

(b) Your firm, Eddie & Co, has asked you to perform an independent review of the working papers of Taylor Co which is a listed entity and has been an audit client of your firm for the last ten years. The audit fieldwork is almost complete and as part of your review, you have been asked to advise the audit team on the drafting of their report to those charged with governance. Taylor Co is a discount food retailer which operates 85 stores nationally. The financial statements for the year ended 30 April 20X9 recognise revenue of £247 million (20X8 – £242 million), profit before tax of £14.6 million (20X8 – £14.1 million) and total assets of £535 million (20X8 – £321 million).

After a period of rapid expansion, 20X9 has been a year in which Taylor Co has strengthened its existing position within the market and has not acquired any additional stores or businesses. The company's draft statement of financial position for 20X9 includes a property portfolio of £315 million all of which are legally owned by the entity. In the current year, the company has chosen to adopt a policy of revaluing its property portfolio for the first time and this is reflected in the draft figures for 20X9. The audit work on property, plant and equipment included testing a sample of the revaluations. Eddie & Co requested at the planning stage that independent, external valuation reports should be made available to the audit team at the start of the final audit visit. A number of these documents were not available when requested and it took three weeks for them to be received by the audit team. The audit working papers also identify that on review of the non-current asset register, there were four properties with a total carrying amount of £11.1 million which had not yet been revalued and were still recorded at depreciated historic cost.

The audit supervisor's review of Taylor Co's board minutes identified that the company has renovated car parking facilities at 17 of its stores which has resulted in a significant increase in customer numbers and revenue at each of these locations. The total cost of the renovation work was £13.2 million and has been included in operating expenses for the current year. The audit file includes a working paper recording discussions with management which confirms that capital expenditure authorisation forms had not been completed for this expenditure.

You are aware that your firm had intended to replace the current engagement partner, Bryony Robertson, with Philip Campbell who is Eddie & Co's other specialist in food retail. Unfortunately, Mr Campbell was taken ill earlier in the year and will not now be available until next year's audit engagement. As a result, 20X9 is the eighth consecutive year in which Bryony Robertson has acted as engagement partner.

Required:

From the information provided above, recommend the matters which should be included in Eddie & Co's report to those charged with governance, and explain the reason for their inclusion. (15 marks)