue recognition

Risk two

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 2
 - Risk 2
 - Risk 3
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 5
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Audit approach (continued)

Membership

- We engaged our Technology Risk Assurance (TRA) team to reconcile receipts in the bank to the accounting software using the interface reports generated by the membership database.
- We completed sample procedures to ensure that joiners and leavers had been correctly added and removed from the membership system, as well as testing to ensure that renewals have been appropriately recognised.
- A detailed proof in total was performed, adjusting membership income from 2020 for changes in membership rates and the impact of joiners and leavers (see above), and comparing this assessed level of income to amounts recognised. Differences outside of our pre-determined threshold was then investigated and substantiated.
- Performed cash cut-off tests, selecting a sample of direct debit and check-off receipts for a month either side off the year end. For each item, we obtained an explanation for the transaction and agreed to supporting documentation to ensure the income was valid and had been included in the correct period.

Other income

Our audit procedures included the following:

- We tested a sample of other income transactions recognised throughout the year, agreeing amounts to appropriate supporting documentation.
- We considered the potential size of cut off errors, understanding the value of transactions throughout the year. We concluded that a material cut off error was highly unlikely, and as a result, specific testing was not performed.
- Recognising that the review into Associated Service Providers (ASPs) identified unusual and previously unknown contractual relationships, additional completeness testing was performed. Unite website information combined with Open-Source data was used to determine the existence of probable income generating commercial relationships, with enquiries undertaken to determine whether income was receivable. Amounts were then reconciled back to correspondence and/or contract.

Property income

- We tested a sample of property income transactions recognised throughout the year, agreeing amounts to appropriate supporting documentation.

Discussion and conclusion

- No misstatements or instances of potential fraud were identified as a result of audit testing.
- The process of reconciling membership receipts in the bank to the accounting software, when combined with other testing (notably a detailed proof in total), reduces the risk of undetected material fraud or error to an acceptable level. Nonetheless, we make one significant control recommendation in relation to membership data that should be actioned (page 29).
- The existence of significant control deficiencies relating to the absence of contract logs and the enforcement of appropriate procurement rules create a risk that income due to Unite is not collected or recognised. While the nature of these arrangements, combined with testing performed, reduces the risk of material under-recording of ASP income, the unpredictable nature of income combined with significant concerns relating to management override makes it inappropriate to conclude as to whether income due to Unite has been diverted or underrepresented.

Impairment of PPE

Risk three

| | Total cost | 2021 book value | 2021 realisable value | Impairment | Adjustment | Revised impairment |
|-----------------|------------|-----------------|-----------------------|------------|------------|--------------------|
| Hotel | £78.4m | £67.4m | £29.0m | £38.4m | - | £38.4m |
| Regional office | £33.8m | £29.1m | £8.6m | £20.5m | (£5.1m) | £15.4m |
| Total | £112.2m | £96.5m | £37.6m | £58.9m | (£5.1m) | £53.8m |

Risk detail

- ▶ During the year, the Birmingham hotel and conference centre was opened to the public, realising 5 years of planning and construction work.
- ▶ Recognising that total costs, including Unite's regional office, had increased from £58m to £112m, valuations were commissioned. Details of these valuations is provided below:
- ▶ Considered of a lease agreement clause with BCC that prevents sale of the hotel until July 2025. Accounting Standards directs to the adoption of the "hypothetical buyer", with a fair value (FV) methodology permitted, subject to adjustment for the lease restriction.
- ▶ However, given that Fleurets' valuation assumes an exit 5 years from purchase a hypothetical sale would take place at the end of 2026. By this point the lease restriction will have expired and therefore its impact on FV is considered insignificant.

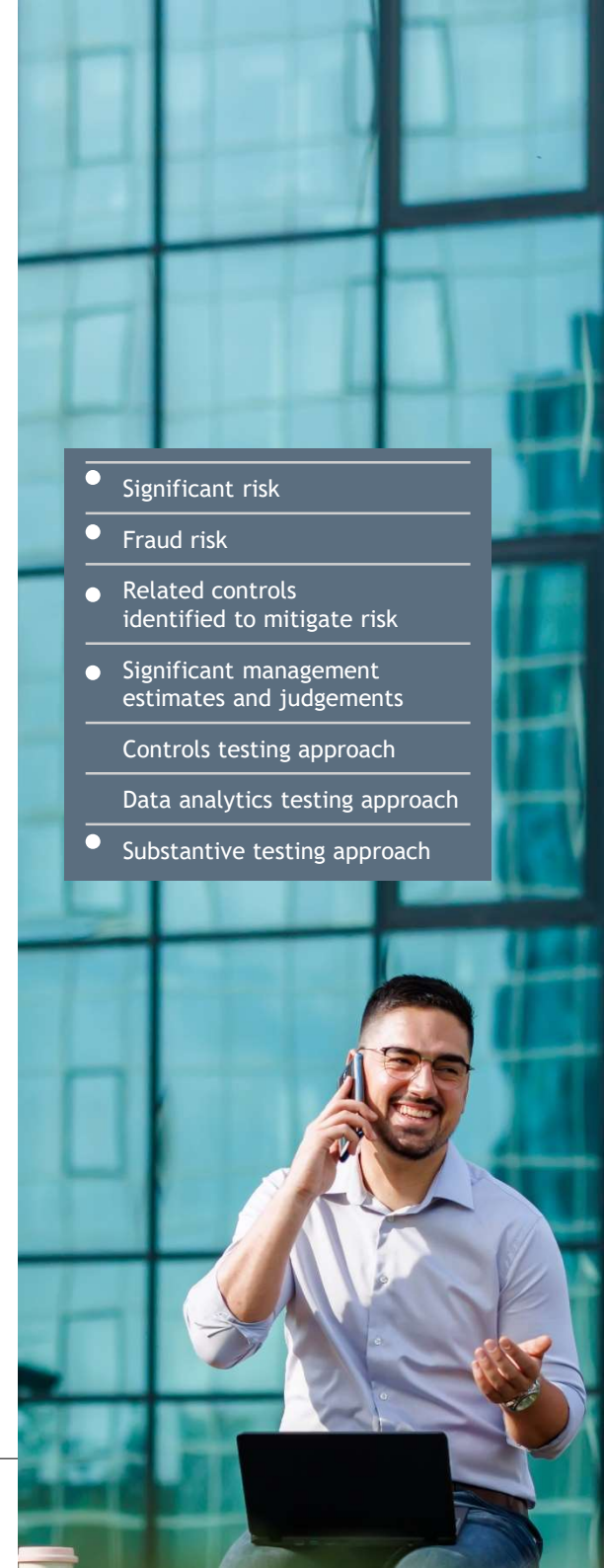
Audit approach

We have performed the following procedures:

- ▶ Reconciled amounts from the valuation reports to the financial statements.
- ▶ Agreed a number of key inputs used by Fleurets and Colliers to supporting documentation, including financial forecasts for the operation of the hotel.
- ▶ Reperformed the calculation of the property value, including the apportionment between elements classified as PPE and those classified as investment property.
- ▶ Consulted with internal property valuations specialists to assess the suitability of assumptions relating to discount rate and exit yield (hotel), and area and rental yield (regional office). Assumptions were broadly in line with benchmarks.
- ▶ In relation to the regional office, because it is held specifically to support the activities of the Union, a value in use measure is also considered as part of an impairment assessment. FRS102 permits the calculation of replacement cost (adjusted for depreciation) as a proxy for value in use.
- ▶ Management have obtained rebuild valuations for insurance purposes, with an estimate rebuild value of £13.7m. As a result, impairment has been capped at this amount, being the higher of value in use and fair value (Colliers). An adjustment of £5.1m has been recognised.

