



IDEAS | PEOPLE | TRUST

TRANSPARENCY REPORT 2018

OUR DOORS ARE OPEN



BDO LLP is a key member of the BDO global network of public accounting, tax and advisory firms. The firms have representation in 162 territories, with over 73,000 people working out of over 1,500 offices. The fee income of the member firms in the BDO network, including the members of their exclusive alliances, was \$8.1 billion as of 30 September 2017. Being a member of the BDO global network allows us to meet the needs of clients who are growing and trading internationally.

162

COUNTRIES AND TERRITORIES

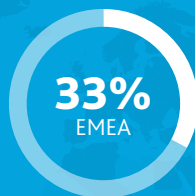
8%

INCREASE IN GLOBAL REVENUE

\$8.1bn

TOTAL REVENUES

REVENUE PERCENTAGE PER REGION



OVER
40
MERGERS
NETWORK-WIDE

GLOBAL HEADCOUNT

73,854
9%

INCREASE YEAR ON YEAR



NUMBER OF

OFFICES
1,500



GLOBAL AVERAGE
PROFESSIONAL STAFF TO

PARTNER RATIO OF **9 TO 1**



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REGULATIONS

We have prepared the Transparency Report, in respect of the period ended 29 June 2018 (the report), in accordance with the provisions of the Statutory Auditors (Transparency) Instrument 2008 issued by the Professional Oversight Board of the Financial Reporting Council; The Statutory Auditors and Third Country Auditors Regulation 2016 and the Regulation of Auditors of Public Bodies. The report also includes those matters specified to be included in the Transparency Report by the Audit Firm Governance Code (the Code), issued by the Financial Reporting Council (FRC) in 2010. Our statement on compliance with the provisions of the Code and our report on how we have applied in practice each of the principles of the Code are given in Appendix A.

Reference to "BDO", "we", "our", "us" in this report is to BDO LLP. BDO is a member of BDO International, a separate legal entity. No member of BDO International is in partnership with any other member.



PAUL ENGLAND
MANAGING PARTNER
30 OCTOBER 2018

INTRODUCTION

FROM THE MANAGING PARTNER

Welcome to BDO's 2018 Transparency Report. Since I last wrote in the 2017 Transparency Report the market has seen the collapse of Carillion; a number of high street names enter into administration and record fines for audit firms.

The future of audit is a major concern for the profession as a whole, which has come under increased scrutiny following a succession of high-profile corporate failures. Critics are increasingly concerned that the Big Four firms are too dominant, audit quality and/or the scope of audit is insufficient and the wider industry is too conflicted.

Whilst this current state of affairs is disappointing, we are engaging with and responding to requests and studies being undertaken and working with all stakeholders, including the Institute of Chartered Accountants of England and Wales (ICAEW), Financial Reporting Council (FRC), Kingman, Competition and Markets Authority (CMA), Government, Corporates and the wider profession, to do all that we can to help shape and effect change which in turn will restore public trust in the role of audit in our economy and society more generally.

As part of this engagement we have developed and shared proposals, which we believe, if adopted and effectively implemented would restore public trust. The fundamental principles incorporated in our proposals include

- ▶ the status quo is not an acceptable outcome
- ▶ the issues of competition and quality must be dealt with together
- ▶ there needs to be better alignment between all business stakeholders

As a successful, globally focused firm, I genuinely believe that we can play a key part in any solution. As evidenced by the quality 'scores' in our 2017/18 FRC Audit Quality Review report, we have a proven track record of delivering high- quality audits which, together with our ongoing investment in people, training and technology means that we have the capability to audit the vast majority of the largest global businesses.

REPORT

FROM THE CHAIRMAN OF THE PUBLIC INTEREST COMMITTEE



SIMON FIGGIS
CHAIRMAN OF THE PUBLIC INTEREST
COMMITTEE

30 October 2018

Welcome to my report on the work of the Public Interest Committee.

As Paul Eagland states in his introduction, it has been an eventful year. My report sets out how we have been involved in responding to these events, and also our activities more generally.

First, I should record that Jeff Randall and Russell King were appointed as non-executives (INEs) in July 2017 and joined me as members of the Public Interest Committee (PIC) on the same date. Their range of skills has been invaluable in allowing us to fulfil our roles as INEs and to assist the firm more generally.

Our activities have remained focused on the public interest and specifically on meeting the purpose of the Audit Firm Governance Code being:

- ▶ the promotion of audit quality
- ▶ helping to secure the reputation of the firm more generally
- ▶ reducing the risks of firm failure

The remainder of this report sets out how we have worked to meet those objectives.

As in prior years all the INEs are members of the Leadership Team and I have continued as a member of the Quality and Risk Management Committee (QRMC). David Isherwood, the firm's ethics partner, has also continued as a member of the PIC. Our membership of the Leadership Team in particular enables us, as INEs, to obtain a

wide perspective of the firm's activities and make our views known at the appropriate level.

As INEs we appreciate the openness with which senior board members interact with us and respond to our challenges, demonstrating their commitment to good corporate governance.

This year we have made a point of visiting a number of regional offices. We have also attended several of the subsidiary boards which report to the Leadership Team, such as the Operations and U Boards.

The well-publicised events of this year, again referred to in Paul's introduction may well be the genesis for significant changes in the structure and regulation of the audit market, but at a basic level they have also reinforced the importance of:

- ▶ relationships with other members of the international network firm and the role of the global executive in monitoring not only audit quality but independence and conflicts
- ▶ audit quality, not only because of the confidence it gives to users of accounts but also because of its effect on the reputation of the firm and the profession more generally
- ▶ being independent and being seen to be independent is crucial; perceived lack of independence leads not only to



finances from the regulator but also has an insidious effect on public trust

We note that the Competition and Markets Authority (CMA) has launched a study of the audit sector to examine concerns whether it is working well for the economy or investors. We support this review. As INEs we will continue to do our part in challenging how BDO delivers work of the highest quality and helping BDO to develop as the market changes and be ready for any expansion of choice.

The firm is part of the FRC's Audit Firm Monitoring and has in the past year worked with the FRC in the areas of risk reporting, contingency planning and IT security.

The firm has taken part in the Audit Firm Culture Review conducted by the FRC. This review focused on the activities of the firm to establish, promote and embed a culture that is committed to delivering consistently high quality audits. I am pleased to see the open approach adopted by the Leadership Team in its response, and we will monitor the action plan going forward.

Changes have been made in client take on procedures to ensure that INEs are consulted as part of the take on panel in relation to particularly contentious appointments, for instance, where there are difficult conflicts of interest that may exist.

We have participated in discussions not only within the PIC but also QRMC and the Leadership Team on resilience, business continuity and disaster recovery (and also

noted the recent work of the FRC in its thematic review on contingency planning).

The more detailed work undertaken by the PIC based on the principles of the Governance Code is set out below.

AUDIT QUALITY

I was pleased to see the improvement in BDO's AQR scores (as set out in the Audit Quality Indicators). Whilst this supports the effect of the continued focus on improving quality we will continue to challenge BDO not to be complacent.

Although the results of external reviews have been positive, the results of the internal reviews have been less good (see section on Internal Quality Control Systems). The INEs received a report from the Head of Business Assurance reconciling the results of the separate reviews and note that the team has been strengthened and is led by an experienced equity partner. We will continue to monitor whether this leads to further improvements in audit quality.

In addition to the wider issues, we have also focused, as in previous years, on understanding – and challenging – the way in which the firm seeks to deliver audits, including responding to the requirements of the audited entity, the entity's investors and other stakeholders.

Specifically, we have continued our focus on the individuals conducting the audit: the promotion and remuneration of partners; training of staff and the results of quality reviews of audit work.

We receive the CVs of all potential internal promotions to partner and Russell has been part of the interview panels, providing challenge relating to appointments.

The INEs also review the thematic and quality reports of other firms, press reports, consultations and their responses along with other information to keep abreast of concerns within the profession as a whole and identify areas of best practice.

As part of the Leadership Team the INEs take part in the debate relating to fairness and gender pay gap.

TRAINING AND STAFF DEVELOPMENT

The Audit Stream Executive (ASE) continues to oversee the manner in which audit training should be delivered, recognising the importance of "on the job" training. PIC has maintained its review of the firm's training strategy in general and specifically in relation to audit, and made various recommendations.

Specifically in relation to audit, this year the ASE has instigated a review of their training strategy and curriculum to ascertain whether it is fit for the future needs of the firm. PIC will continue to monitor the outcome of the ASE's training strategy and renewed curriculum.

We have received reports on the firm's proposed implementation of its 'achieving my potential' programme that looks to combine learning with development objectives monitored through its appraisal process.

REPORT FROM THE CHAIRMAN OF THE PUBLIC INTEREST COMMITTEE



REPUTATION OF THE FIRM

MEETING WITH CRAG

The INEs, the Managing Partner, Head of Quality and Risk and Ethics Partner have continued their annual meetings with representatives of the Corporate Reporting Action Group (CRAG). This year, a particular focus following receipt of an earlier letter from CRAG, was how the firm identifies and manages conflicts of interest.

We welcome such challenges as they bring a fresh perspective to issues beyond strict regulatory compliance and help inform our view of the public interest.

BDO International

The governance and strategy of the global leadership across the network has been discussed at the Leadership Team.

BDO LLP continue to be represented by Paul Eagland on the Global Board, and others within the firm sit on a variety of Boards and Committees. BDOI continue to invest in audit technology and conflict systems.

PIC will be meeting the Global Managing Partner and Global Head of Audit later this year to gain a closer understanding of the future strategy, and focus on network governance and the UK's role more widely

REDUCING THE RISK OF FIRM FAILURE

REVIEW OF TOP RISKS

In addition to sitting on the firm's Quality and Risk Management Committee, I along with other members of PIC received a presentation on the firm's top risks and a report on the progress made in mitigating those risks.

RESILIENCE

As set out earlier in this report the INEs have worked with the leadership to consider BDO's resilience not only to a major audit failure but other risks to their business. We support the Head of Quality and Risk Management in his approach to mitigation of firm risk.

WHISTLEBLOWING AND CONFLICTS OF INTEREST

In addition to the main areas of focus set out above we have received updates on:

- ▶ BDO's whistleblowing procedure and reports
- ▶ the management of conflicts of interest

In addition as a member of the Quality and Risk Management Committee I consider all audit independence breaches.

As INEs we have challenged the firm to consider reviewing their whistleblowing policy. We are pleased to report that management are looking at various options.

FUTURE AREAS OF FOCUS

We will continue to support BDO in developing its strategy, ensuring the public interest continues to be considered; we will continue to report on how we work to meet the purpose of the Audit Firm Governance code as set out above.

We will respond to the outcome of both the Kingman enquiry and the Wates consultation (on corporate governance in the larger private company sector), whose reports are expected in the coming year. We will also respond to the outcome of the CMA review whose provisional findings are expected before the end of the calendar year. We will play our full part in influencing how the firm responds.

