



IDEAS | PEOPLE | TRUST

TRANSPARENCY REPORT

NOVEMBER 2022



RESPONSIBLEGROWTH
ROOTED IN QUALITY



RESPONSIBLE GROWTH, ROOTED IN QUALITY
TRANSPARENCY REPORT 2021/22

NOVEMBER 2022

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Glossary of terms

BDO LLP is a key member of the BDO global network of public accounting, tax and advisory firms.

The network has representation in 164 territories, with 95,414 people working out of 1,713 offices. The fee income of the member firms in the BDO network, including the members of exclusive alliances, was \$11.8bn as at 30 September 2021. Being a member of the BDO global network allows us to meet the needs of businesses who are growing and trading internationally.

BDO GLOBAL

US\$11.8 billion
2020/2021 REVENUE

A YEAR ON YEAR INCREASE OF **10.8%**¹

164 Countries
1,713 Offices
95,414 Staff

¹ At constant exchange rate.

Financial results are as of 30 September 2021.

The 2022 figures will be available on the BDO Global website later this year. Countries & territories, Offices and People have been updated as of 14 March 2022.

REGULATIONS

This Transparency Report relates to the year ended 1 July 2022 and has been prepared to comply with Article 13 of Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014 (the EU Audit Regulation) as retained in United Kingdom (UK) law.

This report also includes disclosures required by the 2016 Audit Firm Governance Code (the Code), which sets a benchmark for good governance and applies to UK firms auditing 20 or more listed companies. Details regarding the firm's compliance with the Code are set out in Appendix B. The Financial Reporting Council (FRC) issued an update to the Code in April 2022 which will be applicable for financial years beginning on or after 1 January 2023. The transparency reporting requirements under the new Code will be considered for our 2023/24 Transparency Report.

Public sector bodies in the UK have differing audit requirements and arrangements, depending upon the country and the type of body. 'Local audits' (or 'local public audits') are audits of English bodies conducted in accordance with the Local Audit and Accountability Act 2014. These local audits cover Local Authorities, Clinical Commissioning Groups (CCGs), and NHS Trusts (but not NHS Foundation Trusts).

As we have issued audit reports in respect of major local audits during the year ended 1 July 2022, we are required to comply with The Local Auditors (Transparency) Regulations 2020. Appendix D includes a summary of the requirements of The Local Auditors (Transparency) Regulations 2020 and where these requirements are addressed within this Report.














References to 'BDO', 'we', 'our', or 'us' in this report are to BDO LLP. BDO is a member of BDO International Limited, a separate legal entity. BDO International Limited is a UK company limited by guarantee. It is the governing entity of the BDO network. Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium. Each of BDO International Limited, Brussels Worldwide Services BV and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients and audited entities. BDO is the brand name for the BDO network and for each of the BDO member firms.



AUDIT YEAR IN REVIEW FY21/22



RESPONSIBLEGROWTH
ROOTED IN QUALITY

<p>11,500+  statutory audit reports signed</p>	<p>FRC* REVIEW 58%  of audits were judged 'good or limited improvements required'</p>	<p>FRC* REVIEW 42%  of audits assessed required 'improvement' or 'significant improvement'</p>	<p>341  additional audit professionals below partner</p>
<p>25  new audit partners joined or contracted to join</p>	<p>£324m  total audit revenues</p>	<p>2,600  Audit stream headcount at year end</p>	<p>£8m  multi-year investment in central Audit Quality Directorate</p>
<p>95% of people believe the leaders they work with are committed to perform high quality work**</p>	<p>88  ideas submitted to BDO Audit Labs</p>	<p>565  entities that BDO resigned from as auditor</p>	<p>97% of our auditors believe they are personally responsible for delivering quality on an engagement*</p>
<p>19  FTSE 250 companies audited by BDO</p>	<p>2,000+  Attendees at BDO's Audit Summer School</p>	<p>£115m  the value of audit work BDO declined to tender for</p>	<p>I have sufficient time and resource to do my job</p> <p>YES 21% SOMETIMES 41% NO 38%</p>

* Financial Reporting Council

**2022 Audit Quality Survey



I cannot hide our deep disappointment that, for the third consecutive year, our results in the FY21/22 Financial Reporting Council's Audit Quality Review inspections have fallen short of the high standards we set ourselves.

WELCOME TO BDO'S TRANSPARENCY REPORT 2022.