- ▶ Contents
- ▶ Introduction
- ▶ Executive summary
- ▶ Executive summary
- ▶ Overview of risks
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 2
 - Risk 2
 - Risk 3
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 5
- ▶ Significant matters
- ▶ IT audit - BDO advantage
- ▶ Audit report overview
- ▶ Audit report overview
- ▶ Additional matter req.
- ▶ Outstanding matter
- ▶ Appendices contents

- Significant risk
- Fraud risk
- Related controls identified to mitigate risk
- Significant management estimates and judgements
- Controls testing approach
- Data analytics testing approach
- Substantive testing approach



Impairment of PPE

Risk three

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 2
 - Risk 2
 - Risk 3
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 5
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Audit approach (continued)

Prior period adjustment

► As part of the 2021 audit, we considered those factors that triggered the significant impairment recognised in the year. It was noted that the fundamental purpose of both hotel and regional office had not changed, the forecast financial performance of the hotel remained as original budgeted and external conditions had not significantly deviated.

► In accordance with para. 27.7 of FRS102 an impairment review is only performed in such situations where an indicator of potential impairment exists. In considering indicators three critical factors were highlighted:

- The significant overspend had been known for some time, with the works $\frac{3}{4}$ complete by the end of 2019 and virtually completed by the end of 2020.
- Management's own financial forecasts for the hotel when modelled throughout the life of the asset would not generate a sufficient amount of profits (cash) to offset the cost of construction. The 2021 financial model was identical to that in 2019 and 2020.

- Investigations initiated by the current General Secretary in late 2021 identified the commissioning of an informal valuation of the hotel and regional office in December 2019. That valuation, not previously shared with BDO or the Executive Council, highlighted the risk of substantial impairment, with indicative values not inconsistent with the formal valuations in 2021.

► Each of these three factors meet the definition set out in para. 27.9 of FRS102. Indicators of impairment not only exist, but in each case, those triggers were known to Unite by the end of 2019. Impairment of £55.1m should be recognised although this amount requires recognition across 2019, 2020 and 2021.

► In preparing its financial statements in 2019 and 2020 Unite did not either identify these factors or recognise that such information represents a trigger for potential impairment.

► Recognising that triggers for potential impairment existed at both balance sheet dates, management have subsequently commissioned retrospective valuations by Fleurets and basing FV and VIU calculations on the same assumptions.

► In relation to the office, given that Value in Use - Depreciated Replacement Cost is higher compared to Colliers a fair value assessment via retrospective valuation was not considered necessary.

► Instead, insurance rebuild estimates were adjusted, taking into account construction inflation.

► A summary of the impact on impairment is provided below:

| | 2019 impairment | 2020 impairment | 2021 impairment |
|-----------------|--------------------|--------------------|--------------------|
| Hotel | £42.9m | -£0.1m | -£4.5m |
| Regional office | £12.2m | £4.2m | -£1.0m |
| Total | £55.1m | £4.1m | -£5.5m |

► Noting that valuations evidence the existence of material impairment in 2019 and 2020, and in accordance with para. 10.21 of FRS102, the 2021 financial statements have been updated to restate:

- Opening reserves, in relation to 2019; and
- Comparative results for 2020.

► In addition, a prior period adjustment note has been added to explain the restatement and reconcile previously reported result to amended information included in these financial statements.

► Finally, due to the impairment to Blackhorse, Unite's investment in its wholly owned subsidiary company and its loan have been impaired.

Discussion and conclusion

Subsequent to the recognition of a prior period adjustment, all relevant audit matters have been appropriately concluded.

Pensions

Risk four

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 2
 - Risk 2
 - Risk 3
 - Risk 3
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 5
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Risk detail

The Union operates a number of defined benefit pension schemes. There is a risk that the pension scheme valuation is incorrectly recognised in the financial statements, due to there being a high level of estimation and assumptions used by management. There is also motivation for management to manipulate these figures to improve the balance sheet. In addition, there is a risk that the pension asset is recognised in the financial statements when it does not mean the recognition criteria contained within FRS 102.

Audit approach and results

Assets

- For a sample of assets, we obtained third party confirmation of the assets held by the pension scheme at the Union's year end and agreed these to the FRS102 valuation report produced by the actuaries.
- We considered whether the assets in the portfolio represent "harder-to-value" assets. As part of this assessment, we have considered the valuation approach, technique and method required by the account framework. We have also considered the availability of the information to determine the appropriate value.

Audit approach and results (continued)

Liabilities

- We sample tested key underlying source data that is used for the calculation of the liability.
- We engaged with an actuary to assess the suitability of assumptions determined by the scheme actuary.

Other

- We considered the movement in the membership of the scheme to assess the likelihood of understatement of the defined benefit obligation as a result of misstatement membership numbers.
- We agreed the cash outflows from the scheme, for example the employer deficit reduction payments, to ensure that the figures used in the calculation are not materially misstated.
- We ensured that the recognition criteria of FRS 102 have been met so that the asset in the pension scheme can be recognised in the financial statements. We confirm that it is appropriate for the asset to be recognised on the basis that the Union has stopped having to make deficit contributions of £12m per annum as a result of the surplus.

Discussion and conclusion

No issues noted.

- Significant risk
- Fraud risk
- Related controls identified to mitigate risk
- Significant management estimates and judgements
- Controls testing approach
- Substantive testing approach



Other significant risks

Risk five

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 2
 - Risk 2
 - Risk 3
 - Risk 3
 - Risk 4
 - Risk 4
 - Risk 5
 - Risk 5
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Risk detail

- As a consequence of the identification of a weak control environment (pages 25 to 33) and instances of breaches of policies, override of controls, misconduct and potential fraud by certain former members of senior management (page 8 - 11) BDO's risk assessment in relation to the 2021 audit was revised. The total number of significant risks of material misstatement increased from 4 to 22.

Audit approach

- These additional risks extend throughout most areas of the financial statement, reflecting the potential for management override to have been applied.
- Where additional testing has been required as a consequence of the risk of management override, our findings have been included within that section of this report.
- For all other areas, the primary impact of the recognition of significant risks has been:
 - Extended sample testing
 - Where appropriate, the application of enhanced professional scepticism with the specific consideration as to the reliability of supporting evidenced obtained.