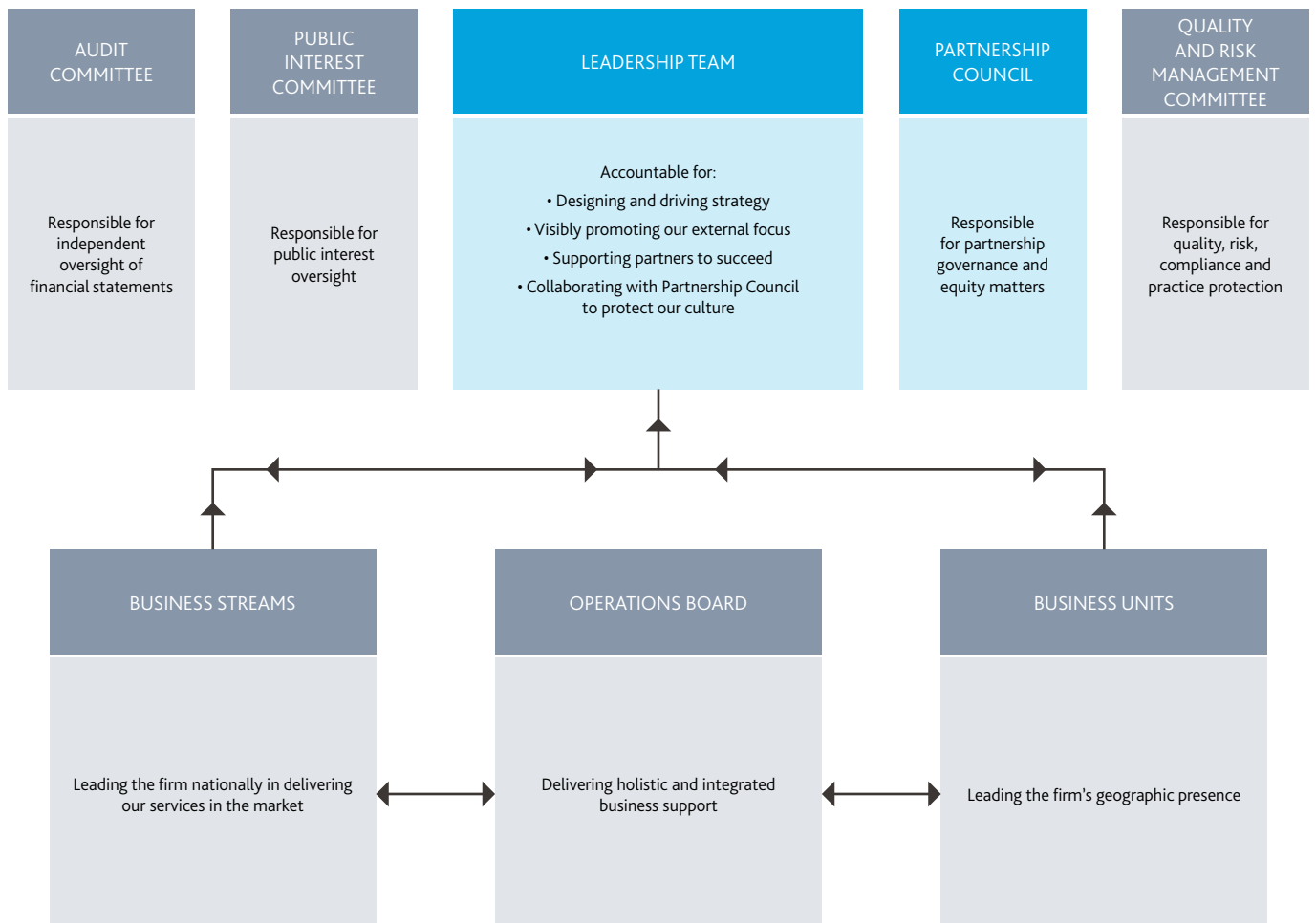
In light of negative press and record fines we will also be looking at the pressure on partners and the attractiveness of the profession as a whole to attract and retain top talent.

As stated above the INEs have met with representatives of CRAG in the period and remain available to speak to institutional Investors.

We continue to have confidence in the management team's commitment to quality and in the firm's governance processes.

GOVERNANCE STRUCTURE

In this section of the report we focus on the governance structure, roles and responsibilities.



GOVERNANCE STRUCTURE

MANAGING PARTNER AND LEADERSHIP TEAM

The partners elect a Managing Partner to hold office for a term of four years commencing from 1 October in the year in which they are elected. The Managing Partner is not eligible for election for more than two consecutive terms in such office but there is no limit to the number of terms that a partner may serve on the Leadership Team other than as Managing Partner.

Upon election, the Managing Partner appoints the partners who serve on the Leadership Team who are then approved by the partners. The INEs are also members of the Leadership Team. The Managing Partner may make subsequent changes to membership of the Leadership Team (save for the INEs) with the consent of the Partnership Council.

The Leadership Team is responsible for the development and implementation of strategy and for the management of the firm. Formal meetings are held monthly and are chaired by the Managing Partner. The Managing Partner has a duty to keep the Partnership Council apprised of any matters of substance that affect the strategic direction of the firm and to refer key management decisions to the Partnership Council for discussion and, where appropriate, for referral by the Partnership Council to the partners.

SENIOR PARTNER

The partners elect a Senior Partner to hold office for a term of four years commencing from 1 October in the year in which they are elected.

The Senior Partner is not eligible for election for more than two consecutive terms in such

office. The Senior Partner is a non-executive position. The Senior Partner is responsible for firm governance as well as acting as a senior representative for, and ambassador of, the firm. The Senior Partner chairs the Partnership Council and takes responsibility for managing all Partnership Council duties. The Senior Partner attends Leadership Team meetings in a non-executive capacity to facilitate the governance oversight role of Partnership Council.

The Senior Partner as at 30 June 2018 was Mark Bomer. Mark was elected as Senior Partner with effect from 21 June 2011 and is in his second term which expired on 30 September 2018. He is a member of our Inclusion Steering Group and is our representative at the 30% Club and its professional services sub-group, which are committed to seeing more women on the boards of UK companies.

With effect from 1 October 2018 the Senior Partner is Matthew White.

PARTNERSHIP COUNCIL

The Partnership Council has overall responsibility for governance matters. The Partnership Council approve the nomination of candidates for election for Senior Partner and Managing Partner. The Senior and Managing Partners are elected by the members.

The Partnership Council also oversee the appointment of INEs.

INDEPENDENT NON-EXECUTIVES

Candidates for INE roles are proposed by the Leadership Team and approved by the Partnership Council. The Partnership Council reviews the effectiveness and independence of the INEs.

The INEs are invited to attend a meeting of the Partnership Council on an annual basis without executive members of the Leadership Team in attendance and have the right to meet with each other on a private basis. In addition INEs have the right to initiate direct access to the Partnership Council at any other time in order to report and agree a course of action in relation to any fundamental disagreements with the executive members of the Leadership Team. Where ultimately the disagreement cannot be resolved and results in the resignation of an INE they also have the right to report this resignation publicly.

INEs are appointed on a rolling term of one year unless or until terminated by either the INE themselves or by the firm.

The INEs perform duties as set out in their letter of appointment; in particular they:

- ▶ Provide advice on governance and fulfilment of INE obligations relating to the Audit Firm Governance Code
- ▶ Provide City and institutional support
- ▶ Apply independent judgement to matters of particular concern to the firm.

Where occasions arise that the INEs consider they need to obtain independent professional advice, the firm will fully reimburse the cost of obtaining such advice.

KPIS

In measuring the effectiveness of the governance structure we take account of frequency of meetings and meeting attendance details of which are set out in Appendix F.

BOARDS AND COMMITTEES*

BODY	COMPOSITION	RESPONSIBILITIES
Leadership Team	<ul style="list-style-type: none"> ▶ Paul Eagland - Managing Partner ▶ Five executive members appointed by the Managing Partner ▶ Three Independent Non-Executives (INEs) ▶ The Senior Partner ordinarily attends. 	<ul style="list-style-type: none"> ▶ Provides strategic leadership with emphasis on the firm's services to its clients. ▶ Sets the culture of the firm through its tone at the top. ▶ Profit sharing
Public Interest Committee (PIC)	<ul style="list-style-type: none"> ▶ Simon Figgis – INE (Chair) ▶ Russell King (INE) ▶ Jeff Randall (INE) ▶ David Isherwood - Ethics Partner ▶ Ordinarily in attendance ▶ Paul Eagland ▶ Scott Knight ▶ Iain Lawson 	<ul style="list-style-type: none"> ▶ Considers public interest matters that affect the firm, with a goal of enhancing stakeholder confidence in the public interest aspects of the firm's activities
Partnership Council	<ul style="list-style-type: none"> ▶ Mark Bomer - Senior Partner (Chair) ▶ Paul Eagland - Managing Partner ▶ Two representatives from the Leadership Team who may attend by invitation of the Managing Partner. ▶ 12 elected partners (four year term, max two terms) 	<ul style="list-style-type: none"> ▶ Overall responsibility for equity and governance matters; including the accountability and oversight of management. ▶ New admissions and exits from the partnership
Audit Committee	<ul style="list-style-type: none"> ▶ Matthew White ▶ Stuart Collins ▶ Nick Carter-Pegg ▶ Mark Bomer 	<ul style="list-style-type: none"> ▶ Meets with the external auditors and management to provide a forum for the external auditors' reporting ▶ Assesses and monitors the independence of auditors ▶ Reviews and monitors the integrity of the firm's financial statements including key judgements made by management ▶ Considers the effectiveness of the internal controls maintained and monitored by management as well as reviewing management's prioritisation of key operational risks.

GOVERNANCE STRUCTURE

BODY	COMPOSITION	RESPONSIBILITIES
Quality and Risk Management Committee (QRMC)	<ul style="list-style-type: none"> ▶ Iain Lowson - Head of Quality and Risk Management ▶ Simon Figgis - Independent Non-Executive ▶ Paul Eagland - Managing Partner ▶ Andy Butterworth - Chief Operating Officer ▶ Scott Knight - Head of Business Assurance ▶ Nicole Kissun - Head of Technical Standards Group ▶ Pauline McGee - Head of Quality and Risk Management Team ▶ Angela Foyle –Money Laundering Reporting Officer 	<ul style="list-style-type: none"> ▶ Ensures appropriate strategies and plans are drawn up, implemented and monitored to manage risk effectively and to deliver quality services consistent with the firm's strategy. ▶ Understanding and monitoring all risks facing BDO as a business (be they strategic, reputational, financial or operational) and for scrutinising the processes in place within the business for managing and mitigating these risks
Audit Stream Executive (ASE)	<ul style="list-style-type: none"> ▶ Scott Knight - Head of Business Assurance ▶ Nicole Kissun - Head of Technical Standards Group ▶ Angela Lynch - Operations Director for the National Audit Stream ▶ Six partners from a range of sectors and regional offices. 	<ul style="list-style-type: none"> ▶ Ensures audit quality remains at the top of our agenda ▶ Develops and delivers the national Audit Stream strategy ▶ Monitors commercial and regulatory activity in the audit market ▶ Supports practitioners to be successful in the market, creating a culture of consultation and support ▶ Sets Audit Stream policies and procedures ▶ Provides oversight of quality, licensing and rotation.



FIRM STRATEGY, CULTURE AND KPIS

In this section we outline our strategic framework, culture and the Key Performance Indicators we use to measure our success. Further details on our culture can be found in our first Unifying Culture Report available on the BDO website.

OUR STRATEGIC FRAMEWORK

Our strategic framework sets out our

- ▶ Core purpose
- ▶ Vision
- ▶ Values
- ▶ Strategy.

Quality is explicitly and implicitly incorporated throughout.

OUR CORE PURPOSE

We are a purpose lead organisation.

Everything we do is driven by our core purpose – 'helping you succeed'. It governs why we do what we do.

Our purpose reflects how we recruit, train and develop our people and how we work with our clients to achieve their goals and be successful.

OUR STRATEGY AND KPIS

Our strategy is simple:

BRAND: To develop a BDO brand that is synonymous with understanding the needs of ambitious, entrepreneurially spirited and high-growth businesses; helping them succeed.

We use 2 main KPIs to measure progress with regard to the development of our brand.

Firstly, we monitor progress by reference to the results of the FRC's Audit Quality Review report, primarily in terms of improvements in BDOs inspection results. Results of these reviews are set out in our Audit Quality Indicators.

Secondly, we track feedback received via the mid-market monitor (an independent piece of research). Our latest results show 95% of our clients would recommend us, this is against a target of 90%.

UNIFYING CULTURE: To create an inclusive and empowering culture that encourages people to 'be themselves', work together and deliver exceptional client service – to be as successful as they can be.

In measuring our unifying culture we monitor both our partner and staff engagement scores.

Our partner engagement scores have risen from 71% to 78% in the year – our aim to is to increase this to 80% plus.

Our staff engagement score is currently 63% against a target of 70%.

INTERNATIONAL: To contribute to an ever stronger international network, delivering complex assignments with deep expertise to help our people and clients succeed globally.

Under this heading we measure the referrals to and from the network. Referrals for year ended 2018 were: referred out £63.7m (PY £54.2m) and referred in £27.8m (PY £31.6m).

LEADING OUR MARKETS: Focused on helping Britain's economic engine succeed, from private clients, private businesses and private equity, to public markets and the public sector.

We measure our position within the AiM market – this year we were placed as number one AiM market advisor.

In addition we measure revenue by reference to a target of £500m net revenue by 2022.

DIGITAL MINDSET: A digital mindset focused on delivering innovative client solutions.

We have a number of internal metrics. As an example we have had significant growth in the adoption of our data analytics tool (over 1200 clients in the year).



ETHICS AND INDEPENDENCE

Ethics and independence are of fundamental importance to the firm as a whole.

As required we set out in this report our policy and procedures in respect of ethics and independence.

INTEGRITY, OBJECTIVITY AND INDEPENDENCE

If the partner identifies threats to the firm's objectivity, including any perceived loss of independence, they are required to identify and assess the effectiveness of the available safeguards and apply such safeguards as are sufficient to eliminate the threats or reduce them to an acceptable level. If the partner concludes that any threats to the firm's objectivity and independence cannot be reduced to an acceptable level then the firm will not accept or continue to provide that service to the client.

Our partners and staff are not just required to apply the rules but also to adhere to the principles of ethics and independence and consider the views of an objective, reasonable and informed third party in order to reach a judgement that meets the overarching requirement to behave ethically.

Audit engagement partners are required to communicate to those charged with governance on a timely basis all significant facts and matters that bear upon the auditor's objectivity and independence. Internal guidance and templates are available detailing the matters which should be included in such communications.