In these challenging times, I am pleased to report that our people have demonstrated great resilience by adapting to new ways of working whilst continuing to strive to deliver consistently high quality work.

Quality is at the heart of everything we do and is our number one priority. For audit, it is the bedrock for creating the trust and transparency that is demanded by our stakeholders. It is how we serve the public interest.

In this context, I cannot hide our deep disappointment that, for the third consecutive year, our results in the FY21/22 Financial Reporting Council's Audit Quality Review inspections (which primarily review our work relating to Public Interest Entity 'PIE' audits) have fallen short of the high standards we set ourselves.

In this Transparency Report, my Leadership Team and I acknowledge these unacceptable results and clearly set out the actions we are undertaking to rectify them.

The theme across all our annual reports this year has been chosen very purposefully: **responsible growth, rooted in quality**. This recognises that as a highly regulated firm, we commit to serving the public interest by, amongst other things, consistently performing high quality engagements.

And in the context of high demand for our services, we need to responsibly and carefully control how, and how fast, we grow.



PAUL EAGLAND

INTRODUCTION FROM THE MANAGING PARTNER



AUDIT QUALITY

The Leadership Team acknowledges that one of our key responsibilities is to deliver consistently high quality audits. Therefore, we remain absolutely committed to improving audit quality. This is and will be delivered by executing our detailed and comprehensive Audit Quality Plan (AQP).

We recognise that although the plan is in place, several key actions are still embedding and known time lags mean that we have yet to see a positive impact on the audit quality gradings of our audits.

In subsequent sections of this report, BDO's senior leaders provide greater details of the actions that we have and are taking, including changes to our governance arrangements and investments in our partners, people, central support infrastructure and technology.

Our commitment to high quality audits is set from the very top of our firm. Each one of us on the Leadership Team recognises the responsibility we personally have to ensure we meet the expectations of those that look to us to act in the public interest and provide high quality audits.

At the highest level this is evidenced by the fact that our strategic framework specifically sets out our commitment to serving the public interest by, amongst other things, consistently performing quality engagements, underpinned by a culture of independence and ethics. Furthermore, quality is embedded in our culture, shared values, individual behaviours and in everything we do.

Our AQP was refreshed and enhanced in April 2022. It is a live and evolving programme designed to drive improvements and is subject to continued monitoring by our leaders, our governance bodies and our regulators.

It defines our priorities and is focused on four key areas: investment in central audit quality support, controlled responsible growth, strengthening methodologies and fostering a culture of challenge.

We consider that we have a constructive relationship with the FRC and welcome the feedback and challenge it provides as we work through the execution of our AQP. Our engagement with our regulators specifically addresses the fact that it will take time before the effectiveness of our actions can be evidenced by improved quality grades.

AUDIT MARKET REFORM

We remain committed to audit market reform and broadly support the Government's market intervention proposals to increase choice and resilience.

The impact of this proposed intervention has already translated into increased demand from Audit Committees to consider the appointment of challenger firms.

As the largest of this group, we have an important role to play in helping these reforms succeed, and we will continue to engage constructively with relevant stakeholders as legislation is developed.

However, our overriding objective will always be to raise quality standards, which itself is linked to our objective of controlled responsible growth.

INTERNATIONAL QUALITY MANAGEMENT STANDARDS

ISQC (UK) 1 is being replaced by two new quality standards: ISQM (UK) 1 'Quality management for firms that perform audits, reviews and other assurance or related services engagements' and ISQM (UK) 2 'Engagement quality reviews'.

These two standards require that the firm's system of quality management is designed and implemented in line with these standards by 15 December 2022 and evaluated within one year of that date. This is a priority project for the firm; we are well progressed and on target to meet the implementation date.

We believe that the implementation of the requirements of these standards will further improve our existing systems of quality management and is aligned to our overall quality objectives.



LOOKING AHEAD

First, we had the pandemic; now we have global instability as a direct result of geopolitical conflicts and current economic uncertainty. When I look ahead, I expect further 'unexpected' challenges that will require our business and our people to be resilient and adaptable.

Culture is at its most important, and most tested, in moments that matter. When I ask colleagues what brought them to and what keeps them at BDO, there is commonality in the answer: our culture. The strength of that feeling – underpinned by our core purpose and our values – is important as we look ahead.

I am confident that our people will succeed, continue to overcome such challenges, and ultimately deliver on our ambition to serve the public interest by delivering consistently high quality audits.