Results

- A summary of each significant risk and our testing samples have been provided on the next page.

Discussion and conclusion

- In relation to related party disclosures, FRS102 defined those individuals with control or significant influence over the Union as a related party. Having reviewed Unite's Rule Book we have concluded that the Executive Council ('EC') meets this definition.
- At present EC members are not required to provide details of all business interests and other relevant relationships. As a result, the Union is unable to determine whether conflicts of interests have occurred and whether relationships and/or transactions require disclosure.
- The Union is unable to comply with its disclosure obligations as set out in FRS102. Our audit opinion will disclose this non-compliance with relevant accounting standards.
- No additional matters to report.

- Significant risk

- Fraud risk

Related controls identified to mitigate risk

Significant management estimates and judgements

Controls testing approach

- Substantive testing approach



Other significant risks

Risk five

| Title | Original / Additional risk | Summary |
|---|----------------------------|---|
| Membership income - fraud risk (ISA240) | Original | Refer to pages 12 and 13 |
| Membership income - data input errors | Original | Refer to pages 12 and 13 |
| Membership income - manipulation of member information | Additional | Refer to pages 12 and 13 |
| Membership income - incorrect calculation of monthly contribution accrual | Additional | Refer to pages 12 and 13 |
| Completeness of other income | Additional | Refer to pages 12 and 13 |
| Existence and accuracy of other income | Additional | Refer to pages 12 and 13 |
| Management override of control | Original | Refer to pages 8 to 11 |
| Completeness of legal provision | Risk level elevated | No matters to report |
| Accounting for defined benefit pension schemes | Risk level elevated | Refer to page 16 |
| Impairment of Blackhorse hotel and regional office | Risk level elevated | Refer to page 14 and 15 |
| Fixed asset additions | Additional | Sample size increased from 5 to 7. No matters to report |
| Fixed asset disposals | Additional | Sample size increased from 5 to 6. No matters to report |
| Existence of fixed assets (notably properties) | Additional | Sample size increased from 23 to 43. No matters to report |
| Accuracy and completeness of investment disposals | Additional | Sample size increased from 17 to 35. No matters to report |
| Misstatement of other debtors | Additional | Sales ledger - sample increased from 5 to 7. Contribution debtor - sample increased from 8 to 12. No matters to report |
| Existence and accuracy of prepayments | Additional | Sample size increased from 5 to 7. No matters to report |
| Misappropriation of cash | Additional | Bank reconciliations - Sample increased from 2 to 3. Branch cash - sample increased from 43 to 65. No matters to report |
| Existence and accuracy of creditors and expenditure | Additional | Other creditors - Sample size increased from 5 to 7. Accruals - Sample size increased from 4 to 8. No matters to report |
| Completeness of creditors and expenditure | Additional | Cash cut off threshold reduced from 20% to 10% of PM. No matters to report |
| Fraud within suppliers | Additional | Refer to page 10 |
| Existence of employees | Additional | Sample size increased from 68 to 100. No matters to report |
| Completeness of related party disclosures | Risk level elevated | Refer to the previous page |

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 1
 - Risk 2
 - Risk 2
 - Risk 3
 - Risk 3
 - Risk 4
 - Risk 5
 - Risk 5
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Significant matters

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- **Significant matters**
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

The following are additional matters which we want to bring to your attention.

| Issue | Comment | Conclusion |
|--|---|--|
| Impairment of investment in Blackhorse | <p>As a result of the impairment of the hotel, the book value of the business has reduced from £12.8m in 2020 to negative £30.0m in 2021.</p> <p>Although future trading is expected to see the company start to generate profits:</p> <ul style="list-style-type: none"> - As a newly opened hotel the generation of profits and their quantum are inherently uncertain. - Future profits have been incorporated into Fleurets valuation of the hotel, already recognised within its financial statements. | <p>Unite's investment in Blackhorse is not recoverable. The full amount, £28.5m, has therefore been impaired.</p> <p>Given the timing of the hotels impairment, with restatement through to 2019, the provision against Unite's investment in Blackhorse has also been initially recognised via opening reserves.</p> |
| Recoverability of loan to Blackhorse | <p>Loans of £60.0m have been made to Blackhorse, supporting the cost of the construction of the hotel and initial trading.</p> <p>Recognising its current net liability position of £30.0m, which incorporates a hotel valuation based on discounted future operating cashflows, in addition to the non-recoverability of the investment in Blackhorse a proportion of the loan is also not considered recoverable. With cumulative losses of £58.5m, and £28.5m offset against the investment provision above, the remaining shortfall of £30.0m has been attributed against the loan.</p> <p>Recalculation using the Gordon's Growth Model reaches a similar outcome.</p> | <p>The loan to Blackhorse of £60m has been partially impaired, reducing the unprovided element to £30m.</p> <p>As with Unite's investment in Blackhorse (see above), a loan provision will initially be recognised in 2019, via opening reserves, and then adjusted in subsequent years. Further details are presented on page 25.</p> |
| Bank of Ireland | <p>As part of normal audit procedures, bank confirmations are directly obtained to validate both the accuracy and completeness of cash and loan balances. As a result of signatory problems between Unite and the bank, Bank of Ireland is unable to provide us with this key confirmation.</p> | <p>As a result, BDOs audit report will highlight this this critical limitation of scope.</p> |

IT Audit approach

BDO Advantage guided data analytics

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- **IT audit - BDO advantage**
 - Additional consideration
 - Unadjusted and adjusted errors
 - Significant control deficiencies
 - Control deficiencies: other
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Overview

BDO Advantage is our in house developed data analytics software.

Our Advantage data analytics specialists transform your transactional, bank and payroll data into our BDO Advantage solutions to enable performance of Data Analytics Tests (DATs) and Risk Assessment Data Analytics (RADAs) which have been scoped based on the risk areas identified in our planning report.

The BDO Advantage data analytics solutions we have used are:

| Analysers | Used for | Narrative |
|------------------------------------|-------------------|---|
| Advantage Financial Analyser (AFA) | Audit of journals | The AFA enables identification of fraud and other areas where risks of material misstatement is present as well as deeper analysis and sample extraction of data when performing audits of journals. |
| Advantage Bank Analyser (ABA) | Audit of income | The ABA is a powerful tool that allows BDO to connect directly to audited entities' bank accounts to pull balance and transaction data for further analysis and to perform DATs in connection to membership income testing. |

Matters requiring additional consideration

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
 - Additional consideration
 - Unadjusted and adjusted errors
 - Significant control deficiencies
 - Control deficiencies: other
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Fraud

Whilst the Executive Council 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.

Although our audit procedures did not identify any instances of fraud:

- Management investigations have identified instances of potential fraud, each of which are currently under police investigation.
- Other instances of inappropriate and unusual conduct that could indicate the existence of potential fraud.

These matters are discussed further in earlier sections of this report.

In addition, we will seek confirmation from you whether you are aware of any known, suspected or alleged frauds.

Laws and regulations

The most significant considerations for your business are the Trade Union and Labour Relations (Consolidation) Act 1992 ('TULRA'), 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, including the Certification Office.