Our policies and procedures relating to ethical conduct and auditor independence are set out in detailed internal guidance pages on the firm's intranet and in the BDO UK Audit Manual.

These are supplemented by helpsheets and complemented by extensive advice; consultation and training programmes, designed to ensure compliance with International and UK Ethical Standards. The Ethics Partner and Ethics Team are responsible for providing guidance and support on the application of ethical standards to ensure that our professional objectivity and independence is maintained.

These policies and procedures cover, inter alia, our relationships with audit clients, rotation of audit partners, fees and the provision of non-audit services to audit clients. They meet, and in some instances exceed, those that are promulgated by the FRC's Ethical Standard, the IESBA Code of Ethics for Professional Accountants and the ICAEW Code of Ethics.

In addition to their own national code of ethics, all BDO Member Firms, as members of the Forum of Firms, are required to comply with, and annually report as to their compliance with, the IESBA Code of Ethics. Member firms working on public interest clients for BDO LLP are required to adhere to the FRC Ethical Standard.

As chartered accountants we are expected to demonstrate the highest standards of professionalism. Ethical behaviour plays a vital role in ensuring public trust and upholding the reputation of the accounting profession. The ICAEW Code of Ethics assists us by providing relevant ethical guidance.

FINANCIAL, BUSINESS, EMPLOYMENT AND PERSONAL RELATIONSHIPS

In order to comply with relevant ethical standards, and to allow us to provide the most flexibility to our clients, we have policies in place that prohibit the firm, partners, staff and persons closely associated with them holding a financial interest in an audit client or a significant affiliate of an audit client.

Additionally, the firm, partners, staff and persons closely associated with them may only enter into business relationships with any of the firm's clients or their affiliates where they:

- ▶ Involve the purchase of goods and services from the client in the ordinary course of business and on an arm's length basis and where the value involved is not material to either party.
- ▶ Are clearly inconsequential to both parties.

employment type relationships with clients are relatively rare but in order to protect objectivity, approval procedures are in place before any such situation can be established.

Partners and staff members should report to the Ethics Partner where any member or persons closely associated with them, has an involvement with an audit client which they consider might create a threat to the firm's objectivity or a perceived loss of independence.

The annual declaration process seeks confirmation from partners and staff that our policies surrounding financial, business, employment and personal relationships have been complied with. All exceptions are

reviewed and investigated by the Quality and Risk Management (QRM) Team and/or the Ethics Team.

The QRM Team perform audits of financial interests held by our partners and staff. Partner's interests are audited on a three yearly basis with 2% of our staff being subject to financial audits each year.

LONG ASSOCIATION WITH THE AUDIT ENGAGEMENT

Our policies are in accordance with the FRC Ethical Standard (Revised June 2016) notably that:

- ▶ The audit partner on a listed or Public Interest Entity (PIE) audit client rotates after five years except in exceptional circumstances, where rotation can be extended to occur after seven years. Where an extension of the rotation period occurs additional safeguards will be put in place and approval for the extension will be obtained from the Ethics Partner
- ▶ Key Audit Partners involved in the audit of our PIE audit clients, within the EU, are required to rotate after five years in line with the requirements of the FRC's Ethical Standard. The rotation of Key Audit Partners outside of the EU is monitored closely by the audit teams to ensure a gradual rotation. Where an extension of the rotation period occurs additional safeguards will be put in place; and
- ▶ Audit teams are required to plan the rotation of other partners and senior staff involved in the audit to achieve a gradual rotation to preserve audit quality.
- ▶ For non-listed audit clients, the audit partner will normally rotate off the

audit after ten years. Where rotation is extended beyond ten years, a rotation plan will be agreed with the firm's Ethics Partner and additional safeguards put in place.

Rotation in relation to PIE and other listed audit clients is monitored by the Ethics Team and a designated member of the ASE.

FEES, REMUNERATION AND EVALUATION POLICIES, LITIGATION, GIFTS AND HOSPITALITY

Ordinarily contingent fees are not allowed for any project where the firm will, as any part of that project or any other project, be required to give an independent opinion. The firm's relationship risk review requires project partners to consider the impact of the prospective project's fees on the partners' portfolio. In addition the firm does not provide tax services to listed entities on a contingent fee basis.

Our appraisal, promotion and remuneration processes for audit staff specifically exclude objectives related to selling non-audit services to their audit clients. Breaches of our ethical requirements are considered in respect of whether a fine or other sanction is appropriate.

In accordance with The Bribery Act, partners, staff or anyone who performs services for or on behalf of the firm are not permitted to agree to anything that an informed reasonable third party might perceive to be a bribe.

The firm has specific policies regarding situations where a bribe might occur – gifts, hospitality and expenses, facilitation payments, political contributions, charitable contributions, sponsorship, commission

payments, commission receipts and recruitment.

Partners, staff and persons closely associated with them may only accept a gift, favour, or other personal benefit from clients (or clients' officers or employees) or introducers of work to the firm or any other organisation or individuals including suppliers to the firm who may benefit or be seen to benefit from their relationship with the firm if it satisfies the criteria set out in the firm's gifts policy.

The annual declaration process seeks confirmation from partners and staff that the firm's policies surrounding gifts and hospitality have been complied with. A sample of annual declarations is reviewed by the QRM Team. In addition, all exceptions are reviewed and investigated by the QRM Team and, where these relate to audit clients, the Ethics Team.

NON-AUDIT SERVICES PROVIDED TO AUDIT CLIENTS

The firm's Client Take On procedures are completed for all new clients and projects. In respect of all non-audit services provided to audit clients, procedures require approval by the audit engagement partner to ensure that the audit engagement partner (or their delegate) is informed about any proposed engagement to provide a non-audit service to the audited entity or any of its affiliates and that he or she considers the implications for the auditor's objectivity and independence before the engagement is accepted.

The provision and approval of non-audit services is specifically reviewed at an engagement level as part of the firm's Audit Quality Assurance programme conducted on a selection of audit files.

ETHICS AND INDEPENDENCE

INDEPENDENCE PRACTICES

A review of independence practices has been conducted via processes of internal review as part of a series of monitoring and review activities, including:

- ▶ An annual declaration undertaken by all partners and staff, a sample of which are reviewed by the QRM Team. All exceptions are reviewed and investigated by the QRM Team.
- ▶ The Independent Inspection programme examines a selection of audit files on an annual basis as explained on page 24.
- ▶ Regular and ad hoc monitoring activities targeting specific aspects of audit independence.

Where independence violations are identified, appropriate remedial action is instigated and appropriate improvements are made to the firm's systems and processes and additional guidance and training is implemented. Independence breaches are reported to the Quality and Risk Management Committee.

BDO INTERNATIONAL GLOBAL INDEPENDENCE PRACTICES

BDO Member Firms' independence and objectivity on assurance clients is achieved through policies and procedures designed to ensure compliance with the independence standards of the International Federation of Accountants (IFAC) Code of Ethics and the respective national regulatory organisations. The relevant ethics and independence rules for each member firm are posted on BDO's global intranet, which is accessible by all BDO partners and professionals.

Our member firms have a designated Independence Champion, usually an experienced partner, who monitors compliance with the applicable independence policies and procedures, provides consultations regarding independence matters, and oversees independence training.

BDO also maintains a worldwide database of all our major firms' restricted entities, including listed companies and public interest entities. This is situated on the global intranet and its objective is to prevent the performance of prohibited non- assurance services or investment in restricted entities. The worldwide database is updated monthly and the Independence Champions must positively affirm each month that their member firms' listing of restricted entities is accurate and complete. They also annually confirm that their domestic independence rules comply with the IFAC Code of Ethics and are available on the global intranet.

Prior to accepting any new client or assurance engagement, member firms must perform specific procedures to identify potential conflicts of interest and threats to their independence. Procedures include a custom-made web-based tool to facilitate international conflict of interest and independence checks throughout the BDO network.



INTERNAL QUALITY CONTROL SYSTEMS

As important as having policies and procedures to ensure the delivery of quality audits is the monitoring of adherence to those policies and procedures.

The firm's internal control framework is designed to provide reasonable assurance that the firm, its partners and staff comply with professional standards and regulatory and legal requirements, work is performed to a consistently high standard and that reports issued by the firm are appropriate.

The Framework can be split into the following elements:

- ▶ leadership responsibilities for quality within the firm
- ▶ ethical requirements, as set out in the Ethics and Independence section
- ▶ identification, evaluation and mitigation of risks, as set out in this section and our section on Top Risks
- ▶ acceptance and continuance of client relationships and specific engagements
- ▶ human resources and development
- ▶ engagement performance
- ▶ monitoring and documentation of the system of quality control
- ▶ internal audit

LEADERSHIP RESPONSIBILITIES FOR QUALITY WITHIN THE FIRM

Quality control is dependent upon an organisational structure which is inherently sound and which clearly defines the responsibilities of the various levels of management.

The firm has clearly established

responsibilities for the Managing Partner, the Senior Partner and other senior personnel. The Managing Partner establishes various boards and committees, as detailed in the section on Governance Structure, to implement the firm's business strategy and manage operational issues.

Along with the firm's management, the Head of Quality and Risk Management supported by the Ethics Partner reinforces the appropriate "tone at the top" by instilling professional and ethical values in the firm. The Audit Stream "tone at the top" is set by the Head of Business Assurance, supported by the Audit Stream Executive. The national Audit Stream is supported by the Technical Standards Group (TSG) and the Quality and Risk Management (QRM) Team.

TSG, led by the Head of Technical, is inter alia responsible for the following:

- ▶ maintaining the firm's technical manuals and communicating developments to the firm's partners and staff
- ▶ helping maintain the quality of the firm's assurance practice at the highest standards prevailing in the profession
- ▶ consulting with local office partners and other professionals seeking technical advice and
- ▶ overseeing the firm's technical continuing professional education programmes.

INTERNAL QUALITY CONTROL SYSTEMS

The Head of Quality and Risk Management who is also the firm's Audit Compliance Principal, is responsible for the following:

- ▶ monitoring of independence
- ▶ monitoring the firm's auditing work and
- ▶ evaluating the firm's quality controls policies and procedures.

ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS

Robust client and engagement acceptance procedures play a pivotal role in the firm's ability to deliver a professional and quality service.

Prior to the acceptance of any new client and consideration of continuance with that client, certain procedures to assess the risks associated with that client must be carried out. These will include:

- ▶ consideration of the client's business including its geographical spread and the industry it operates in
- ▶ evaluation of information concerning the client, its management and its owners including obtaining evidence of the identity of the owners and officers of the business
- ▶ considering information regarding the character and reputation of the prospective client and key personnel
- ▶ assessment of potential independence risks and potential conflicts of interest
- ▶ if relevant, inquiry of the previous auditor regarding the reasons for the change in auditor and if there is any reason why we should not accept the appointment
- ▶ assessment of our ability to serve the

prospective client and

- ▶ reviewing filings of the company, including prior year financial statements.

The acceptance and continuation of all clients requires an approval process that is appropriate to the perceived risk. "High risk" assurance clients require pre-approval by the Head of Business Assurance and in certain circumstances by the firm's Client Acceptance Panel (a panel of experienced partners including a member of the Leadership Team, the MLRO; the Head of Quality and Risk Management and when applicable one or more INEs).

HUMAN RESOURCES AND DEVELOPMENT

Human resources are a critical factor in our ability to provide professional services. In order to ensure that the firm has sufficient personnel with the capabilities, competence, and ethical behaviours necessary to provide quality audits in accordance with professional and legal requirements we have established clear and consistent policies and procedures addressing the following areas:

- ▶ Clear job description: tasks, responsibilities and expectations
- ▶ Recruitment procedure
- ▶ Grades and levels: explanation and theoretical timeline, career path (specialism or upward)
- ▶ Workforce planning, succession management
- ▶ Continuous performance appraisal and engagement surveys
- ▶ Development plan and training policy

Procedures and policies related to personnel are contained on our intranet and provide clarity and coherence on goals, structures, vision and accepted behaviours of BDO employees. In short, they cover the rules of engagement within our firm.

Non-compliance with the firm's policies and professional standards are reflected through additional training, delays in promotion or through dismissal for serious instances of non-compliance.

CLEAR JOB DESCRIPTION: TASKS, RESPONSIBILITIES AND EXPECTATIONS

A good job description is the basis for most personnel matters in our firm: recruitment, selection, coaching & mentoring, career development & mobility and performance evaluation.

A job description is a structured, written record of all facets of a position; it provides clarity on the tasks, scope of the function responsibilities and authorities, what we expect of the person and the standard of performance required.

The job description contains the following information:

- ▶ Purpose of a function
- ▶ Role of a function in the firm, reporting line, position in the structure, workflow
- ▶ Core tasks and specific activities
- ▶ Responsibilities / authority and scope
- ▶ Expectations
- ▶ Job requirements (knowledge, skills and behavioural competencies)
- ▶ Qualifications required for the role



RECRUITMENT PROCEDURE

Policies and procedures for recruitment are designed to provide reasonable assurance that those employed possess the appropriate characteristics to enable them to deliver a high quality service and perform their duties with professional competence.