PAUL ENGLAND
Managing Partner, BDO LLP



I am confident that these changes will help guide the firm as it strives to improve quality across its whole business and moves into the next period of development, demonstrating improved governance, based on clearer discussions, richer intelligence and stronger challenge and oversight of the firm's leadership.

From a governance perspective this has been a significant year for BDO as we started our transition to a new model of oversight.

In October 2020 I formed a committee with members from the Partnership Council, the Leadership Team, the Partnership Office and subject matter experts from around the firm to review our governance structure.

The committee's remit was to evaluate the governance requirements for the firm, both now and for the future, and to propose changes that built on our governance model whilst protecting the partnership culture that makes BDO unique. It was a fundamental review and restructure of our whole governance model.



I am pleased to report that the new structure is already proving to be successful with better demarcation and separation between the firm's Leadership Team and those charged with oversight of their work and more focused oversight following the introduction of two new governance bodies, the Business Interest Oversight Board (BIOB) and the Audit Board (AB).

It is an evolving process, and changes may be required in the future as we reflect on progress so far.

MATTHEW WHITE

REPORT FROM THE SENIOR PARTNER



OUR CONSIDERATIONS

The time was right to take stock of where we were from a governance perspective but also to think ahead given we are operating in an evolving and dynamic market landscape. One of the key considerations was reflecting on the period of significant growth the firm had experienced in recent years, which naturally has created additional complexities and risk. Throughout the review process, we strove to retain what was good and worked well while also looking at what could be done better. During this governance review we have considered:

- ▶ the desired balance between **oversight, leadership** and **management**
- ▶ how these functions are divided between the **various governance bodies**
- ▶ the role partners play in **exercising oversight** as business owners
- ▶ the **effectiveness** of our current arrangements
- ▶ areas for **continuous improvements**.

The new structure will enable those responsible for oversight within the firm to more effectively review, discuss and challenge the decisions of management as those with the most appropriate expertise and skillset have been aligned, by their positioning on certain oversight boards or committees, to consider those matters.

That said, there is still sufficient fluidity in the process to ensure that decision making in the firm still progresses efficiently. This will enable us to continue to act dynamically thus underpinning the firm's continued strategic growth for the benefit of the business.

KEY GOVERNANCE CHANGES

The FRC first published principles for operational separation of the Audit practices of the Big Four firms in July 2020 with a stated implementation date of 30 June 2024. Whilst BDO is not required to separate the operations of its audit business from the rest of the firm, we have voluntarily created an AB. We considered it best practice to do this and a valuable addition to our governance structure to provide oversight of the strategy, performance and operations of the Audit practice.

In addition, we have created a BIOB, which reports to our Partnership Council and is charged with providing challenge to the Leadership Team on business and risk matters. We have also reconstituted the Public Interest Committee (PIC) so that its membership is solely the firm's Independent Non-Executives (INEs). This new structure will allow the AB to focus on audit matters, with the PIC, in addition to its other responsibilities, taking a more holistic view of quality and risk across the whole firm.

We have repositioned the INEs in the governance structure and increased the number to four. During the transition period we had five as Jeff Randall remained as an INE to assist during this period of change.

Two of the INEs – Eamonn McGrath and David Matthews – sit on the AB whilst Jane Guyett and Russell King sit on the BIOB. We are grateful to be able to call on the depth of experience that they bring, and the quality of challenge that they provide. You can read full details of these new bodies and other changes in the 'Governance Structure' section on page 14.

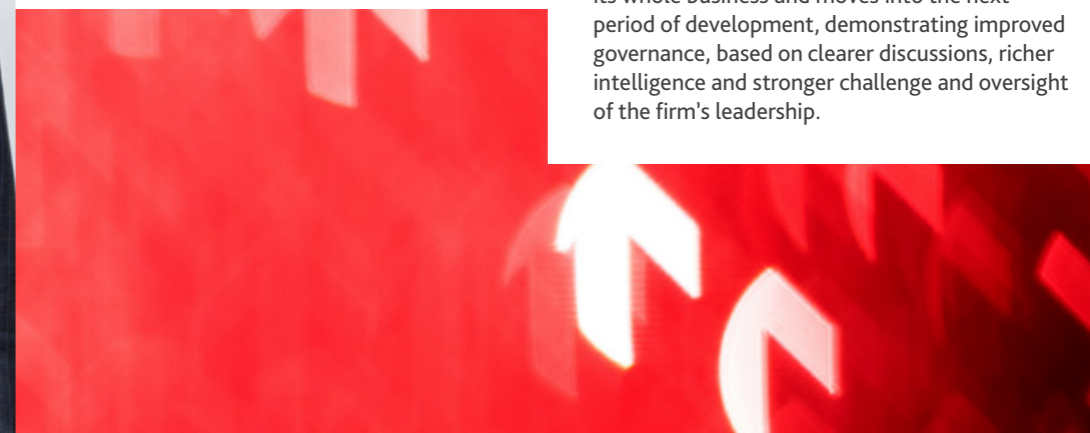
We also have new or refreshed Terms of Reference for all governance bodies, revised role descriptions for our main leadership and oversight positions and a structural revision of our Members' Agreement.