Section 28 of TULRA requires the Union to "establish and maintain a satisfactory system of control of its accounting records, its cash holdings and all its receipts and remittances". We note 21 significant control deficiencies identified as a result of our audit and 10 other deficiencies. Beyond this, 2 police investigations into matters, including potential fraud, suggest further internal control deficiencies are likely to exist.

On this basis, we have concluded that Unite has not complied with Section 28 of TULRA and a breach of law has occurred. Our audit report will set out this breach of law.

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.

Noting unusual relationships between former members of senior management and customers and supplies additional procedures were performed. Testing focused on:

- The completeness of known related parties and associated transactions.
- Whether unusual relationships, identified as part of Unite's investigations, meet the FRS102 definition of a related party and hence require disclosure within the financial statements. None of the relationships breach the threshold for disclosure.

In addition, on page 17 we highlight limitations in Unite's ability to identify potential related parties.

Our list of control recommendations highlight one significant control weakness in relation to related parties.

Unadjusted audit differences: detail

Details for the current year

To date have identified 11 audit adjustments that, if posted, would decrease reported deficit by £1,636k, and net assets by £1,636k. We are currently in discussion with management over the potential recognition of a small number of unadjusted audit differences. If recognised this will reduce the overall impact of unadjusted audit differences.

| Unadjusted audit differences | Income and expenditure | | | Balance sheet | |
|--|------------------------|-------|-------|---------------|-------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Surplus/(deficit) for the year before adjustments | £27,276 | | | | |
| Adjustment 1: Over accrual of backdated salary pay-out at 2% | | | | | |
| DR Accrual | | | | £ 325 | |
| CR Payroll expenses | £ 325 | | £ 325 | | |
| Adjustment 2: Classification of funds within regional 1% accounts | | | | | |
| DR Cash | | | | £ 275 | |
| CR Creditors | | | | | £ 275 |
| Adjustment 3: Moving Irish salary costs from pension code | | | | | |
| DR Salaries (Region Ireland) | (£131) | £ 131 | | | |
| CR Pension costs (Region Ireland) | £ 131 | | £131 | | |
| Adjustment 4: Correcting bank balance of RI AIB accounts | | | | | |
| DR Cash and cash Equivalents | | | | £ 381 | |
| CR Forex differences | £ 381 | | £ 381 | | |
| Adjustment 5: Amending FRS 102 valuation of ROI pension scheme for change in discount rate | | | | | |
| DR Actuarial gain/loss | (£839) | £ 839 | | | |
| CR Pension liability | | | | | £ 839 |
| Adjustment 6: Recognition of Blackhorse pub | | | | | |
| DR Property, Plant and Equipment | | | | £ 150 | |
| CR Impairment | £ 150 | | £ 150 | | |

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
 - Additional consideration
 - **Unadjusted and adjusted errors**
 - Significant control deficiencies
 - Control deficiencies: other
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Unadjusted audit differences: detail

Details for the current year

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
 - Additional consideration
 - **Unadjusted and adjusted errors**
 - Significant control deficiencies
 - Control deficiencies: other
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

| Unadjusted audit differences | Income and expenditure | | | Balance sheet | |
|---|------------------------|---------|---------|---------------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustment 7: Write off of ULF claims | | | | | |
| DR Expenditure | (£870) | £ 870 | | | |
| CR ULF debtor | | | | | £ 870 |
| Adjustment 7: Additional Blackhorse impairment due to exclusion of future interest costs | | | | | |
| DR Impairment charge | (£308) | £ 308 | | | |
| CR Impairment of PPE | | | | | £ 308 |
| Adjustment 8: Extrapolated error in relation to differences in recalculation of accrual for contribution debtor | | | | | |
| DR Contribution debtor | (£400) | £ 400 | | | |
| CR Provision for bad debts | | | | | £ 400 |
| Adjustment 9: Additional Class 1A liability following inspection | | | | | |
| DR Payroll costs | (£123) | £ 123 | | | |
| CR NI liability | | | | | £ 123 |
| Adjustment 10: Calculated fair value difference in relation to UPS pension assets | | | | | |
| DR Pension assets | | | | £ 1,448 | |
| CR Actuarial gains | £1,448 | | £ 1,448 | | |
| Adjustment 11: Impairment of Unite property independently valued post year end | | | | | |
| DR Impairment charge | (£1,400) | £1,400 | | | |
| CR Impairment of PPE | | | | | £1,400 |
| Total value of unadjusted differences | (£1,636) | £ 4,071 | £ 2,435 | £ 2,579 | £ 4,215 |
| Profit/(loss) for the year if adjustments accounted for | £25,640 | | | | |

Adjusted audit differences: detail

Details for the current year

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
 - Additional consideration
 - **Unadjusted and adjusted errors**
 - Significant control deficiencies
 - Control deficiencies: other
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Overview

Given the complexity of the accounting adjustments resulting from the impairment of the hotel, Blackhorse, and Unite's regional office, located on the same site, details of their impact have been presented in tabular format below.

This include:

- Impairment of the hotel in 2019, 2020 and 2021, with the impact on the Income Statement separately presented.
- Impairment of the regional office in 2019, 2020 and 2021, with the impact on the Statement of Comprehensive Income separately presented.
- Impairment of Unite's equity investment in Blackhorse in 2019, 2020 and 2021.
- Impairment of Unite's loans to Blackhorse in 2019, 2020 and 2021.

| Blackhorse HCC Limited | 2019 | 2020 | 2021 |
|-------------------------------------|----------|----------|----------|
| Carrying value of hotel | £50.4m | £68.8m | £67.3m* |
| Impairment | £(29.4)m | £(42.8)m | £(38.3)m |
| Revised carrying value (management) | £21.0m | £26.0m | £29.0m |
| Additional impairment (BDO) | £(13.5)m | - | - |
| Final carrying value (Fleurets) | £7.5m | £26.0m | £29.0m |
| I&E impact | £42.9m** | £(0.1)m | £(4.5)m |

| Unite the Union (Entity) | 2019 | 2020 | 2021 |
|---------------------------------|----------|----------|----------|
| <i>Regional office / Unite</i> | | | |
| Carrying value | £22.9m | £29.7m | £29.1m* |
| Impairment | £(12.2)m | £(16.4)m | £(15.4)m |
| Net carrying value (UIV – DRC) | £10.7m | £13.3m | £13.7m |
| I&E impact | £12.2m** | £4.2m | £(1.0)m |
| <i>Investment in Blackhorse</i> | | | |
| Carrying value | £25.0m | £28.5m | £28.5m |
| Impairment | £(25.0)m | £(28.5)m | £(28.5)m |
| Net carrying value | - | - | - |
| I&E impact | £25.0m** | £3.5m | - |
| <i>Loan to Blackhorse</i> | | | |
| Carrying value | £47.0m | £58.7m | £60.1m |
| Impairment | £(22.4)m | £(14.0)m | £(14.2)m |
| Net carrying value | £24.6m | £44.7m | £45.9m |
| I&E impact | £22.4m** | £(8.4)m | £0.2m |