We work actively to promote diversity within the firm's culture, not just in principle but in practice. Inclusivity within the organisation, whether it is based on age, gender, ethnicity or physical capabilities, strengthens the firm's values, makes the firm more representative and more capable of providing a quality professional service.

We seek smart people with integrity, motivation, aptitude and leadership qualities appropriate to the role for which they are being hired.

GRADES AND LEVELS: EXPLANATION AND THEORETICAL TIMELINE, CAREER PATH (SPECIALISM OR UPWARD)

Competency management concerns 'the right person, in the right place, at the right time'. But the influence goes further:

- ▶ It enables the 'matching' of a potential employee to the firm
- ▶ It strives to tie the individual's career needs and aspirations to the needs of the firm
- ▶ It structures the HR processes and administration of:
 - new staff (recruitment and selection procedures)
 - existing staff (remuneration, appraisals, training and development) and
 - leaving staff (exit policy).

We provide a clear set of grades and levels with appropriate competencies explanation and timing guideline. Compensation matches the grade and the market benchmark. It is reviewed periodically to ensure market competitiveness.

Staff career development is addressed on both a national and regional basis. Staff are promoted to the next level only when they are prepared for the increased responsibilities that promotion entails.

Partner compensation is reviewed regularly which includes consideration of the partner's role in the firm, and the quality of the work, but is not directly related to the individual's financial performance. The appraisal and compensation of partners includes consideration of the findings from internal and external inspections of audit engagements.

WORKFORCE PLANNING, SUCCESSION MANAGEMENT

We recognise that ultimately it is the quality and commitment of the partners and staff that really makes a difference and enables us to deliver a quality audit. Given this, our ability to attract and retain the right number of high quality people is of utmost importance. We predict personnel requirements so as to continue to service the firm's clients and provide sufficient capacity to enable its partners and staff to develop the business.

Policies and procedures for assigning personnel to engagements are designed to provide reasonable assurance that only those persons having adequate technical training, proficiency and competence will perform the work.

A current profile of staff's technical proficiency is obtained by personal knowledge and by reviewing evaluation forms completed by his or her superiors on previous engagements. This profile is used to assess the suitability of the staff member for specific subsequent assignments.

In staffing an engagement, consideration is given to ensure that partners and staff have the necessary technical knowledge and other skills appropriate to the size, complexity and nature of the planned work.

Succession management enables BDO:

- ▶ To protect the firm's present strengths and build for its future, ensuring sustainability and continuous strong leadership
- ▶ To reduce the risk of having leadership gaps for critical positions (either because of lack of talent or unprepared key successors)
- ▶ To engage the leadership in supporting the development of high-potential leaders and, in return, motivate, retain and engage key talents
- ▶ To anticipate and align resources with future needs and strategies and create a flexible business by responding faster to new leadership needs
- ▶ To counter the increasing difficulty and costs of recruiting employees externally

Succession management enables the employee:

- ▶ To get opportunities to grow and develop skills necessary for future roles and meet career development expectations
- ▶ To remain committed, motivated and engaged and
- ▶ To stay with the firm

INTERNAL QUALITY CONTROL SYSTEMS

CONTINUOUS PERFORMANCE APPRAISAL AND ENGAGEMENT SURVEYS

All our partners and staff members are subject to formal performance appraisal, review and counselling on a regular basis, in order to evaluate the level of competence, monitor development and to help them reach their full potential. Performance appraisals include a review of an individual's contribution to the quality of service(s) provided by our firm.

Appraisals are completed on an assignment-by-assignment basis at certain levels and also at frequent intervals at all levels. The factors appraised (which may vary by level) include professional and technical competence (including analytical and judgement skills), personal and management skills, and client servicing skills.

Our firm provides regular engagement surveys to monitor employee engagement to ensure the motivation to maximise the success of the firm.

DEVELOPMENT PLAN AND TRAINING POLICY

Our learning and development strategy ensures the firm's ability to remain competitive and to motivate our staff.

It includes both the technical expertise and skills to meet the needs of the higher demands of the market; that is business advisers, financial analysts, communicators, negotiators and managers. At the same time integrity, objectivity, professional scepticism and willingness to take a firm stand are essential attributes of professionals.

We provide our individuals a clear career

path and complementary development plan.

Our staff's integrity, honesty and moral character must be above reproach. While attributes of individual applicants may differ because of technical specialisation and years of experience, there are three basic attributes that all our staff possess:

- ▶ Technical competence in a chosen field of expertise
- ▶ Pride in self, the firm and the profession and
- ▶ Strong personal skills in managing and engaging staff and in leading engagements.

These are mandatory requirements for partnership.

ENGAGEMENT PERFORMANCE IN THE AUDIT STREAM

COMMON METHODOLOGY

Our policies and procedures are designed to ensure that audits meet all applicable professional standards, regulatory requirements and that the firm issues reports that are appropriate in the circumstances.

To achieve this and to promote consistency in the approach to auditing and related fundamental application of professional scepticism throughout the BDO network, BDO International has developed the common BDO Audit Methodology, related software tools and other standard forms of documentation. This methodology is fully compliant with International Standards on Auditing.

APT, BDO International's in-house state of the art audit software, remains BDO's single largest global project of its kind and its

evolution continues. With further substantial audit methodology and IT investment, the next generation of APT is being prepared for roll out. By designing APT to take advantage of recent technological advances, we will be able to:

- ▶ safeguard the structural integrity of the tool for the future;
- ▶ utilise a technologically advanced tool that reflects the latest interpretations of the auditing standards and
- ▶ enable teams to work efficiently on both large and small engagements.

BDO Advantage is our data analytics audit tool. It works by combining smart technology with our knowledge and understanding of our clients' business to deliver information for in-depth interpretation.

This includes graphics that aid the exploration and understanding of data and make it easier to spot patterns and trends and crucially to identify anomalies. BDO Advantage has improved our awareness, provided valuable insights and delivered improvements to audit quality.

Journal Analyser is the first step in the BDO Advantage journey. Audit journal adjustments are a key part of the audit and are often difficult to cover. Advantage makes it easier for the audit team to identify the journals that are large or unusual and support the process of auditing them.

Version 3 of BDO Advantage incorporates a Financial Analysis Tool that enables our audit teams to drill down and explore financial movements within the areas of the financial statements. The latest version also includes a Keyword search capability that enables our

teams to search journals for high risk phrases such as error, correction or adjustment. It also supports our audit procedures to identify related party transactions.

SUPERVISION AND REVIEW

We require all professional work to be supervised by staff members who have appropriate knowledge and experience. It is the responsibility of the relevant partner, principal or director to ensure that related risks are identified and that decisions are taken by those with an appropriate level of authority. The relevant partner, principal or director must also ensure that professional work is carried out with appropriate professional scepticism, and that it meets the firm's standards in all respects.

Our review procedures are designed to ensure effective control of the audit as it progresses. These policies are designed to ensure that:

- ▶ the work is performed in accordance with applicable standards and regulations
- ▶ significant matters have been raised for further consideration and appropriately addressed
- ▶ appropriate consultations have taken place
- ▶ the planned work has been reviewed and that the objective of all planned work has been achieved
- ▶ the work performed and evidence obtained supports the conclusions reached and
- ▶ the documentation present on the audit file enables an experienced auditor to understand the significant matters

arising on the audit as well as the nature, timing and extent of the procedures undertaken, the results of those procedures and the evidence obtained.

An engagement quality control review is performed for audits of public interest entities, other listed entities and other high risk engagements. The engagement quality control reviewer will be familiar with the auditing and reporting practices used during the engagement, and be knowledgeable and familiar with the client's industry, but is not part of the audit engagement team. They will be an experienced audit partner and not likely to be unduly influenced by the views of a particular engagement partner. The engagement quality control reviewer will not be actively involved in making ongoing decisions relating to the engagement and will not be involved in performing the engagement. Engagement quality control reviewers are selected from a list of approved reviewers, as determined by the Head of Quality and Risk Management.

CONSULTATION

Our culture encourages consultation with experienced partners and other specialists where appropriate. The firm has a process in place for audit partners and teams to follow when consulting and seeking a 'firm' opinion, support on a client issue, judgement or risk.

RESPONSIBILITY FOR AUDIT QUALITY

The firm's Leadership Team has overall responsibility for the quality of work across the firm including the quality of our audit work. Within this it has responsibility for the design of a system of internal monitoring to ensure that audit quality is maintained

and improved. The Leadership Team has delegated the design and implementation of this system to the firm's Audit Stream Executive (ASE), but the work of the ASE is subject to review and approval by the Leadership Team prior to implementation.

The firm's Head of Business Assurance sits on the Leadership Team and the Head of Quality and Risk attends for agenda items regarding quality. Audit quality is a standing item on the agenda of every Leadership Team meeting. The Head of Business Assurance provides a monthly update on audit quality issues to the Leadership Team.

The Head of Business Assurance and the Head of Quality and Risk Management have regular communications with audit partners on audit quality issues.

MONITORING AND DOCUMENTATION OF THE SYSTEM OF QUALITY CONTROL.

Our policies and procedures concerning monitoring activities are designed to give the firm reasonable assurance that the firm's internal quality control system is operating effectively and is being complied with in practice.

Our quality control system includes an annual programme of inspections of audit files (the Audit Quality Assurance Review). This is designed by the Audit Stream Executive and approved by the Quality and Risk Management Committee and the Leadership Team. Its purpose is to monitor compliance with the firm's policies, procedures and standards and to ensure that audit work carried out in order to arrive at an appropriate opinion, is properly documented and of high quality.

INTERNAL QUALITY CONTROL SYSTEMS



INTERNAL INDEPENDENT REVIEWS PROCESS

The review process is separated between reviews of those clients that are within the scope of the AQR and those within the scope of the Quality Assurance Department of the ICAEW.

Those that are in-scope of the AQR are reviewed by a dedicated team of reviewers.

Reviews of those that are in scope of the ICAEW’s Quality Assurance Department (QAD) are overseen by an experienced independent audit partner.

Each set of reviews considers all matters from client take on, through planning and executing the assignment, to reporting and the role of the EQCR. It also considers the appropriateness of accounting policies and disclosures.

The sample is chosen to ensure that each audit Responsible Individual (RI) is subject to review at least once every two years, and to ensure that an average 60% of all RIs are reviewed in any one year with 100% of RIs covered in a two year period. Each Sector Business Unit (SBU) will have at least one RI subject to review each year with all financial services RIs reviewed annually. Newly appointed RIs are selected for review in their first year. The sample is weighted to include an appropriate number of Public Interest Entity (PIE), including listed, Public Sector and US issuers, audits each year.

Each review team is headed by an experienced audit partner. Where the sample includes a client in a specialised industry, appropriate internal specialists are involved in the review.

Independence of the reviewers is ensured through having each partner reviewed by a team from a business unit/ office other than the partner’s own.

Instructions are issued to the reviewers in advance of the review setting out the objectives of the process, a checklist, appropriate guidance and reporting templates.

A conclusion is drawn on each audit reviewed as to whether the audit work was acceptable or required significant improvement.

At the conclusion of the annual programme the results are discussed with the Head of Business Assurance and the Audit Stream Executive and the results are reviewed by the Quality and Risk Management Committee and the Public Interest Committee. Root cause analysis of findings is carried out and appropriate action plans drawn up.

The Head of Quality and Risk Management is responsible for monitoring the implementation of, and compliance with, any corrective actions. The Head of Quality and Risk Management is also responsible for ensuring appropriate documentation of the operation of each element of the firm’s quality control system.

RESULTS OF INTERNAL REVIEW PROCESS

The review process is conducted in respect of a calendar year. The results of the review conducted in 2017 were:

TOTAL	2017	2016	2015
Grade 1	48%	60%	54%
Grade 2	34%	27%	35%
Grade 3	18%	13%	11%

Files are graded 1-3 with, 1 being good and 3 needing significant improvement (not satisfactory).

Detailed action plans have been developed to address the findings from our internal and external reviews. Key findings and learnings are anonymised and played back to the stream. This now includes good practice findings from the AQR so reinforcing good behaviour.

We continue with our programme of Root Cause Analysis (RCA) which we believe is having a positive effect. We also note emerging themes and feed these back to the stream through monthly update calls.

Over the last few years we have invested heavily in data analytics to provide greater insight into areas such as revenue, journals and valuations.

AQR ELITE SQUAD

During 2017 an “AQR Elite Squad” was formed consisting of a team of experienced audit directors and senior managers who perform an additional thematic review on a selection of AQR in-scope audit jobs. Both the reviewers and the engagements



to be reviewed are selected by the Head of Business Assurance.