AUDIT FIRM GOVERNANCE CODE

It is also a period of change. We are moving towards compliance with the revised Audit Firm Governance Code, which was released by the FRC in April 2022, and will apply from our 2023/24 year.

This will affect not just the Audit practice as it will apply to the whole firm, particularly further codifying the procedures we have in place in relation to governance, the firm's management structures and our relationship with the INEs, irrespective of any voluntary move towards operational separation.



COMMITMENT TO QUALITY

As we implemented these changes to our governance structure, we have always kept our commitment to high quality work at the forefront of our thinking. We have woven in our continued commitment to independence and ethics by positioning our Ethics Partner as a member of BIOB, helping ensure that these elements are always front and centre as business decisions are made and oversight exercised.

As I begin my second term as Senior Partner, I am confident that these changes will help guide the firm as it strives to improve quality across its whole business and moves into the next period of development, demonstrating improved governance, based on clearer discussions, richer intelligence and stronger challenge and oversight of the firm's leadership.



I found BDO's FY2021/22 results from the FRC's Audit Quality Review tough reading. This is the third consecutive year of poor results, but we remain even more determined to make improvements under our Audit Quality Plan.

As Head of Audit at BDO, my number one objective is for our firm to be recognised for delivering consistently high quality audits.

Therefore, I found BDO's FY2021/22 results from the Financial Reporting Council's Audit Quality Review tough reading. This is the third consecutive year of poor results, but we remain even more determined to make improvements under our Audit Quality Plan (AQP) – an extensive multi-year programme that allows us to focus our audit quality initiatives towards meeting the priorities that support the delivery of consistently high quality audits.

The AQP has been designed based on five key pillars: governance and leadership; values and culture; financial performance and KPIs; risk management and resilience; and audit quality.

Having considered the findings and consulted within the firm, the programme was updated in April 2022, and we have defined the following four key priorities: investment in central audit quality support, controlled responsible growth, strengthening methodologies and fostering a culture of challenge.

We are unequivocally committed to fully addressing the concerns raised in the FRC's findings and I expect to be able to report progress in the coming year.

This will come from our increased investment in people, in particular in our central audit quality support team, strengthening our audit methodologies, improved infrastructure and technology, controlling growth responsibly and a more focused approach towards which entities we engage with, whilst paying close attention to the capacity of our people to carry out consistently high quality audit work.

SCOTT KNIGHT

REPORT FROM THE HEAD OF AUDIT



CONTROLLED RESPONSIBLE GROWTH

In recent years, BDO has experienced significant growth in its Audit practice. In 2020 we launched a five-year strategic plan based upon controlled, responsible growth. We were very clear we needed to add high quality partners and employees to keep pace with our growth and that we would not be able to keep pace with the volume of opportunities. We therefore selected the entities we engaged with ensuring consistency with our strategic aims.

Over the last financial year, the firm has declined the opportunity to tender for approximately £115m worth of audit fees. Over the same period, we have also resigned from 565 entities that we audited, the equivalent of £27m in fees.

As part of our commitment to responsible growth, we are discerning about which entities we pitch for, and only accept requests to tender when we know we have teams with the right skillsets and capacity to deliver. Our new tender approval platform, established to control the volume and shape of our portfolio growth, assesses factors such as strategic fit, risk profile and economic return to ensure audit quality is not compromised.

Under our acceptance policy, all opportunities require approval by the Regional Head of Audit or London Audit Sector Leader and tenders above certain size criteria or those that are designated as higher risk under predetermined criteria (including PIE audits) require approval by members of the Audit Executive.