Adjusted audit differences: detail

Details for the current year

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
 - Additional consideration
 - **Unadjusted and adjusted errors**
 - Significant control deficiencies
 - Control deficiencies: other
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

| Adjusted audit differences | Income and expenditure | | | Balance sheet | |
|--|------------------------|-------|--------|---------------|-------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Surplus/(deficit) for the year before adjustments | £22,126 | | | | |
| Adjustment 1: Reduction in impairment recognised in relation to the regional office (VIU - DRC measure versus FV less costs to sell) | | | | | |
| DR Impairment (BS) | | | | £2,950 | |
| CR Impairment charge (I&E) | £5,150 | | £5,150 | | |
| Total value of adjusted differences | £5,150 | - | £5,150 | £5,150 | |
| Profit/(loss) for the year if adjustments accounted for | £27,276 | | | | |

Control environment: significant deficiencies

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
 - Additional consideration
 - Unadjusted and adjusted errors
 - **Significant control deficiencies**
 - Control deficiencies: other
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

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

We have identified a high number of significant control deficiencies, which we are required to report to you. Noting the passing of time, we understand that a number of control improvements have been subsequently implemented by Management, although to ensure transparency all identified significant control deficiencies from the financial year ended 31 December 2021 have been listed. Management responses provide context in each instance.

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

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



Control environment: significant deficiencies

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
 - Additional consideration
 - Unadjusted and adjusted errors
 - **Significant control deficiencies**
 - Control deficiencies: other
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

| Area | Observation and implication | Recommendation | Management response |
|---|---|---|---|
| Journals could be posted to system that have not been reviewed and approved | <p>We noted that the financial reporting system does not require journals to be approved before being posted to the system.</p> <p>The absence of a preventative control creates the opportunity for fraudulent, invalid or unauthorised journals to be posted to the system.</p> | <p>We recommend that all journal entries are reviewed and approved by appropriate members of the finance team prior to being posted.</p> <p>We also recommend that a separate exception report is produced and then, on a sample basis, journals are vouched back to evidence of the original approval.</p> | Will be addressed as part of NAV upgrade, likely later this year. |
| Outdated signatories and missing bank Reconciliations | <p>During the audit, we identified bank accounts with Bank of Ireland that had outdated signatory information. This led to us not obtaining bank letters at year end.</p> <p>It was also noted for some of the Bank of Ireland bank accounts, Unite does not perform bank reconciliations.</p> <p>Signatory requirements and monthly reconciliations represent key banking controls operated to ensure the Union's finances are not illegally accessed or mis-used.</p> | <p>Steps should be taken to ensure signatories are kept up-to-date for all accounts, including those infrequently used. Likewise, bank reconciliations should also be performed and independently reviewed, even when checks merely confirm that the account remains dormant.</p> | In progress |
| Risk Register | Unite does not maintain a formal risk register and as a result there is limited formal consideration as to the risk's facing the Union. | <p>A risk registered should be developed, separately recording both strategic and operational risks.</p> <p>The Register should be frequently updated and reviewed by both Management (operational) and the Executive Council (strategic).</p> | Currently in consideration. |

Control environment: significant deficiencies

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
 - Additional consideration
 - Unadjusted and adjusted errors
 - **Significant control deficiencies**
 - Control deficiencies: other
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

| Area | Observation and implication | Recommendation | Management response |
|---------------------------|---|--|--|
| Budgets / Forecasts | Historically, formal management forecasts have not been produced with only limited analysis of membership numbers. | <p>More recently produced forecasts would benefit from further enhancement, notably in relation to consideration of cash flows and the balance sheet.</p> <p>Finally, Management should ensure that on a rolling basis budgets extend at least 12 months into the future.</p> | 3 year budget prepared and presented. Process for annual updates currently in development. |
| Related party disclosures | It was identified that there is no formal procedures in identifying related parties within the Unite the Union Group. | <p>All members of senior management and the Executive Council should complete an annual declaration, setting out details of all related parties / conflicts of interest.</p> <p>The Union should maintain a register of known related parties / conflicts of interest with this information used as part of procurement decisions to ensure the Unions assets are fully protected.</p> <p>Finally, periodic checks should be performed such as Companies House directorship reviews and Open-Source searches to test the completeness of information provided.</p> | In progress - will be in place for 2022 audit. |
| Impairment reviews | The entity has no formal policy to consider Unite the Union's large property portfolio for impairment. | <p>A review of the Union's portfolio of properties should be performed annually to identify those subject to impairment.</p> <p>This review ensures accurate financial information but also acts as a mechanism to consider value for money and potential obsolescence.</p> | Valuations now being undertaken on rotational basis and additionally in cases where likelihood of possible impairment is apparent. |

Control environment: significant deficiencies

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
 - Additional consideration
 - Unadjusted and adjusted errors
 - **Significant control deficiencies**
 - Control deficiencies: other
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

| Area | Observation and implication | Recommendation | Management response |
|-----------------|---|---|---|
| Procurement | <p>During the year, a number of contractual relationships were identified that did not follow normal expectations in relation to procurement. This included a range of Associated Service Providers and the key contract with Flanagans.</p> <p>Such events were in part a consequence of the Union not having a formal procurement policy or controls in place to ensure polices are enforced.</p> | Formal procurement rules should be development with additional safeguards introduced to ensure polices are followed and breaches identified on a timely basis. | Head of procurement in post. Policy drafted and circulated. A Contracts Manager will shortly be appointed to develop this area further. |
| Membership data | Although controls exist in relation to joiners and leavers, there are no checks performed to verify the accuracy and completeness of membership data. As a result, should membership data be compromised, for example via the override of IT General Controls, differences may not be identified. | A control should be developed to ensure that periodically for a sample of members their existence and the accuracy of their data is confirmed. An additional control should also be developed to ensure the completeness of membership information maintained by the Union. | Currently under consideration. |
| PO system | <p>As a large organisation the absence of a Purchase Ordering system creates additional risks that cannot be fully mitigated via existing controls. This includes:</p> <ul style="list-style-type: none"> A reduction in the Union's ability to identify unauthorised or inappropriate purchases under the Union is committed to paying for the relevant services or goods. The existing reliance on manual controls, such as the physical review and approval of invoices, increases the risk of error and/or fraud. | The Union should actively investigate the implementation of a dedicated Purchase Ordering system. | Will be addressed in NAV upgrade, likely later this year. |