These reviews are recorded on the files as a general review, focusing on the quality in significant or complex areas of the file, and provide additional support to the EQCR.

Findings from the thematic nature of the reviews are collated and fed back to members of the audit stream at the annual AQR in-scope forum.

INTERNAL AUDIT

The firm's internal audit function reports to the Quality and Risk Management Committee. The Quality and Risk

Management Committee reviewed and approved the Internal Audit plan of activity for the year which is based on an overall three year plan approved in the prior year. The Internal Audit plan is based primarily on the firm's Top Risks and includes both service stream and PMD specific reviews.

Reports setting out the recommendations raised to address any weaknesses identified in the firm's system of internal control, along with quarterly updates of progress against the internal audit plan and implementation of actions in response to findings from reviews were considered by the Quality and Risk Management Committee.

CONFLICTS OF INTEREST

The engagement partner is responsible for the identification of conflicts. Clientside checks involve a review of the firm's systems which must be supplemented by an email to the Conflict of Interest group and/or publication on the firm's intranet.

These additional methods are also used to identify 'other sides' where relevant. Responses to the proposed engagement partner are required within a specified time period if there is a potential conflict. There is also a facility to perform conflict checks confidentially using the Quality and Risk Management Team (QRM) as an independent facilitator.

International conflict of interest checks are performed using the network's computerised, conflict checking system. The system initiates conflict checks for either separate countries, group of countries or worldwide, logs responses and keeps a detailed audit trail for future use. If a conflict is identified, the QRM Team assists with conflict resolution. Solutions are tailor made to each situation. Where appropriate we seek informed consent and if required ensure that teams are separate and the location of those teams and the data files for the engagement are secure.

Where in our opinion, a conflict is not manageable, or where it cannot be managed to the satisfaction of all parties then we decline to act.

WHISTLEBLOWING

The whistleblowing policy has been designed to ensure that our people deal responsibly and in the interest of all concerned in the event of any malpractice within the firm.

By disclosing any information, our people will not be treated any differently by the firm. We will attempt to ensure that there is no victimisation or harassment as a result of any disclosure and any appropriate disciplinary action may be taken against another individual in breach of this.

Wherever possible, we will discuss in confidence the disclosure of information and protect the identity of anyone disclosing information and, wherever appropriate, investigate the matter thoroughly. Any action taken as a result of whistleblowing will be dependent on the nature of the concern, and dealt with as the firm deems appropriate.

Under our policy it is a requirement that all actions arising out of incidents of whistleblowing, including reports from any investigations, be reported to the Head of Quality and Risk Management who reports on incidents to the Public Interest Committee.

We would wish to deal with any disclosure internally by following our internal procedures. If however, an individual remains concerned about an internal investigation, and reasonably believes that the appropriate action has not been taken, then he/she should report the matter to the proper authority.

LEADERSHIP TEAM'S STATEMENT ON EFFECTIVENESS OF FUNCTIONING

These policies, procedures and monitoring activities have provided the firm's Leadership Team with reasonable assurance that the firm, its partners and staff have materially complied with applicable professional, regulatory and legal requirements, that work has been performed to a consistently high standard and that appropriate reports have been issued. The firm's Leadership Team has inter alia considered the results of the annual regulatory inspections by the FRC in reaching this opinion.

AUDIT QUALITY INDICATORS

The following twelve metrics give an indication of audit quality. Although it would be overly simplistic to use these metrics as blunt 'benchmarks' in their own right, when combined with contextual descriptions, we are confident that they will provide additional valuable information to audit committees and other stakeholders. We set out the identified metrics below:

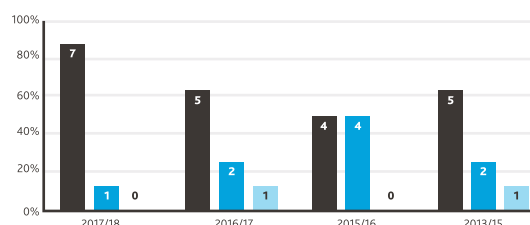
METRICS FROM PARTNER AND STAFF SURVEYS		2018	2016 ¹
1. Delivering quality work is a priority for me		97%	98%
2. I have sufficient time and resource to do my job		69%	63%
3. The leaders I work with are committed to providing a high quality service to external clients		97%	96%
4. The learning and development I receive from BDO has prepared me for the work I do.		91%	90%
We continue to invest time and resources to recruitment and have extended our lateral hire programme and investment in technology to help address resourcing constraints within the market generally.			
METRICS ON EXTERNAL INVESTIGATIONS			
Number of cases in the last 12 months in which the:			
5. FRC's conduct committee has found against the firm or one of its members		We have no such findings against the firm with two matters currently under investigation.	
6. Disciplinary committee of any other regulatory body has found against the firm or one of its members		We have no such findings against the firm and one audit related matter currently under investigation.	
METRICS ON EXTERNAL INVESTIGATIONS			
7. Results of firm's internal audit quality reviews		The results of our internal reviews along with a description of our Audit Quality Assurance Review process and a definition of the grades awarded are set out in the section on Internal Quality Control Systems.	

¹ No survey was conducted in 2017.

METRICS ON EXTERNAL INVESTIGATIONS

8. Results of the FRC's Audit Quality Review Team reviews on the firm

Our last review by the FRC's Audit Quality Review took place in 2017/18.



The report can be downloaded from the FRC website www.FRC.org.uk. BDO is subject to annual reviews by the FRC's Audit Quality Review in line with the recommendations made by the Competition Commission.

9. Annualised percentage of Responsible Individuals subject to firm's internal engagement performance reviews

Circa 60% of RIs are reviewed each year ensuring all RIs are reviewed every two years; those RIs receiving an unsatisfactory grading are reviewed annually.

METRICS ON INVESTMENT

10. The extent of training undertaken per person in the Assurance practice

Training covers technical competence; core competencies and personal development. Partners and staff complete approximately 45 hours of mandatory training per annum, additional training is available to support our technical and core competencies.

11. Investment in research and development on assurance

Our investment in BDO Advantage; our global audit methodology and tools and the investment we make in training our people and assurance research and development are reflected in the profitability figures set out in Appendix D.

METRICS ON INVESTOR LIAISON

12. Qualitative description of investor liaison

As noted in our Public Interest Committee report we remain keen to develop communication with the investor community.

As set out in the Report of the PIC the INEs met with representatives of CRAG in the period.

TOP RISKS

An important element of governing any firm is to identify and mitigate risk. At BDO we have identified our top risks and put in place key mitigation activities to minimise those risks.

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Organisational change – our appetite for change	<p>Accelerating pace of change due to the demands of external conditions.</p> <p>Our appetite for change is inadequate and we fail to deliver the changes we require.</p>	<p>Overall Firm governance and reporting.</p> <p>A strategy that incorporates the importance of change.</p> <p>Business transformation and change management regularly discussed by the Leadership Team.</p> <p>Dedicated resources to assist with the implementation of change programmes.</p>
Changing business models for professional services firms	<p>Professional service firms such as ours face the risk of loss of market share due to:</p> <ul style="list-style-type: none"> ▶ Competitors innovating faster than us ▶ New disruptive technology transforming markets and the cost of providing services ▶ Existing methodologies, processes and IT becoming obsolete ▶ New skills and expertise being required to deliver services ▶ Our property portfolio becomes inflexible/ obsolete. 	<p>Forward horizon scanning by the Leadership Team and management.</p> <p>Digital Board established to oversee the implementation of new digital solutions.</p> <p>Dedicated resources to assist with the implementation of change programmes.</p>
Information security (including cyber security)	<p>Failure to protect confidential client or personal data.</p> <p>Failure to prevent and recover from cyber attacks.</p> <p>Failure to identify and manage emergent cyber risks</p>	<p>IT policies and processes, including access controls and appropriate disaster recovery and business continuity plans.</p> <p>Use of appropriate software tools to help protect against cyber threats.</p> <p>Extensive data protection policies and processes.</p> <p>Control of sensitive data through limited access.</p> <p>Ongoing training to alert partners and staff to cyber and other risks of data loss and the behaviours necessary to minimise such risks.</p>

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Regulation	<p>Some of our activities are highly regulated and major changes in regulation can impact our business model.</p> <p>Failure to maintain quality standards to the required regulatory standard or deal with any adverse findings from regulatory inspections to the regulator's satisfaction.</p> <p>Failure to recognize changing regulation and/or to invest in enhancing quality to meet new requirements.</p>	<p>Partner involvement with professional institutes and regulatory bodies. (Identifying change and influencing where possible).</p> <p>Maintaining an appropriate level of interaction and relationships with regulatory authorities.</p> <p>Regular review of anticipated regulatory changes and assessment of their impact.</p> <p>Comprehensive quality control systems, methodologies and guidance.</p> <p>Dedicated technical support services.</p>
Client acceptance and scope of work	<p>Failure to identify engagement or other commercial risks associated with a potential client or project.</p> <p>Failure to define the scope of projects with sufficient clarity, or engage those who have the right knowledge and skills to deliver the scope of work.</p> <p>Failure to comply with anti-money laundering regulations.</p>	<p>Rigorous client and engagement acceptance policies and procedures.</p> <p>Levels of approval of potential clients or engagements with higher risk characteristics.</p> <p>Dedicated technical support services.</p> <p>Maintaining adequate professional indemnity insurance (PII).</p>
Failure to develop our people	<p>Our ability to develop sufficiently qualified, motivated and experienced people is vital to our ability to deliver exceptional client service.</p>	<p>Significant technical and commercial training, development and on the job coaching.</p> <p>Structured performance reviews and feedback to help the development of partners and staff.</p>

TOP RISKS

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Failure to deliver quality work	Major service failure resulting in litigation and/or regulatory action, with the potential to impact the reputation of the firm.	<p>Excellence in quality is at the heart of our strategy and is embedded in our activities.</p> <p>Comprehensive quality control systems, methodologies and guidance.</p> <p>Dedicated technical support services.</p> <p>Significant technical and commercial training to enhance the skills of our people and to ensure they remain up to date.</p> <p>Controls to ensure that partners and staff with the right specialist knowledge and skills are assigned to engagements.</p> <p>Internal inspections to review the quality of work and clear action plans to address the findings from internal and external reviews.</p> <p>Established Risk Reporting procedures for claims, complaints or potential concerns about our work.</p> <p>Maintaining adequate professional indemnity insurance (PII).</p>
Failure of our IT infrastructure	Major IT failure or major data loss results in the inability to carry out business as usual.	IT policies and processes, including access controls and appropriate disaster recovery and business continuity plans.
Failure of a major BDO member firm	<p>Significant litigation or service failure by an international firm resulting in a loss of reputation to the BDO network as a whole.</p> <p>Failure of BDO International to implement sufficient adequate controls resulting in criticism by regulators and loss of reputation.</p>	<p>Methodologies and supporting tools applied globally, including our global audit methodology and electronic Audit Process Tool.</p> <p>International quality inspection programme.</p> <p>Strong collaboration between member firms.</p>
Macro risks and business resilience/ sustainability (e.g. terrorism, global warming, Brexit, other geo-political risks)	Significant external geopolitical events have a major direct adverse impact on our business and/or economic conditions.	<p>Brexit Task Force established to address the opportunities and challenges arising from Brexit.</p> <p>Business continuity planning and testing.</p>

LEGAL STRUCTURE AND OWNERSHIP

BDO LLP

BDO LLP (the LLP or the firm) is a limited liability partnership, incorporated in the UK and is owned by its members (who are often referred to as partners). At 29 June 2018 there were 198 members.

A service company, BDO Services Limited, employs people, contracts with suppliers and provides services to the LLP and third parties.

BDO Northern Ireland is an independent partnership that is aligned to BDO LLP and operates within BDO LLP's territory.

The firm had the following wholly owned subsidiaries:

- ▶ BDO Limited in Guernsey, a limited liability company incorporated in Guernsey authorised to undertake audits by the ICAEW.

Since the year end BDO Guernsey completed a management buy-out and now operates as an independent member of the BDO network.

BDO is an international network of independent public accounting, tax and advisory firms, which are members of BDO International Limited and perform professional services under the name and style of BDO. BDO is the brand name for the BDO network and all BDO Member Firms.

BDO INTERNATIONAL

Each BDO Member Firm is a member of BDO International Limited, a UK company limited by guarantee, as either a voting member (one per country) or a non-voting member. BDO International Limited is the governing entity of the BDO network and sets the membership obligations of the BDO Member Firms in the Regulations.

The BDO network is governed by the Council, the Global Board and the Global Leadership Team of BDO International Limited.

The Council comprises one representative from each voting member and comprises the members of BDO International Limited in general meeting.

The Council approves the network's central budget, appoints the Global Board and approves any changes in the Articles and Regulations of BDO International Limited.

