

Transparency Report 2018

This report by Carter Backer Winter LLP (CBW or “the firm”) has been prepared to meet the requirements of the EU Audit Regulation 537/2014 Article 13 for the year ended 31 March 2018.

Third report

This is the third year for which a Transparency Report is required as this is the third financial year of the firm in which fees for the audit of a listed company have been received.

The information provided in this report reflects the position at 31 March 2018.

Legal Structure

Carter Backer Winter LLP is a Limited Liability Partnership registered in England and Wales. It is wholly owned by its members, who are commonly referred to as “partners”. At 31 March 2018 there were 21 partners.

Our principal services are audit, accounts and tax compliance; business and personal tax consultancy; trust and estate planning and wealth management; HR consultancy; outsourcing; corporate finance; restructuring and insolvency; forensic accounting.

International arrangements

CBW is an independent member of DFK International. DFK International is a top 10 international association of independent accounting firms and business advisers comprising 220 member firms with 435 offices in 93 countries worldwide and members fee income of nearly \$1.2bn.

It is registered in England and Wales as a private company limited by guarantee with a registered office at Temple Chambers, Suite 120, 3-7 Temple Avenue, London, EC4Y 0DA and with a company number of 09306225.

The association has been meeting the needs of clients with interests in more than one country for over 50 years. The partners in its member firms share:

- Enthusiasm for fully understanding client objectives and delivering effective advice
- Dedication to providing personal and timely services through experienced advisers
- Commitment to achieving consistent professional and ethical standards

Each DFK member is an independent legal entity in its own country. DFK International is a non-profit making consortium of independent firms and does not itself practice in the field of accountancy and does not provide business advisory services. Such services are provided by the independent member and correspondent firms of DFK International. Member firms that do not include DFK in their firm’s name are not network firms and belong to the association as either Full or Correspondent Members.

CBW is a full member.

Legal Structure

Senior Partner
Andrew White

Managing Partner
Peter Winter

Finance Partner
Robin Davis

Executive Committee

The Executive Committee is responsible for overseeing the firm’s strategy and protecting the interests of its members. The committee meets monthly.

Carter Backer Winter LLP’s constitution is contained in the Members Agreement, which includes the processes for the appointment of the firm’s Senior and Managing Partners and the membership of the Executive Committee all of whom serve three years.

The Executive Committee currently comprises the following:

Stephen Rasnick Chairman
Peter Winter Partner
Robin Davis Partner
John Dickinson Partner
Paul Woosey Partner
Thomas Adcock Partner
Nicola Bell Director
Figen Davies Practice Manager

The Executive Committee continuously monitors developments in governance and benchmarks the firm's performance against them. In addition, CBW embraces best practice in a way that is relevant to its activities, the risk environment it faces and the needs of its clients and people.

Risk management

The Executive Committee is also responsible for advising on the key risks the firm faces and the effectiveness of the systems to control those risks. CBW has identified four principal areas of risk: financial, operational, strategic and professional.

- Financial risks include working capital, liquidity and credit risk, which are managed by regular monitoring and review of exposure.
- Operational risk is mitigated by a system of formal controls and processes and is backed up by the firm's business continuity plans. Financial and operational risks are the responsibility of the Managing Partner, operating in conjunction with heads of department.
- Strategic risk is monitored through the Executive Committee which has overall responsibility for overseeing the direction of the business.
- Professional risk is managed by seeking to ensure the quality, objectivity and independence of client services, through the provision of guidance and oversight on client acceptance and the conduct of professional services.

Quality control system

For audit and other assurance engagements, the firm's system of quality control provides reasonable assurance that the firm, its partners and staff comply with relevant professional standards and regulatory and legal requirements and that reports issued by the firm are appropriate in the circumstances. The firm's quality control system includes the following elements:

- Leadership responsibilities
- Ethical requirements
- Acceptance and continuance
- Human resources
- Engagement performance
- Monitoring

We believe that our quality control system is operating effectively and enables us to meet our objectives as set out above. Information can be obtained at your request.

Leadership responsibilities

Ultimate responsibility for the firm's system of quality control lies with the Managing Partner.

The firm and the individuals with responsibility for various aspects of quality control, ensure that the overriding requirement for quality in everything that the firm does is reinforced by clear, consistent and frequent messages and supported by the firm's actions. The firm's commitment to quality and the quality control procedures needed to ensure that it is achieved, are embedded in its training and technical materials and communicated through both formal newsletters and through informal and ad hoc forms of communication.