Control environment: significant deficiencies

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
 - Additional consideration
 - Unadjusted and adjusted errors
 - **Significant control deficiencies**
 - Control deficiencies: other
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

| Area | Observation and implication | Recommendation | Management response |
|---------------------------------------|--|---|---|
| Payroll exception reporting | A key payroll control currently operating is a manual review of dummy pay run reports. However, the size of Unite's payroll makes a manual review ineffective with false information at an employee level unlikely to be identified. | Exception reporting should be developed so that month-on-month date can be quickly compared, with focus on those movements that fall outside of pre-determined parameters. | Currently under consideration. |
| Contracts log | <p>Throughout 2021 Unite operated a number of commercial contracts but their existence, and hence their terms and conditions, were not known by relevant individuals throughout Unite.</p> <p>As a result, financial management were unable to fully understand Unite's legal entitlement to income resulting in an absence of control over the collection of debts.</p> | A formal contracts log should be developed for all existing and new income and expenditure contracts above a pre-determined threshold. | In progress. Will be accelerated once contract manager post is filled. |
| Independent Executive Council Members | As is commonplace for Trade Unions the Executive Council is largely made up from union representatives from throughout its membership. However, as a large complex organisation Council will frequently required to consider matters relating to finance, legal and commercial operations. Council members do not necessarily have sufficient skills and experience specific to these areas. | While a constitutional matter, Unite should consider changing its rules to permit the appointment of specialists from outside of the Union. These independent members would introduce additional experience and knowledge in areas increasingly critical to the success of the Union. | Matter for EC or Rules Conference, although management is supportive of the idea. |

Control environment: significant deficiencies

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- **IT audit approach - BDO advantage**
 - Additional consideration
 - Unadjusted errors
 - **Significant control deficiencies**
 - Control deficiencies: other
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

| Area | Observation and implication | Recommendation | Management response |
|---|--|---|---|
| Judgements and estimates | As part of the year end process of producing financial statements certain areas require the applicable of judgement and/or estimation (eg pension assets). At present, the process around the formation of those key judgements and estimates lacks an appropriate level of detail and scrutiny. | Financial management should introduce measures to ensure that key judgements and estimates are supported with appropriate high quality supporting evidence and are subject to scrutiny and approval by Executive Council. | Noted; disclosure to be improved in this area. |
| Related party transactions | During the year, Unite generated a financial loss on a property where it sold a 50% stake to an individual for a sum based on the historical (2014) cost price rather than a fair market value at the time. Despite Unite taking the risks associated with ownership, the individual benefitted from the rise in value of the property over that period. | Unite should consider whether it is appropriate to use members funds to support property purchases that create risk for the Unite and financial gain for the member of staff. | Management are clear that this is absolutely not appropriate and is not something that would, or could, ever be undertaken by the current management. |
| Approval of purchases | Unite's policy in relation to the approval of purchases is that two signatures are required; local budget holder and central finance team. As part of the audit, we identified instances where the relevant budget holder was not immediately available to sign off the invoice and consequently verbal authority was provided. | Verbal authority cannot be evidenced, substantially increasing the risk that invoiced costs could be subject to payment without approvals taking place. Fraud may result. | The importance of this key control has be re-emphasised to the payables team. |
| Access reviews - Navision and SB Client | Access reviews are not periodically performed in relation to Navision and SB Client. As a result, unauthorised access may be gained and not identified on a timely basis. Equally, there are currently no formal controls in relation to leavers and removing individuals from IT systems. | Access controls should be reviewed with additional controls implemented to ensure that meet current requirements. A formal process should be introduced in relation to leavers. | Reviewed as part of audit. Ongoing process will be implemented when NAV is upgraded. |

Control environment: significant deficiencies

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- **IT audit approach - BDO advantage**
 - Additional consideration
 - Unadjusted errors
 - **Significant control deficiencies**
 - Control deficiencies: other
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

| Area | Observation and implication | Recommendation | Management response |
|----------------------------|---|--|---|
| Financial controls review | The organisation has been adversely impacted by instances of possible fraud and override of controls. Furthermore, a number of controls have been identified as either missing or insufficient in preventing or detecting fraud or error. Despite this, a complete picture of the organisations control environment remains unknown, creating a risk that further deficiencies may exist. | A financial controls review should be undertaken, either by relevant individuals within Unite or externally. | Currently under consideration. |
| Staff expenses | A significant proportion of staff expenses are not recorded in such a way that enables appropriate analyses. As a result, retrospective stand back reviews cannot and are not performed increasing the risk that inappropriate expenses are being paid by the Union. | Unite should introduce new procedures that enable staff expenses to be analysed by individual as well as by function. | This will be considered as part of NAV upgrade. |
| Financial support to staff | As part of audit enquires, we have identified a number of occasions when staff, including former senior management, have received significant financial support that financially adversely impacted the Union, did not follow normal procedures or in the eyes of members may be viewed as inappropriate. Reputational damager could result. | The Union should create a formal set of policies in relation to staff expenses, loans and other forms of financial support. | Procedures already in place are now being followed. Threat of management override receded with departure of previous management team. |
| Financial resource | The current finance department benefits from experienced and committed staff. However, based on our experience the department is under resourced. Further benefit would also be gained from supplementing the existing team with additional experience of financial reporting and internal audit (regions and branches). | A strategic review of the finance team should be performed and where appropriate additional resource added to the existing team. | A review has been conducted and resources have been expanded. Further enhancements are planned. |

Control environment: significant deficiencies

- ▶ Contents
- ▶ Introduction
- ▶ Executive summary
- ▶ Executive summary
- ▶ Overview of risks
- ▶ Significant matters
- ▶ IT audit - BDO advantage
 - Additional consideration
 - Unadjusted and adjusted errors
 - **Significant control deficiencies**
 - Control deficiencies: other
- ▶ Audit report overview
- ▶ Audit report overview
- ▶ Additional matter req.
- ▶ Outstanding matter
- ▶ Appendices contents

| Area | Observation and implication | Recommendation | Management response |
|------|---|--|---|
| CIS | <p>When undertaking construction work it is the responsibility of the contracting party to ensure that any business undertaking construction work is appropriately registered for CIS tax.</p> <p>Management are unable to determine whether checks were performed when contracting Flanagans Group Limited (FGL), exposing the Union to potential liabilities if FGL failed to register and pay CIS liabilities due to HMRC.</p> | <p>The Union should consider approaching HMRC and seeking confirmation of the CIS status of FGL.</p> <p>Equally, additional safeguards should be put in place to ensure that when engaging with construction businesses in the future checks are performed with regards to CIS before proceeding with works.</p> | <p>Under consideration. No building projects have been commenced since that would be affected by CIS.</p> |

Control environment: other deficiencies

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
 - Additional consideration
 - Unadjusted and adjusted errors
 - Significant control deficiencies
 - **Control deficiencies: other**
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

| Issue | Comment |
|---------------------------------|--|
| VAT | There is no formal quarterly close procedure to post the vat payable at quarter end to other payables. |
| Employment Taxes | BDO Tax Team identified a number of issues in relation to employment taxes in 2021. The main theme being a lack of documentation to prove the status of PAYE and NI in off-payroll costs. |
| Month end membership adjustment | Adjustments made at each month end and year end are manually calculated by finance team members but are not then subject to review. Errors may occur, which are not subsequently identified. |
| Membership Numbers | Member numbers are taken from the membership database directly at a point in time, for year-end. This means that we cannot evidence where the numbers have come from (as it is a live system) and cannot be certain at what date they are run. |
| Member benefit forms | Forms are not retained by the Union and hence there is no document evidence of forms being processed appropriately and hence the validity of payments to members. |
| VAT Partial Exemption | It was noted that the Partial Method for VAT exemption was only updated in 2021. The partial method should be recalculated on an annual basis to ensure accurate amounts of VAT are paid over to HMRC. |