The Global Board, which is the Board of Directors of BDO International Limited, comprises a representative of the BDO network's seven largest member firms, whose appointment, each for a three year term, is approved by the Council. The Global Board sets priorities for the BDO network and oversees the work of the Global Leadership Team. The Global Board meets at least four times a year.

The Global Leadership Team is tasked with coordinating the activities of the BDO network. It is headed by the CEO and comprises the Global Heads of Audit & Accounting, Tax, HR & Development, Business Development & Marketing, IT, the CEO EMEA (currently also acting as Global Head of Advisory), the CEO Americas, the CEO Asia Pacific and the International Secretary.

The Global Leadership Team is supported by the Global Office at Brussels Worldwide Services BVBA. Brussels Worldwide Services BVBA, a Belgian limited liability company, provides services to assist in the coordination of the BDO network.

BDO International Limited and Brussels Worldwide Services BVBA do not provide any professional services to clients. This is the sole preserve of the BDO Member Firms.

Each of BDO International Limited, Brussels Worldwide Services BVBA and the BDO Member Firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of BDO shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide services BVBA and/or the BDO Member Firms.

The global aggregated turnover for BDO member firms (including their exclusive Alliances) in 162 countries for the year ended 30 September 2017 was in excess of \$8.1bn. Partner and staff numbers at 30 September 2017 were some 73,854.

Appendix G sets out the name, operating country of statutory auditors within the EU the combined turnover achieved by those firms is set out in Appendix D.

KEY FEATURES OF THE MEMBER FIRM NETWORK AGREEMENT

Each BDO Member Firm is an independent legal entity and profits are not shared between member firms. All BDO Member Firm client engagements – whether for domestic work, referred work from other firms in the network, or international work sourced from non-BDO sources – are conducted in the name of the local BDO Member Firm.

Membership of the network confers certain rights on BDO Member Firms, as well as certain obligations. Rights include the use of the BDO brand, including the network name and logo, the ability to refer work to and from other BDO Member Firms and a wide range of resources.

Obligations include the capability to offer the minimum core services, including accounting and auditing, taxation and specialist advisory services.

APPENDIX A

AUDIT FIRM GOVERNANCE CODE STATEMENT OF COMPLIANCE

In accordance with Audit Firm Governance Code ('the Code') principle E.2: Governance Reporting we make the following statement with regards to the application in practice of each of the principles of the Code on which we are required to report.

REQUIREMENT	PAGE REF
<p>A.1.2 The firm should state in its transparency report how its governance structures and management operate, their duties and the types of decisions they take. In doing so the firm should explain how its governance structure provides oversight of both the audit practice and the firm as a whole with a focus on ensuring the Code's purpose, is achieved. If the management and/or governance of the firm rests at an international level it should specifically set out how management and oversight of audit, is undertaken and the Code's purpose achieved in the UK. Formal processes for on-going performance evaluation of the firm's governance structures and management team and their members.</p>	Governance Structure
<p>A.1.3 The firm should state in its transparency report the names and job titles of all members of the firm's governance structures and its management, how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details.</p>	Governance Structure Appendices E & F
<p>B1.2 Firms should introduce KPIs on the performance of their governance system, and report on performance against these in their transparency reports.</p>	Governance Structure
<p>C.2.1 The firm should state in its transparency report its criteria for assessing the impact of independent non-executives on the firm's independence as auditors and their independence from the firm and its owners.</p>	Governance Structure
<p>D.1.3 The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.</p>	Ethics and Independence
<p>D2.2 The firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summarise the process it has applied and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary.</p>	Internal Quality Control Systems

REQUIREMENT	PAGE REF
<p>E.2.2 In its transparency report the firm should give details of any additional provisions from the UK Corporate Governance Code which it has adopted within its own governance structure</p>	Appendix B
<p>E.3.1 The firm should confirm that it has carried out a robust assessment of the principal risks facing the audit firm, including those that would threaten its business model, future performance, solvency or liquidity. The firm should describe those risks and explain how they are being managed or mitigated.</p>	Top Risks



APPENDIX B

CORPORATE GOVERNANCE CODE ADOPTION

Within BDO the responsibilities of the Board, set out in the Corporate Governance Code, are carried out by the Partnership Council, that has overall responsibility for governance matters and acts as the firm's 'nomination committee', and the Leadership Team whom are responsible for strategic leadership. The role of the Chairman is performed by the Senior Partner, supported by the Partnership Council, and the role of Chief Executive is performed by the Managing Partner. Details required to be included in the Annual Report are contained within this Transparency Report.

CORPORATE GOVERNANCE CODE	REFERENCE
<p>Role of the Board Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.</p>	
<p>A1.1 The board should meet sufficiently regularly to discharge its duties effectively. There should be a formal schedule of matters specifically reserved for its decision. The annual report should include a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the board and which are to be delegated to management.</p>	<p>Details of the number of meetings and attendance at those meetings is included in Appendix F.</p> <p>Details of the matters specifically reserved for the Partnership Council and Leadership Team are set out in the Governance Structure section of this report.</p> <p>Commentary on the working of the various boards and committees is set out in the section Governance Structure.</p>
<p>A1.2 The annual report should identify the chairman, the deputy chairman (where there is one), the chief executive, the senior independent director and the chairmen and members of the board committees. It should also set out the number of meetings of the board and those committees and individual attendance by directors.</p>	<p>The firm does not have a deputy chairman. The identity of the Senior Partner, Managing Partner and Senior Independent Non Executive is set out in the section Governance Structure.</p> <p>Details of meeting attendance is set out in Appendix F.</p>
<p>A1.3 The company should arrange appropriate insurance cover in respect of legal action against its directors.</p>	<p>The firm maintains D&O cover for partners and INEs.</p>

CORPORATE GOVERNANCE CODE	REFERENCE
<p>Division of responsibilities There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.</p>	
<p>A.2.1 The roles of chairman and chief executive should not be exercised by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established, set out in writing and agreed by the board.</p>	<p>The roles of the Senior Partner and Managing Partner are set out in writing and approved by the Partnership Council.</p>
<p>The Chairman The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.</p>	
<p>A.3.1 The chairman should on appointment meet the independence criteria set out in B.1.1 below. A chief executive should not go on to be chairman of the same company. If exceptionally a board decides that a chief executive should become chairman, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report.</p>	<p>The Senior Partner is an internal appointment in that it can only be held by an existing BDO partner. As such the independence criteria required of the Senior Partner matches that of all partners.</p> <p>The Managing Partner cannot go on to be the Senior Partner. A new Senior Partner has been elected in the year, Matthew White. He is an existing partner of the firm and previously Chair of the firm's Audit Committee and member of the Partnership Council. He has not previously served as Managing Partner.</p>
<p>Non-executive directors As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.</p>	
<p>A.4.1 The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chairman, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate.</p>	<p>Simon Figgis is the Senior INE and Chairs to the Public Interest Committee. His report is set out in the section Report from the Chairman of the Public Interest Committee.</p> <p>Simon Figgis is available to meet with members and is supported in this by Russell King and Jeff Randall who have performed visits to a number of BDO regional offices in the year.</p>

APPENDIX B

CORPORATE GOVERNANCE CODE	REFERENCE
<p>A.4.2 The chairman should hold meetings with the non-executive directors without the executives present. Led by the senior independent director, the non-executive directors should meet without the chairman present at least annually to appraise the chairman's performance and on such other occasions as are deemed appropriate.</p>	<p>All INEs, led by Simon Figgis, meet with the Senior Partner and the Partnership Council annually and on other occasions as are deemed appropriate, further details are contained in his report.</p>
<p>A.4.3 Where directors have concerns which cannot be resolved about the running of the company or a proposed action, they should ensure that their concerns are recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chairman, for circulation to the board, if they have any such concerns.</p>	<p>Details of the firm's resolution procedures are set out in the section Governance Structure.</p>
<p>Composition of the Board The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.</p>	
<p>B.1.1 The board should identify in the annual report each non-executive director it considers to be independent. The board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:</p> <ul style="list-style-type: none"> ▶ has been an employee of the company or group within the last five years; ▶ has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company; ▶ has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance related pay scheme, or is a member of the company's pension scheme; ▶ has close family ties with any of the company's advisers, directors or senior employees; ▶ holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; represents a significant shareholder; or ▶ has served on the board for more than nine years from the date of their first election. 	<p>Each individual INE identified in the report, being Simon Figgis, Jeff Randall and Russell King are considered to be independent.</p> <p>None of the INEs have:</p> <ul style="list-style-type: none"> ▶ been an employee of the firm in the last five years or at all ▶ held a material business relationship with the company or of a body that has a relationship with BDO in the last three years ▶ close family ties with the firm's advisers, leadership, members or senior employees ▶ held cross-directorships or has significant links with other members of the leadership. As a LLP there is no significant shareholder ▶ served on the board for more than nine years.

CORPORATE GOVERNANCE CODE	REFERENCE
<p>B.1.3 Except for smaller companies, at least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent. A smaller company should have at least two independent non-executive directors.</p>	<p>The composition of the Partnership Council and the Leadership Team is set out in the section Governance Structure. The Partnership Council includes 12 elected partners who are independent of the Leadership Team and are drawn from the members of the firm. These elected partners constitute 75% of the Partnership Council. The Leadership Team, responsible for carrying out the strategic direction of the firm comprises three INEs and five executive directors excluding the Managing Partner.</p>
<p>Appointments to the Board There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.</p>	
<p>B.2.1. There should be a nomination committee which should lead the process for board appointments and make recommendations to the board. A majority of members of the nomination committee should be independent non-executive directors. The chairman or an independent non-executive director should chair the committee, but the chairman should not chair the nomination committee when it is dealing with the appointment of a successor to the chairmanship. The nomination committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.</p>	<p>Nominations for Senior Partner and Managing Partner are approved by the Partnership Council and elections are held amongst the members for the appointment of both positions. As set out above 75% of the Partnership Council are drawn from the membership and are independent from the Leadership Team.</p> <p>The Senior Partner is not involved in the appointment of a successor as this is decided on a vote by the members.</p> <p>The terms of reference applicable to nominations are contained within the terms of reference of the Partnership Council.</p>
<p>B.2.2 The nomination committee should evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.</p>	<p>The Partnership Council evaluate the experience, balance of skills and independence when considering appoints including drawing from all areas of the business.</p>

APPENDIX B

CORPORATE GOVERNANCE CODE	REFERENCE
<p>B.2.3 Non-executive directors should be appointed for specified terms subject to re-election and to statutory provisions relating to the removal of a director. Any term beyond six years for a non-executive director should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the board.</p>	<p>INEs are appointed for a period of one year, renewable at the end of the period. INEs who have been in office for a period of six years are subject to rigorous review and are required to rotate no later than nine years in office.</p>
<p>B.2.4 A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments. This section should include a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director. Where an external search consultancy has been used, it should be identified in the annual report and a statement made as to whether it has any other connection with the company.</p>	<p>Details of the elections of the Senior Partner and Managing Partner are set out in the Governance Structure section.</p> <p>The appointment of Senior Partner is an internal one. To be considered the candidate must be an existing equity partner of the firm. External search agencies are used to identify suitable candidates for INE roles. The agencies used are not connected with BDO.</p>
<p>Commitment All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.</p>	
<p>B.3.1 For the appointment of a chairman, the nomination committee should prepare a job specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crises. A chairman's other significant commitments should be disclosed to the board before appointment and included in the annual report. Changes to such commitments should be reported to the board as they arise, and their impact explained in the next annual report.</p>	<p>The job specification for the Senior Partner is set by the Partnership Council. Candidates proposing themselves for election by the members must disclose their existing commitments and how they will meet the time and other commitments required of the Senior Partner.</p> <p>On election by the members the Senior Partner meets with representative(s) from the FRC to discuss the importance of the role, the commitment needed and their vision for their tenure.</p>
<p>B.3.2 The terms and conditions of appointment of non-executive directors should be made available for inspection. The letter of appointment should set out the expected time commitment. Non-executive directors should undertake that they will have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the board before appointment, with a broad indication of the time involved and the board should be informed of subsequent changes.</p>	<p>Terms and conditions for the appointment of INEs are available to the FRC for inspection. The letter of appointment sets out clearly the time commitment needed and other commitments are taken into account on appointment. INEs are required to confirm their independence quarterly and notify any other appointments accepted.</p>

CORPORATE GOVERNANCE CODE	REFERENCE
Development All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.	
B.4.1 The chairman should ensure that new directors receive a full, formal and tailored induction on joining the board. As part of this, directors should avail themselves of opportunities to meet major shareholders.	An induction was held for all new directors on appointment to the Board and for INEs. The induction is conducted by the Ethics Partner and Head of Quality and Risk Management.
B.4.2 The chairman should regularly review and agree with each director their training and development needs.	The INEs are subject to annual appraisal when their training and development needs are considered. INEs are required to complete the firm's mandatory training on ethics, data protection and anti-money laundering.
Information and support The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.	
B.5.1 The board should ensure that directors, especially non-executive directors, have access to independent professional advice at the company's expense where they judge it necessary to discharge their responsibilities as directors. Committees should be provided with sufficient resources to undertake their duties.	Details of information and support provided to INEs are set out in the section on governance structure.
B.5.2 All directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are complied with. Both the appointment and removal of the company secretary should be a matter for the board as a whole.	The firm does not have a company secretary but is instead supported by an Executive Office. This office is available to all board members including the INEs.
Evaluation The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	
B.6.1 The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted.	KPIs relating to the boards performance and achievement of their strategic objectives is included in the section on Firm Strategy, Culture and KPIs
B.6.2 Evaluation of the board of should be externally facilitated at least every three years. The external facilitator should be identified in the annual report and a statement made as to whether they have any other connection with the company.	Nigel Burbidge, head of Internal Audit at BDO, conducted an evaluation of the effectiveness of the Leadership Team. This review is independent due to Nigel not being on the boards in question.