Most importantly, we seek to work with entities which value the true purpose of an audit and welcome robust challenge from our audit teams.



For existing audit engagements, we have been carrying out ongoing continuance reviews in respect of our portfolio to determine whether appropriate actions can be put in place to address potential quality concerns, whilst ensuring that we step away from engagements where the barriers to delivering a quality audit are too great.

We have expanded our capacity adding a net 341 professionals below partner to finish the financial year with 2,600 audit professionals. This has allowed us to take some of the growth pressure off our employees and as a result we saw average chargeable hours per person return to pre COVID-19 levels. This was consistent with our five-year resourcing plan which aims to ensure our growth is not based upon working our people harder.

INVESTMENT IN AUDIT QUALITY

We have invested in partners, recruiting 25 additional partners from other firms into our Audit practice who have joined us in the last financial year or are contracted to join soon. This is a massive investment for the Audit stream and most of these partners are in strategically critical areas such as Audit Quality, Financial Services, and US Reporting. The technology team has also been expanded so, of those 25 additional partners, four have been recruited into our Technology Risk Assurance (TRA) team alongside a 25% expansion in the team below partner.

During the year, and in light of results from both internal and external quality reviews, we have undertaken the biggest investment in our central audit quality support team in its history.

The firm has established an Audit Quality Directorate (AQD), which houses the newly created Audit Quality Improvement Team (AQIT) and the existing Technical Standards Group (TSG). The AQIT brings together various central support functions with a shared objective of improving audit quality and ensuring that our audit quality support resources are allocated optimally to engagements.

New partners have been hired into these teams, and the Directorate is now made up of more than 120 professionals, an increase of 42 from 12 months ago with a further 31 headcount increase planned. To date, the firm has invested an additional £8m in this multi-year programme.

As a result, we have been able to increase the level of support and deep subject matter knowledge that is available to our audit professionals. We have also increased our in-flight support through programmes such as:

- ▶ the Elite Squad, which provides real-time support before the audit opinion is signed
- ▶ the Revenue Centre of Excellence, which supports teams auditing entities identified as having challenging revenue cycles based on a set number of criteria
- ▶ the Audit Transition Support Team, which helps engagement teams with their approach to public interest first year audits
- ▶ an enhanced Root Cause Analysis programme that is being developed.

We have also revised the methodology our auditors apply for revenue, and enhanced policies, tools and practice aids to support challenge of management, detecting material fraud and the audit of going concern and viability. We refer to these as 'The Big Rocks'.

We focused on these areas in our Summer School annual training to ensure there was a clear and consistent message across the Audit practice on the importance of getting these areas right.

The other important aspect of significantly increasing the number of partners is to ensure partners have portfolios of appropriate size and complexity based on their relevant skillset. We have therefore implemented in the last quarter of the financial year a new and more structured process to review our Responsible Individuals' audit portfolios. This process will better ensure that partners and directors with signing rights have the right levels of capacity to direct to their portfolios as well as to better ensure that Engagement Quality Control Reviewers (EQCRs) have the capacity to dedicate sufficient time to this important role.

We continue to invest in technology and digital innovation. Last October we held a two-day Audit Innovation Summit in which we set out the future of innovation within the firm and the investment we are making in our technology risk assurance capabilities, including BDO's Audit Labs.

It is through these measures that we will continue to address how we improve audit quality; build on the enhancements we have already made and seek out further improvements in the future.

OUR PEOPLE

BDO is nothing without its people, and I remain enormously proud of their contribution to the firm during a time of great uncertainty. Through WORKABLE, BDO's agile working framework, our people are able to work in a way that is best for the organisations they audit, their team and themselves, working from the best environment for the tasks that need to be completed.

Training our auditors is key to improving quality, to ensure that they are appropriately equipped to do their job and to help them in their development journey in the firm. This is particularly relevant after COVID-19 restrictions when the opportunities from learning by observing were reduced. We have added an additional £1.5m to BDO's audit training budget, bringing in extra managers to support the training curriculum.

In addition to other training programmes delivered during the period, in July and August 2022 we organised the third of our annual Summer School training events, which was attended in person by more than 2,000 partners, directors and audit employees. In October 2022, we also held our Audit Summit, where we were able to connect face-to-face with colleagues and engage with the Audit stream's vision and strategy.