Control environment: other deficiencies

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
 - Additional consideration
 - Unadjusted and adjusted errors
 - Significant control deficiencies
- Control deficiencies: other
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

| Issue | Comment |
|-------------------------------|---|
| Fixed asset register | There is currently no formal fixed asset register for any assets other than properties. This increases the risk that assets belong to the Union are lost or misappropriated. In addition, inappropriate buying decisions may be made. |
| Investments | There are no formal controls over investments. While day-to-day management functions are outsourced to investment managers, controls should be developed to ensure investment decisions and fund transfers are appropriately controlled. |
| Blackhorse profits | <p>Minutes from the Executive Council meeting from October 2024 indicate that agreement was reached to add profits generated by the Birmingham hotel to Unite's strike fund. Although Unite is the owner of Blackhorse, it is the responsibilities of the directors of a company to recommend the paying out of its profits to its shareholder(s). Only once this has occurred can EC vote on how best to use this dividend income.</p> <p>In addition, following the generation of significant losses, dividends can only be proposed at a point in time that all historic losses have been reversed by trading profits.</p> |
| Financial expertise | <p>Throughout most of 2021 the finance department was led by an individual who did not have an appropriate level of financial experience.</p> <p>Appointments to the finance department, both temporary and permanent, should take into consideration the level of financial expertise required.</p> |
| Balance sheet reconciliations | There are no formal controls in place in relation to infrequently used balance sheet accounts, notably within debtors and creditors. The review of management accounts should be reinforced with the introduction of control account and periodic reconciliations. |



Audit report overview

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
- **Audit report overview**
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents

Opinion on financial statements

The basis of our audit opinion is currently being finalised, with ongoing consultation within BDO. At this point in time, based on the evidence obtained and conclusions reached, we anticipate disclaiming our opinion on the financial statements.

Basis for disclaimer

Our report is expected to state:

- As detailed in Note XX to the Consolidated Financial Statements, police investigations by the Serious Fraud Office and South Wales Police are ongoing with the nature of those investigations expected to incorporate events and actions relevant to the Union and its former employees.
- Given the nature of these investigations, it has not been possible to determine their full scope, and therefore their potential impact on these financial statements, including our assessment of the risk of fraud.
- In addition to these police investigations, Unite the Union has conducted its own investigations into a range of matters, including historic potential fraud, bribery and corruption. These findings raise a number of serious concerns, which may impact these financial statements beyond those already identified and recognised.

- We acknowledge that the Union has attempted to determine whether the financial statements are free from the impact of fraud, bribery and corruption and therefore obtain the information that we considered necessary for audit purposes. However, the confidential nature of live police investigations and the pervasive risk of fraud during a significant proportion of the financial year has meant that the Union has been unable to determine whether adjustments should have been made to the financial statements as a result of these events.
- During the course of our audit, we sought to obtain sufficient appropriate audit evidence in respect of a number of pervasive and/or material areas of the financial statements and related notes to the financial statements but for the reasons outlined below, insufficient appropriate audit evidence has been provided.

Management override of controls

- As detailed in Note X to the Consolidated Financial Statements, investigations undertaken by the Union have identified evidence of potential dishonesty, including fraud, bribery and corruption. Those concerns include individuals who may have had an ability to override controls.
- It is understood that the police investigations, as set out above, may include these individuals.

- Unite the Union has sought to establish whether Management Override of Controls has occurred, either through the use of journals, or, given Management's position of influence, via other forms of override such as procurement policy breaches, coercion of staff members and override of payment and expense controls.
- However, a position of influence for those individuals where concerns exist, inadequate controls throughout the year, and the nature of this risk result in a pervasive fraud environment. The Union has been unable to determine whether dishonesty, including fraud, bribery and corruption may impact the financial statements, both within Unite the Union and its wholly owned subsidiary, Blackhorse HCC Limited.
- Given the pervasive nature of the risk of fraud throughout the year, and in accordance with International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', it has not been possible to determine whether dishonesty, including fraud, bribery and corruption may impact the financial statements. We have been unable to obtain sufficient appropriate audit evidence, and therefore these conditions impose a limitation in the scope of our audit work.

Audit report overview

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- **Audit report overview**
- Additional matter req.
- Outstanding matter
- Appendices contents

Expenditure

- As a result of the limitations outlined above, combined with the scale of transactions, we were unable to obtain sufficient appropriate audit evidence in respect of non-payroll expenditure.
- In particular, were instances of dishonesty, including fraud, bribery and corruption, to have impacted the financial statements, expenditure categories may incorrectly classify and disclose costs as incurred in the performance of Unite the Union's duties as a registered trade union.

Cash at bank and borrowings

- Included in cash at bank and in hand is amounts totalling £270,000 that could not be directly confirmed by the bank. As a result, the Officers of the Union have been unable to obtain sufficient, appropriate alternative information to determine the existence and completeness of amounts held with that bank.
- As a result, we have not been able to obtain sufficient appropriate audit evidence in relation to the existence and accuracy of cash held at bank and the completeness of cash and potential borrowings.

Related party disclosures

- Investigations undertaken by the Union identified contractual relationships and associated transactions between the Union and organisations associated with those individuals who initiated the contractual relationship. While none of the transactions are classified as a related party transaction, as defined by Financial Reporting Standard 102, the Union has been unable to determine with other conflicts of interest exist and hence whether related party disclosures are complete. The scope of these investigations did not specifically address the completeness of potential related party transactions and as a result its findings in this respect are inconclusive.
- Furthermore, the Union has no formal procedures or controls in relation to conflicts of interest and related parties. This includes key management personnel and the Executive Council. Both categories of people are considered related parties.
- The Union has been unable to determine whether related parties exist and hence require inclusion within the financial statements. That limitation existed in 2020 and 2021.
- We are therefore unable to conclude that the Consolidated financial statements are free from material misstatement arising from the omission of related party transactions. As a result, a limitation of scope exists in relation to the completeness of related party disclosures in the current year and comparative year involving key management personnel or members of the Executive Council.

Opening balances

- In respect of the matters above, notably management override of control, we have also not been able to obtain sufficient appropriate audit evidence in respect of opening balances as at 1 January 2021 and the corresponding figures for the year ended 31 December 2020 in all cases.

Notes to the financial statements

- As a result of the limitations outlined above, we were unable to obtain sufficient appropriate audit evidence in respect of the Notes to the financial statements.
- As a result of the matters set out above, we were also unable to determine whether any adjustments might have been found necessary in respect of the relevant elements making up the financial statements of the Group and/or the Union. The possible effects of any undetected misstatements in respect of these matters, if any, could be pervasive and/or material to the financial statements. We have not been able to obtain sufficient appropriate audit evidence through the performance of additional procedures.
- Notwithstanding the disclaimer of opinion, our audit report is consistent with the final report presented to the Executive Council.