APPENDIX B

CORPORATE GOVERNANCE CODE	REFERENCE
<p>B.6.3 The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of executive directors.</p>	<p>As a result of changes to the definition of Covered Person within the FRC Ethical Standard, INE involvement in the appraisal and remuneration of senior members has been restricted to the provision of feedback on performance.</p>
<p>Re-election All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.</p>	<p>Details of re-election are set in the Governance Structure section</p>
<p>Financial and business reporting The board should present a fair, balanced and understandable assessment of the company's position and prospects.</p>	<p>The firm's annual report is available on the BDO website</p>
<p>C.1.1 The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy. There should be a statement by the auditor about their reporting responsibilities.</p>	<p>The firm's annual report can be found on the BDO website.</p>
<p>C.1.2 The directors should include in the annual report an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the company.</p>	<p>An explanation of the firm's strategy and delivery of objectives including maintaining value in the longer term and the top risks are included in the Transparency Report in section Strategy, culture and KPIs and Top Risks.</p>
<p>C.1.3 In annual financial statements, the directors should state whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.</p>	<p>The firm's annual report can be found on the BDO website.</p>

CORPORATE GOVERNANCE CODE	REFERENCE
<p>Risk management and internal control The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.</p>	
<p>C.2.1 The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.</p>	<p>Details of the firm's risk assessment and top risk are set out in the section Top Risks</p>
<p>C.2.2 Taking account of the company's current position and principal risks, the directors should explain in the annual report how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate. The directors should state whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.</p>	<p>The firm's annual report can be found on the BDO website.</p>
<p>C.2.3 The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.</p>	<p>The Quality and Risk Management Committee monitor the firm's risk management and internal control systems. Details of the review of the firm's risk management and internal controls system is set out on section Internal Quality Control Systems and Top Risks</p>
<p>Audit committee and auditors The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.</p>	
<p>C.3.1 The board should establish an audit committee of at least three, or in the case of smaller companies two, independent non-executive directors. In smaller companies the company chairman may be a member of, but not chair, the committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as chairman. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.</p>	<p>The firm's audit committee is comprised of four members of the partnership council, whom are independent of the Leadership Team. They are responsible for the relationship with the external auditors.</p> <p>The INEs form the majority of the Public Interest Committee whom met with the audit committee annually.</p>

APPENDIX B

CORPORATE GOVERNANCE CODE	REFERENCE
<p>C.3.2 The main role and responsibilities of the audit committee should be set out in written terms of reference and should include:</p> <ul style="list-style-type: none"> ▶ to monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them; ▶ to review the company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, to review the company's internal control and risk management systems; ▶ to monitor and review the effectiveness of the company's internal audit function; ▶ to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor; ▶ to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; ▶ to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and ▶ to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and ▶ to report to the board on how it has discharged its responsibilities. 	<p>The terms of reference for the audit committee are available on BDO's Website</p>
<p>C.3.3 The terms of reference of the audit committee, including its role and the authority delegated to it by the board, should be made available</p>	<p>The terms of reference for the audit committee are available on BDO's Website</p>
<p>C.3.4 Where requested by the board, the audit committee should provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.</p>	<p>The audit committee provides advice to the Leadership Team that the annual report and accounts taken as a whole are fair balanced and understandable. Providing sufficient information, to assess the company's position and performance, business model and strategy.</p>

CORPORATE GOVERNANCE CODE	REFERENCE
<p>C.3.5 The audit committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.</p>	<p>The firm operates an internal whistleblowing process managed by the Head of Quality and Risk.</p>
<p>C.3.6 The audit committee should monitor and review the effectiveness of the internal audit activities. Where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.</p>	<p>The audit committee monitors and reviews the effectiveness of internal audit activities supported by the Quality and Risk Management Unit.</p>
<p>C.3.7 The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. FTSE 350 companies should put the external audit contract out to tender at least every ten years. If the board does not accept the audit committee's recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the audit committee explaining the recommendation and should set out reasons why the board has taken a different position.</p>	<p>The Audit Committee is responsible for appointing the auditors.</p>
<p>C.3.8 A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The report should include:</p> <ul style="list-style-type: none"> ▶ the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed; ▶ an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted; and ▶ if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded. 	<p>The firm does not at present include an audit committee report within the annual report.</p>

APPENDIX C

LOCAL AUDIT TRANSPARENCY REPORT COMPLIANCE

In accordance with the Local Auditors (Transparency) Instrument 2015 we make the following statement with regards to the application in practice of each of the principles of the Code on which we are required to report.

REQUIREMENT	PAGE REF
1. In accordance with the Local Auditors (Transparency) Instrument 2015 we make the following statement with regards to the application in practice of each of the principles of the Code on which we are required to report.	Legal Structure and Ownership and Governance Structure
2. Where the transparency reporting local auditor belongs to a network, a description of the network and the legal, governance and structural arrangements of the network.	Legal Structure and Ownership
3. A description of the internal quality control system of the transparency reporting local auditor and a statement by the administrative or management body on the effectiveness of its functioning in relation to local audit work.	Internal Quality Control Systems
4. A description of the transparency reporting local auditor's independence procedures and practices including a confirmation that an internal review of independence practices has been conducted	Ethics and Independence
5. Confirmation that all engagement leads are competent to undertake local audit work and staff working on such assignments are suitably trained;	All staff receive specialist local audit work training on an annual basis and are competent to conduct the work
6. A statement of when the last monitoring of the performance by the transparency reporting local auditor of local audit functions, within the meaning of paragraph 23 of Schedule 10 to the Companies Act 2006, as applied in relation to local audits by Section 17 and paragraphs 1, 2 and 28(7) of Schedule 5 to the Act, took place.	The work of the local audit function is subject to annual review by the FRC.
7. A list of major local audits in respect of which an audit report has been made by the transparency reporting local auditor in the financial year of the auditor; and any such list may be made available elsewhere on the website specified in regulation 4 provided that a clear link is established between the transparency report and such a list.	A list of major local audits audited by BDO is included in Appendix H.
8. A statement on the policies and practices of the transparency reporting local auditor designed to ensure that persons eligible for appointment as a local auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.	The policies and procedures are designed to ensure that persons eligible for appointment as a local auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.
9. Turnover for the financial year of the transparency reporting local auditor to which the report relates, including the showing of the importance of the transparency reporting local auditor's local audit work.	Appendix D
10. Information about the basis for the remuneration of partners.	Internal Quality Control Systems

APPENDIX D

FINANCIAL INFORMATION

STATUTORY AUDIT	REVENUES 2017/18	REVENUES 2016/17
	£M	£M
PIEs and Entities within a PIE group	10	7
Other Entities than above	155	144
Total audit fees	165	151

PERMITTED NAS	REVENUES 2017/18	REVENUES 2016/17
	£M	£M
Audit clients	86	68

NAS	REVENUES 2017/18	REVENUES 2016/17
	£M	£M
Other Entities	214	237

Note: All disclosures above are unaudited
Audit comprises statutory audit work and directly related services.

The combined turnover from statutory audits of the BDO EU/EEA audit firms for the period 2017/18 was €557.930.819

The turnover representing the audit of local public bodies is £4m



APPENDIX E

MEMBERS OF THE FIRM'S GOVERNANCE STRUCTURES AT 29 JUNE 2018

LEADERSHIP TEAM

The executive members of the Leadership Team at 29 June 2018, all of whom are based in the London office, are:



PAUL ENGLAND
MANAGING PARTNER

Paul ensures the development and execution of national strategy for all professional services including P&L, sales and people plans, risk and quality, technical/ knowledge sharing/ best practice and business models. He is responsible for the firm's marketing strategy, including Markets, Sales and Clients (MSC) and Sectors. He has served on the Leadership Team since 5 July 2008.



GERVASE MACGREGOR
HEAD OF INTERNATIONAL ADVISORY

Gervase is responsible for setting the firm wide risk framework and policies, provision of education and ensuring adherence. He represents the firm on the BDO International Advisory Leadership Group. He is a forensic services partner and has served on the Leadership Team since 5 July 2008.



SCOTT KNIGHT
HEAD OF BUSINESS ASSURANCE

Scott has responsibility for the development and delivery of Audit and Assurance strategy, including sales and people plans, risk and quality, technical/ knowledge sharing/ best practice and business model/P&L. He is a Business Assurance partner and was appointed to serve on the Leadership Team on 1 April 2014.



CHRIS GROVE
HEAD OF TRANSACTION SERVICES

Chris leads the Transaction Services team, having previously worked in Business Recovery. Chris is a past Chair of BDO's International Corporate Finance Group and a past member of the firm's Partnership Council; he was appointed to the Leadership Team in October 2016.



ANDY BUTTERWORTH
CHIEF OPERATING OFFICER

Andy works alongside the Managing Partner and Finance Partner in the operational running of the firm. He also chairs our Operations Board and our Digital Board, and is responsible for PMD budgets and performance. He is also a member of our Quality and Risk Management Committee. Andy has served on the Leadership Team since October 2016



WENDY WALTON
HEAD OF GLOBAL PRIVATE CLIENT SERVICES

Wendy is the Head of Global Private Client Services specialising in the taxation of high net worth individuals. She has been with BDO for 30 years, joining as an A level trainee in 1987. Wendy joined the leadership team on 1 October 2016 and has specific responsibility for our Partner Engagement Strategy and Partner Development.

APPENDIX E

INDEPENDENT NON-EXECUTIVES

Please see below for details of the INE members of the Leadership Team:



SIMON FIGGIS
INDEPENDENT NON-EXECUTIVE

Simon joined KPMG (then Peat Marwick) in 1977, his career spanned audit, corporate finance, transaction services and litigation support advice. When Simon retired from KPMG he was Head of Business Assurance Quality and Risk Management, overseeing quality in 19 countries across Europe and the Middle East. Simon was appointed as an INE on 1 October 2013 and chairs the Public Interest Committee and is a member of the QRMC.



RUSSELL KING
INDEPENDENT NON-EXECUTIVE

Russell brings a broad experience in business strategy/development, human resources, government relations, and sustainable development. His specialties include experience in mining, consumer goods and metals/mining. Russell holds non-executive posts at FTSE firms Interserve, Spectris and Aggreko, as well as AiM-listed Hummingbird Resources. Russell joined the firm on 1 July 2017.