I am very keen on listening to our people and for them to clearly understand the key pillars included in our strategy. Through live events, Q&A sessions and deeper dives with our partners, we ensure that they are clear on our strategy and how quality should be embedded in everything we do. As leadership we listen to their concerns in order to take prompt action. In the 2022 Audit Quality Survey, 95% of our people believe that leaders demonstrate a commitment to performing high quality work through their actions.



AUDIT MARKET REFORM

In the spring of 2022, the Department for Business, Energy and Industrial Strategy (BEIS) published its recommendations following the consultation on 'Restoring Trust in Audit and Corporate Governance' and we are now hopeful these will move towards legislation. We believe it is critical to any solution that all the actors are on the stage and under the direction of a single supervisory body. We fundamentally believe that company directors have an important role to play in the audit ecosystem and that reforms must address the role they play as preparers of financial and non-financial reports, alongside audit committees and auditors themselves.

We continue to offer our support for the government's proposals. However, we do have reservations about the practical application of managed shared audits. For example, whilst managed shared audits will be an opportunity for challenger firms, the profession as a whole needs to ensure that demand does not outstrip supply, so we would urge that remedies for market reform are carried out at a pace that does not compromise audit quality.

We are cognisant of the **risk alert** issued by the ICAEW in respect of audit tenders and we are actively considering any potential impact in our acceptance processes.

It will take time for the full benefit of these reforms to be realised, but we are hopeful that these moves will encourage wider participation in auditing public interest entities.

As you will have read in our Senior Partner's report, this year has also been one of change for BDO's governance. In January 2022, the firm implemented a new governance structure which will properly reflect the business as it is today and ensure it is fit for the future. These changes include the voluntary creation of an Audit Board (AB). Although under FRC guidelines we are not required to create a separate Board for Audit, we believe that it is the right thing to do to ensure good governance of our Audit practice.

The AB is responsible for the oversight of the strategy, performance and operations of the Audit practice and to promote a culture supportive of acting in the public interest and audit quality. As Head of Audit, I am a member of the AB and will attend meetings of the Board, together with another partner from the Audit Executive relevant to the topic to be discussed. I personally welcome the level of oversight and challenge that the AB will bring to the Audit practice.



As INEs, we have not witnessed any defensiveness or denial over these issues but, instead, can see a clear focus and determination by the firm's leadership to secure sustainable improvements.

The past 12 months have been a period of significant change for BDO – and the Public Interest Committee (PIC) has likewise changed.

After more than eight years as an independent non-executive (INE) and chair of the PIC from its formation in 2014, Simon Figgis stepped down and I was appointed to replace him as chair on 1 January 2022.

Jeff Randall also retired, leaving the PIC on 1 July 2022. I'd like to thank both for their service as INEs and Jeff, in particular, for his wise counsel during my first six months.

We have been joined by two additional new INEs, Jane Guyett and David Matthews, whilst Russell King has continued to serve as an INE. Our biographies are set out on pages 70-71 in Appendix I.

Other significant changes include those made to the firm's governance structure following a review led by the Senior Partner, details of which can be found on page 14. It is a significant change and one that will need to establish itself properly; as with any new structure, it may take some time to fully embed and potentially evolve.

The review was undertaken in part as a response to the growth of the firm. The new structure, supported by the INEs, became operational halfway through our financial year. It will enable the highest levels of oversight, quality, and risk management as the firm continues to grow its business in the years ahead.

The PIC now consists solely of the four INEs. It met six times during the year and senior members of the firm were invited to attend; including the Senior Partner, the Managing Partner, the Head of Audit and the Ethics Partner.

EAMONN MCGRATH

REPORT FROM THE CHAIR OF THE PUBLIC INTEREST COMMITTEE



In addition to our roles on PIC, Jane Guyett attends the Audit Committee meetings and I attend the Quality & Risk Management Committee (QRMC) meetings. Russell King continues in his role as the INE with People responsibility. Where appropriate, we have also been invited to attend Acceptance and Continuance Panels.

As part of the governance review, two new bodies were set up: the Audit Board (AB), of which David Matthews and myself are members, and the Business Interest Oversight Board (BIOB), of which Russell King and Jane Guyett are members.

The Head of Audit has set out in more detail how the practice has performed on pages 8 to 10. The work we have done is set out below.