Additional matters we are required to report

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- **Additional matter req.**
- Outstanding matter
- Appendices contents

| Issue | Comments |
|---|---|
| 1 Significant difficulties encountered during the audit | Management have been supportive throughout the course of the audit. Given the substantial passing of time, inherent difficulties have existed in relation to the availability of suitable, high quality supporting documentation. |
| 2 Written representations which we seek | We enclose a copy of our draft representation letter |
| 3 Any fraud or suspected fraud issues | Please refer to matters raised throughout this report |
| 4 Any suspected non-compliance with laws or regulations | No exceptions to note |
| 5 Significant matters in connection with related parties | Refer to page 17 |
| Group matters | |
| 6 Limitations on the audit where information was restricted | 1. Ongoing SFO and SW police investigations 2. Bank audit confirmation letter from Bank of Ireland 3. Related party disclosures |
| 7 Any issues with the quality of component auditor's work | N/A |
| 8 Any fraud or suspected fraud at group or component level | Details of fraud and suspected fraud are contained within this document |



Outstanding matters

- ▶ Contents
- ▶ Introduction
- ▶ Executive summary
- ▶ Executive summary
- ▶ Overview of risks
- ▶ Significant matters
- ▶ IT audit - BDO advantage
- ▶ Audit report overview
- ▶ Audit report overview
- ▶ Additional matter req.
- ▶ **Outstanding matter**
- ▶ Appendices contents

We have substantially completed our audit work in respect of the financial statements for the year ended 31 December 2021.

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 Executive Council meeting at which this report is considered:

- ▶ Completion of outstanding audit work in relation to Blackhorse HCC
- ▶ Finalisation and approval of the proposed prior period adjustment relating to impairment of Blackhorse and the Birmingham regional office
- ▶ Post balance sheet events
- ▶ Letter of representation
- ▶ Updated financial statements and completion of final reviews
- ▶ Finalisation of BDO's audit opinion.



Appendices contents

Quality management

41



Our system of quality management

ISQM (UK) 1 - Communication with you

- Contents
- Introduction
- Executive summary
- Executive summary
- Overview of risks
- Significant matters
- IT audit - BDO advantage
- Audit report overview
- Audit report overview
- Additional matter req.
- Outstanding matter
- Appendices contents
 - Quality management

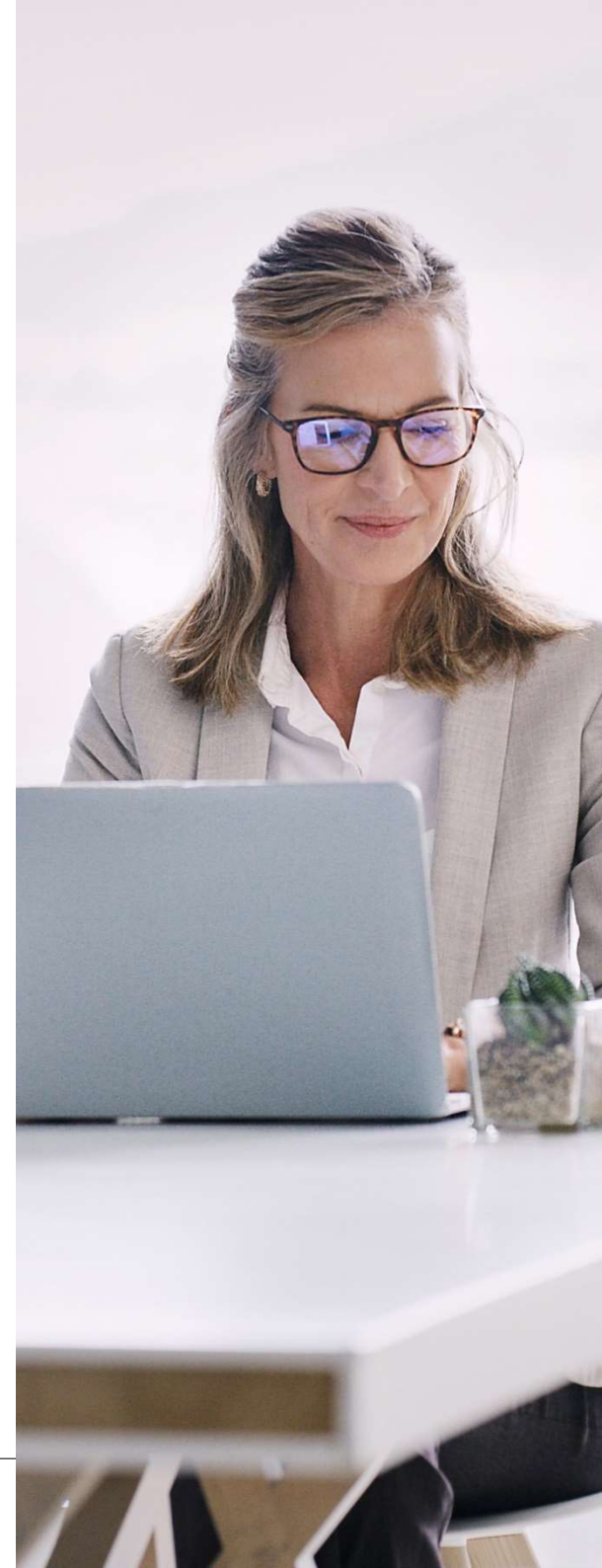
As part of our communications with you as those charged with governance, we include below a link to BDO's most recent Transparency Report and Culture and Impact Report. Our Transparency Report is a publication in which we openly share our progress and actions on our decision-making at BDO and, in particular, how we serve the public interest by consistently delivering high quality engagements. Our Culture and Impact Report looks to bring our firm's core purpose - 'Helping You Succeed' - to life.

[BDO-Transparency-Report-2023-2024.pdf](#)

[BDO-Culture-and-Impact-Report-2024.pdf](#)

In accordance with ISQM (UK) 1, an enhanced standard related to quality management at firms providing audit and certain other assurance services, our 2024 Transparency Report includes details of our evaluation under the standard and the steps that underpin our commitment to delivery of consistent high quality engagements. The communication of this information to those charged with governance is set out as a requirement in ISQM (UK) 1.

Over the last two years we have invested, and continue to invest, significantly in our people, tools and training to improve the consistency of the quality of our audits. This has been supported by significant actions over the past year to establish a system of quality management framework that aligns to the requirements of ISQM (UK) 1. We set out a summary of the key elements of our system of quality management and areas of continued focus to strengthen audit quality in our 2024 Transparency Report.



FOR MORE INFORMATION:

Laurence Elliott

07968788330
laurence.elliott@bdo.co.uk

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

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

© 2025 BDO LLP. All rights reserved.

www.bdo.co.uk