JEFF RANDALL
INDEPENDENT NON-EXECUTIVE

Jeff is a well-known and respected former journalist, who fronted the Jeff Randall Live show on Sky News as well as senior roles at the BBC, Sunday Times and Daily Telegraph, has been a non-executive director of Babcock International since 2014 and is a director of Sandown Park Racecourse. He is also a visiting fellow at Oxford University's Business School and an honorary professor at Nottingham University's School of Economics. Jeff joined the firm on 1 July 2017



APPENDIX F

LEADERSHIP AND GOVERNANCE MEETING ATTENDANCE IN THE PERIOD 1 JULY TO 29 JUNE 2018

STATUTORY AUDIT		LEADERSHIP TEAM	PARTNERSHIP COUNCIL	PUBLIC INTEREST COMMITTEE	AUDIT COMMITTEE	QUALITY AND RISK MANAGEMENT COMMITTEE
NUMBER OF MEETINGS HELD SINCE 1 JULY 2017		10	10	5	3	12
NAME	POSITION					
Paul Eagland	Managing Partner	10	8 in attendance	4 In attendance		10
Andy Butterworth	COO	10				10
Wendy Walton	Head of Partner Engagement	9	9 in attendance			1 in attendance
Scott Knight	Head of Business Assurance	10		5 In attendance		11
Gervase Macgregor	Head of International Advisory and Risk and Quality	8				2 in attendance
Chris Grove	Head of Transaction Services	10				1 in attendance
Simon Figgis	INE	9	1 in attendance	5		12
Jeff Randall	INE	9	1 in attendance	5		2 in attendance
Russell King	INE	9	1 in attendance	5		1 in attendance
Mark Bomer	Senior Partner	10 In attendance	10		2	
Nick Carter-Pegg	Audit Partner		9		3	
Ian Bingham	Tax Partner		10			
David Brookes	Tax Partner		9			
Stuart Collins	Audit Partner		9		3	
Jo Gilbey	Tax Partner		10			
Russell Field	Audit Partner		9			

STATUTORY AUDIT		LEADERSHIP TEAM	PARTNERSHIP COUNCIL	PUBLIC INTEREST COMMITTEE	AUDIT COMMITTEE	QUALITY AND RISK MANAGEMENT COMMITTEE
NUMBER OF MEETINGS HELD SINCE 1 JULY 2017		10	10	5	3	12
NAME	POSITION					
Geraint Jones	Audit Partner		10			
David Pooler	Tax Partner		9			
Julien Rye	Audit Partner		9			
Andy Viner	Audit Partner		10			
Martha Thompson	Business Restructuring Partner		8			
Matthew White	Audit Partner Chair of Audit Committee		9		3	
David Isherwood	Ethics Partner	1 in attendance		5		1 in attendance
Iain Lowson	Head of Quality and Risk	9 in attendance		5 in attendance	2 in attendance	12
Pauline McGee	Head of Risk Management				1 in attendance	7 (1 in attendance)
Nicole Kissun	Head of Technical Standards Group					11
Angela Foyle	Partner, Head, Financial Crime	6 in attendance				7
Mark Sherfield	CFO	4 in attendance			3 in attendance	1 in attendance

1 The Managing Partner attends Public Interest Committee meetings by invitation. During the year, he attended all Public Interest Committee meetings.

2 The Senior Partner is invited to all Leadership Team meetings and sits 'in attendance'.

APPENDIX G

EU MEMBER FIRMS AS AT 15 JUNE 2018

COUNTRY	TERRITORY	NAME OF THE AUDIT FIRMS IN YOUR TERRITORY
AUSTRIA	Austria	BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Audit Styria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Salzburg GmbH Wirtschaftsprüfungsgesellschaft
	Austria	BDO Oberösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
BELGIUM	Belgium	BDO Bedrijfsrevisoren Burg. Ven. CVBA
BULGARIA	Bulgaria	BDO Bulgaria Ltd.
CROATIA	Croatia	BDO Croatia D.O.O.
CYPRUS	Cyprus	BDO Limited
CZECH REPUBLIC	Czech Republic	BDO Audit s.r.o
	Czech Republic	BDO CA s.r.o.
	Czech Republic	BDO IT a.s.
	Czech Republic	BDO CB s.r.o.
	Czech Republic	BDO Plzen s.r.o.
DENMARK	Denmark / Greenland / Faroe Islands	BDO Statsautoriseret Revisionsaktieselskab
	Denmark	BDO Holding V, Statsautoriseret Revisionsaktieselskab
ESTONIA	Estonia	BDO Eesti AS
FINLAND	Finland	BDO Oy
	Finland	BDO Auditor Oy
FRANCE	France	BDO France Léger & Associés SARL
	France	BDO IDF SARL
	France	BDO PACA SAS
	France	BDO Atlantique SA
	France	BDO Rhone - Alpes SAS
	France	BDO AXE SASU
	France	BDO 2AS SAS
	France	BDO Les HERBIERS SA
	France	BDO FONTENAY LE COMTE SAS
	France	BDO SAINT GILLES CROIX DE VIE SARL
	France	BDO NANTES SAS
	France	Vincent Rusé Conseil SAS
	France	BDO Les Ulis

COUNTRY	TERRITORY	NAME OF THE AUDIT FIRMS IN YOUR TERRITORY
GERMANY	Germany	BDO AG Wirtschaftsprüfungsgesellschaft
	Germany	BDO Arbicon GmbH & Co. KG Wirtschaftsprüfungsgesellschaft
GIBRALTAR	Gibraltar	BDO Limited
GREECE	Greece	BDO CERTIFIED PUBLIC ACCOUNTANTS S.A.
HUNGARY	Hungary	BDO Hungary Audit Ltd
IRELAND	Ireland	BDO
ITALY	Italy / San Marino	BDO Italia S.p.A.
	San Marino	BDO Srl (San Marino)
LATVIA	Latvia	SIA BDO Audit
LIECHTENSTEIN	Liechtenstein	BDO (Liechtenstein) AG
LITHUANIA	Lithuania	BDO Auditas ir Apskaita, UAB
LUXEMBOURG	Luxembourg	BDO Audit
MALTA	Malta	BDO Malta CPAs
NETHERLANDS	Netherlands	BDO Audit & Assurance B.V.
POLAND	Poland	BDO SP. Z O.O.
PORTUGAL	Portugal /Cape VERDE	BDO & Associados, SROC, Lda
ROMANIA	Romania/Moldova	BDO Audit SRL
	Romania	BDO Auditors & Accountants SRL
	Romania	BDO Auditors and Business Advisors SRL
SLOVAKIA	Slovak Republic	BDO AUDIT, SPOL. S R.O.
SLOVENIA	Slovenia	BDO Revizija d.o.o.
SPAIN	Spain	BDO Auditores, S.L.P.
	Spain	BDO Quota, S.L.P.
SWEDEN	Sweden	BDO AB
	Sweden	BDO Syd AB
	Sweden	BDO Syd KB
	Sweden	BDO Göteborg KB
	Sweden	BDO Göteborg AB
	Sweden	BDO Sweden AB
	Sweden	BDO Mälardalen AB
	Sweden	BDO Stockholm AB
	Sweden	BDO Mälardalen Intressenter AB
	Sweden	BDO Syd Intressenter AB
	Sweden	BDO Göteborg Intressenter AB
	Sweden	BDO Norr AB
	Sweden	BDO Norr Intressenter AB
UNITED KINGDOM	United Kingdom of Great Britain and Northern Ireland/ Isle of Man/ Guernsey	BDO LLP
	Northern Ireland	BDO Northern Ireland
	Guernsey	BDO Limited

APPENDIX H

PUBLIC INTEREST AUDIT CLIENTS

A list of public interest entities as at 29 June 2018 is set out below. For the purposes of this transparency report, public interest entities are defined by The Statutory Auditors and Third Country Auditors Regulations 2016 as:

- a) an issuer whose transferable securities are admitted to trading on a regulated market,
- b) a credit institution within the meaning given by Article 4(1)(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council(f), other than one listed in Article 2 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and investment firms(g), or
- c) an insurance undertaking within the meaning given by Article 2(1) of Council Directive1991/674/EEC of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings. Market.

A2D Funding II PLC (part of A2DOMINION HOUSING GROUP LIMITED)	BRITISH SMALLER COMPANIES VCT PLC	GREENCOAT UK WIND PLC
A2D FUNDING PLC (PART OF A2DOMINION HOUSING GROUP LIMITED)	CADOGAN PETROLEUM PLC	GRESHAM TECHNOLOGIES PLC
ALBION DEVELOPMENT VCT PLC	CATALYST HOUSING LIMITED	HARGREAVE HALE AIM VCT 1 PLC
ALBION ENTERPRISE VCT PLC	CHRYSALIS VCT PLC	HARGREAVE HALE AIM VCT 2 PLC
ALBION TECHNOLOGY & GENERAL VCT PLC	CITY NATURAL RESOURCES HIGH YIELD TRUST PLC	HAZEL RENEWABLE ENERGY VCT 1 PLC
ALBION VENTURE CAPITAL TRUST PLC	CLEARBANK LIMITED	HAZEL RENEWABLE ENERGY VCT 2 PLC
ALTYN PLC	CROWN PLACE VCT PLC	HOUSING & CARE 21
AMATI VCT 2 PLC	DEBUSSY DTC PLC	HSS HIRE GROUP PLC
AMEY ROADS NORTHERN IRELAND HOLDINGS LIMITED	DOWNING FOUR VCT PLC	IMPACT HEALTHCARE REIT PLC
ANGLO EASTERN PLANTATIONS PLC	DOWNING ONE VCT PLC	INGENIOUS ENTERTAINMENT VCT 1 PLC
ANGLO LONDON LIMITED	DOWNING THREE VCT PLC	INGENIOUS ENTERTAINMENT VCT 2 PLC
ASTUTE CAPITAL PLC	DOWNING TWO VCT PLC	INTEGRAFIN HOLDINGS PLC
BEAUFORT INSURANCE COMPANY LIMITED	ELDERSTREET DRAPER ESPRIT VCT PLC	INTERNATIONAL GENERAL INSURANCE COMPANY (UK) LIMITED
BHSF LIMITED	EMPIRIC STUDENT PROPERTY PLC	JACKPOT JOY PLC
BISICHI MINING PLC	ENDEAVOUR SCH PLC	JUTURNA (EUROPEAN LOAN CONDUIT NO.16) PLC
BRITISH FRIENDLY SOCIETY LIMITED	ESTABLISHMENT INVESTMENT TRUST PLC	KINGS ARMS YARD VCT PLC
BRITISH SMALLER COMPANIES VCT 2 PLC	GAME DIGITAL PLC	LENDINVEST LIMITED
	GENFINANCE II (PART OF GENESIS HOUSING ASSOCIATION)	LMS CAPITAL PLC

LXI REIT PLC	STONEWATER LTD	A list of local authority audits completed by BDO LLP for the period 2017/18:
MERIDIAN HOSPITAL COMPANY PLC	SUPERMARKET INCOME REIT PLC	
METROPOLITAN HOUSING PARTNERSHIP	TCHG CAPITAL PLC	
MITHRAS INVESTMENT TRUST PLC	TEX HOLDINGS PLC	
MITIE GROUP PLC	THE EUROPEAN INVESTMENT TRUST PLC	
MOAT HOMES LIMITED	THE INCOME + GROWTH VCT	
MOBEUS INCOME & GROWTH 2 VCT PLC	THE LAW DEBENTURE CORPORATION PLC	
MOBEUS INCOME & GROWTH 4 VCT PLC	TITON HOLDINGS PLC	
MOBEUS INCOME & GROWTH VCT PLC	TOGETHER HOUSING FINANCE PLC	
MORPHEUS (EUROPEAN LOAN CONDUIT NO.19) PLC	TOWN CENTRE SECURITIES PLC	
NATS HOLDINGS LIMITED	TRIAD GROUP PLC	
NORTH MIDLAND CONSTRUCTION PLC	TRIPLE POINT INCOME VCT PLC	
OCTOPUS AIM VCT 2 PLC	TRIPLE POINT SOCIAL HOUSING REIT PLC	
OCTOPUS AIM VCT PLC	TRIPLE POINT VCT 2011 PLC	
OPTIVO FINANCE PLC	TRITAX BIG BOX REIT PLC	
PACIFIC QUAY FINANCE PLC	ULIVING@ESSEX ISSUERCO PLC	
PALACE CAPITAL PLC	ULIVING@ESSEX2 ISSUERCO PLC	
PETERBOROUGH (PROGRESS HEALTH) PLC	UNICORN AIM VCT PLC	
PROVEN GROWTH & INCOME VCT PLC	UNION BANK UK PLC	
PROVEN VCT PLC	UP GLOBAL SOURCING HOLDINGS PLC	
RADIAN GROUP LIMITED	URBAN&CIVIC PLC	
RESIDENTIAL SECURE INCOME PLC	VENTUS 2 VCT PLC	
RICHMOND HOUSING PARTNERSHIP	VENTUS VCT PLC	
RIVER AND MERCANTILE GROUP PLC	WALKER CRIPS GROUP PLC	
S4B (ISSUER) PLC	WELLESLEY GROUP (UK) LTD	
SOLGOLD PLC	WHITE CITY PROPERTY FINANCE PLC	
SOLUTIONS 4 NORTH TYNESIDE (FINANCE) PLC	WIDECELLS GROUP PLC	
	XPS PENSIONS GROUP PLC (FORMERLY XAFINITY PLC)	
		BARNET LONDON BOROUGH COUNCIL
		BRISTOL CITY COUNCIL
		CAMBRIDGESHIRE AND PETERBOROUGH FIRE AUTHORITY
		CAMBRIDGESHIRE COUNTY COUNCIL
		CITY OF LONDON CORPORATION
		EASTBOURNE BOROUGH COUNCIL
		EPPING FOREST DISTRICT COUNCIL
		HARINGEY LONDON BOROUGH COUNCIL
		HASTINGS BOROUGH COUNCIL
		LEWES DISTRICT COUNCIL
		LONDON BOROUGH OF ENFIELD
		MEDWAY COUNCIL
		PLYMOUTH CITY COUNCIL
		ROTHER DISTRICT COUNCIL
		SLOUGH BOROUGH COUNCIL
		SOUTHEND ON SEA BOROUGH COUNCIL
		WEALDEN DISTRICT COUNCIL

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