The skills, knowledge and commitment of our people are fundamental to CBW's continued success. Our reputation is founded on professionalism, service and dedication. At the heart of CBW are five core values which are the foundation of our culture and are apparent in everything that we do:

- Care
- Pride
- Loyalty
- Innovative and Quality Service
- Integrity

Each value outlines our commitment to delivering service and they are collectively known as The CBW Way.

Ethical requirements

Professionalism, ethics and independence take precedence over all other aspects of the firm's work. Responsibility for the firm's policies and procedures lies with the Ethics Partner, who also provides confidential advice and guidance to other partners and members of staff on professional ethics.

Induction training for all new partners and staff includes an introduction to our ethical and independence policies. Further training on the firm's policies and procedures in relation to professional ethics is provided regularly and always when rules or policies and procedures change significantly.

The firm, both internally and through working with other member firms of DFK, ensures that it has appropriate mechanisms in place to guarantee that it has a central and up-to-date record of the scope of work undertaken in respect of every client, and can evaluate the overall effect that this has on the firm's independence.

The firm obtains confirmation of compliance with independence requirements from all partners and staff both when they join the firm and at least annually thereafter.

Partners and staff (including immediate family members) are not permitted to hold shares in the companies listed on our database of prohibited investments.

Compliance with the firm's independence procedures is covered within the annual review of the firm's compliance with applicable regulatory requirements.

Acceptance and continuance

For new assignments, a thorough client engagement process is conducted that covers anti-money laundering, ethical issues and other professional risk assessment measures.

Every potential audit client is considered in relation to:

- the reasons for the proposed change in auditor and through making enquiries of the predecessor auditor

- potential independence risks and possible conflicts of interest
- the firm's resources and experience, to ensure that the firm will be able to complete the assignment to the highest professional standards
- the management and ownership of the potential client, including confirming the identity of individuals
- the potential client's business and the risk associated with the industry or area within which it operates.

Similar safeguards apply to ongoing client relationships and the firm's independence in relation to audit clients is reassessed at both the commencement and the conclusion of each audit.

Human resources

The firm's systems, policies and procedures are designed to enable us to provide the highest quality of professional services, but a professional service firm is only ever as good as the people within it. To ensure partners and staff have the capabilities, competences and ethical standards to provide the quality of audit work required, the firm has clear policies and procedures covering:

- Recruitment
- Regular evaluation of performance
- Capabilities and competences
- Career development and promotion
- Compensation
- Estimation of staff needs

The firm seeks to recruit individuals with integrity, intelligence, motivation and the ability to progress. Staff are evaluated regularly, taking into account their performance in the period under review and aiming to identify any ways where the firm can assist in ensuring that they continue to progress to be able to meet their full potential. The frequency of evaluations depends on the level of the individual, with some junior staff assessed at the end of larger individual assignments and others evaluated on a six-monthly or annual basis.

All RIs are qualified with the ICAEW/ICAS or ACCA and all audit staff are either qualified or are training.

Engagement performance

All audit engagements are undertaken using the firm's common audit methodology, which has been developed internally. This methodology is applied within the firm's audit software, which has been obtained from leading commercial suppliers. The methodology covers all aspects of the audit process including:

- Risk assessment and audit planning
- Briefing of audit staff
- Performance of audit fieldwork
- Documentation of audit fieldwork
- Supervision of staff and review of work performed
- Consultation
- Review
- Reporting in accordance with applicable legal and regulatory requirements

Audits of public interest entities and other high risk assignments are subject to an engagement quality control review by an experienced audit partner with no other involvement in the provision of services to that client.

Clients with certain risk characteristics are also subject to review by a second audit partner, looking specifically at the relevant risk area and/or a full review of the audit file by members of the firm's compliance team.

The firm has a policy of rotation of "RIs" based on the recommendations contained in the FRC Ethical Standards and the ICAEW Code of Ethics.

Monitoring

In addition to the monitoring of active audit files by an engagement quality control reviewer, second partner or member of the compliance team, the firm also operates a system of internal 'cold' audit file reviews on an annual basis. The programme of audit file reviews ensures that the quality of work of all audit partners is reviewed regularly on a cyclical basis. The selection of audit files for review is randomly chosen from each RI Audit portfolio.

Such reviews are intended to ensure audit work has been undertaken in accordance with applicable standards and regulations, that the firm's policies and procedures have been followed and that the audit reports provided are supported by sufficient and appropriate audit evidence.

The regulatory environment

CBW is registered to undertake audit work by the Institute of Chartered Accountants in England & Wales (ICAEW). With effect from 1 May 2015 the Audit Quality Review (AQR) team of the Financial Reporting Council (FRC) is responsible for inspection of our work in respect of "major audits" and our whole firm audit procedures. Our other audit work is examined regularly by the ICAEW's Quality Assurance Department (QAD). The most recent examination by the QAD took place onsite in October 2015. This visit also covered a review of the audit of CBW's listed client and the QAD liaised with the AQR over the findings. The examination identified no major issues with regard to the firm's audit clients generally but identified a small number of specific issues with regard to the Listed Client Audit. There were no significant thematic issues. The firm has addressed the key findings identified and the firm's audit registration is continuing. The firm did not previously come under the AIU regulatory regime but is due a monitoring visit by the AQR.

All partners and directors who accept insolvency related appointments are licensed by one of the recognised professional bodies, which include the ICAEW, ICAS, ICAI, BIS, ACCA and IPA and are subject to regular monitoring reviews by their RPB. All appointment takers hold current insolvency practitioner licences issued without conditions or restrictions.

Other services, principally financial planning and certain corporate finance lead advisory work, are regulated by the Financial Conduct Authority.

The firm is separately licenced by the ICAEW as an ATOL Reporting Accountant. The first regulatory visit from the QAD is due in the Autumn of 2018.

The firm is also subject to Practice Assurance reviews by the ICAEW Quality Assurance Department, which cover client services not otherwise regulated. Senior management considers recommendations made by regulators and takes action to implement appropriate changes. The last Practice Assurance Visit was in December 2016 and there were no major issues raised nor recommendations made.

Public interest audit clients

A list of the public interest entities, for whom CBW carried out a statutory audit during the year ended 31 March 2018 is provided in Appendix 1.

Continuing professional development

The firm has created and maintains up-to-date, comprehensive, online reference databases and materials including specialist industry materials. These cover all aspects of policy, procedure and methodology as well as containing a complete library of UK and international accounting, auditing and ethical requirements.

To support and keep theoretical knowledge up to date, all partners and staff eligible for appointment as statutory auditors receive regular communications on technical and regulatory topics as they arise.

The technical services team provides consultation support on all aspects of auditing, accounting and regulatory requirements including arranging access to subject matter experts in specialist industries as necessary.

The firm's internal training curriculum provides a broad range of technical solutions as well as business and personal skills programmes. Partners are required to participate in the internal objective setting and related performance appraisal processes. Through this they assess their on-going personal development needs and identify applicable development activities.

Financial information

An analysis of the turnover of Carter Backer Winter LLP (consolidated) for the financial year ending 31 March 2018 is shown below:

	<u>2018</u>	<u>2017</u>
	£'000	£'000
Audit services Public Interest Entities	42	42
Audit services Other Entities	1,475	1,590
Non-audit services to audit clients	897	676
Services to non-audit clients	<u>11,694</u>	<u>11,168</u>
Total turnover	14,108	13,476

The amounts shown for audit services include statutory audits under UK legislation, voluntary audits and audits under overseas legislation.

Partner remuneration

Partners are remunerated out of the profits of the firm. The final allocation and distribution of profit to individual partners is made in accordance with the Members Agreement and once performance has been assessed and the annual financial statements have been approved by the Executive Committee. All full equity partners share profits equally after the fixed shares of the non equity partners.

Audit partner remuneration does not take any account of the selling of non-audit services to audit clients.

Publication

This report can also be found at www.cbw.co.uk/transparency-report/

Appendix 1: Public Interest Entities

This list includes audit clients who have issued transferable securities on a regulated market (as defined in the Statutory Auditors (Transparency) Instrument 2008 (POB 01/2008) and also any clients listed on AIM, for whom Carter Backer Winter LLP issued an audit opinion between 1 April 2017 and 31 March 2018. Where an audit client is a parent undertaking the list excludes any of its subsidiaries.

Public Interest Entities

Ross Group Plc: a UK company listed on the London Stock Exchange.