AUDIT QUALITY

The PIC's primary focus under the Audit Firm Governance Code (AFGC) has been on improving audit quality and, in particular, the firm's response to its unacceptable AQR results. The audit market is changing and the expectations of BDO are changing as befits its status as the leading challenger firm. However, the necessary support infrastructure has not grown at the same pace as the firm has grown its Audit practice in recent years. The firm has been working to address this issue.

It has been a profound disappointment to all concerned that BDO's AQR report and the related audit quality scores still show significant room for improvement. Pleasingly though, as INEs, we have not witnessed any defensiveness or denial over these issues but, instead, can see a clear focus and determination by the firm's leadership to secure sustainable improvements.

One particular aspect of its response, which the INEs endorsed, is that BDO declined to participate in certain audit tenders during the busy winter audit season. This enabled partners and employees to focus on delivering consistently high quality audits at that time.

Every PIC meeting has reviewed the detailed response to the FRC's concerns, from its development to implementation. As progress occurs, we undertake deeper dives into the action plans.

The PIC recognises that the time lag between the AQR reviews, the publication of the results, action plans and successful implementation of the Audit Quality Plan is a challenge. The full benefits of actions taken in the year just ended will not necessarily be reflected in the engagements which are the subject of external regulatory reviews for at least two years. Our role as INEs is to both encourage the audit leadership, partners and employees to make the necessary improvements but also to be supportive in the period until we see those results.

Good audits require strong management and governance at audited entities, top quality audit teams and a robust and ever improving audit methodology. The acceptance and continuance procedures are key to ensuring that BDO works with good quality audited entities. The INEs are involved in this process where appropriate.

We also receive presentations on the annual performance and quality reviews for audit partners. The Audit Quality Plan comprises a number of actions that are being progressed and monitored. As part of the improvements to the audit methodology, we received presentations from the Audit Quality Directorate on improvements to the firm's audit methodology with respect to certain key focus areas. BDO's global network has invested heavily in the development of a new audit methodology, anchored in recently revised auditing standards, and has introduced a substantial upgrade to the audit software to accommodate revisions of the audit process. The UK firm, in turn, has dedicated significant resource to the roll-out of the new approach and the new audit tool, providing a new audit manual on a new platform, updated policy and procedures as well as practical guidance and training to facilitate successful implementation. With 67 new partners and employees hired at a cost of £8m invested or planned in intellectual infrastructure, the Audit Quality Directorate is primed to support further initiatives to enhance and maintain audit quality.

We have also received reports on BDO's own internal quality review processes and action plans. The quarterly Audit stream performance measures show that progress continues to be made in respect of delivering the resourcing plan.



OTHER AFGC ACTIVITIES

In addition to audit quality, the other main objectives for INEs under the AFGC are in relation to the firm's reputation including the non-Audit streams and the risk of firm failure.

The revised version of the AFGC was published in April 2022. The focus on promoting audit quality remains, as does safeguarding the firm's resilience. However, securing the firm's reputation has been replaced by ensuring it takes account of the public interest in its decision making, particularly in audit. The firm will adopt this revised version in the financial year 2023/24 when it becomes applicable.

It can be argued that a firm with a good reputation does take account of the public interest and similarly those firms that take account of the public interest will tend to have a good reputation. The PIC is already focused on public interest.

AUDIT BOARD

Whilst the operational separation principles in the revised AFGC only apply to the Big Four firms, as part of BDO's governance review, the firm set up an Audit Board. It is currently chaired by the Senior Partner and the other members are the Head of Audit, a member of the Audit Executive and two INEs – David Matthews and myself. Among other benefits, the Audit Board enables a deeper focus on issues included in the Audit Quality Plan and external regulatory reports including thematic reports.

As members of the Audit Board, we also have an opportunity to review and comment on individuals being considered as new audit partners from outside BDO as part of the lateral hire process as well as the internal audit partner pipeline. Our focus is specifically on how these hires improve audit quality and the supporting infrastructure.

One noteworthy aspect of the focus on improving audit quality is that the firm has decided it is in the public interest to withdraw from auditing certain entities in specific sectors. The INEs support this initiative. A wider public interest question though may be where do these audits end up?

The FRC has organised INE/Audit Non-Executive (ANE) roundtable discussions for the larger firms, including BDO. These focus on specific areas of the AFGC. We have actively participated in these meetings and will continue to do so. Separately, we have had meetings with the FRC about the new AFGC and our perspectives and roles in ensuring that the firm's audit quality keeps pace with its growth, including the results of its AQR process.

AUDIT MARKET REFORM

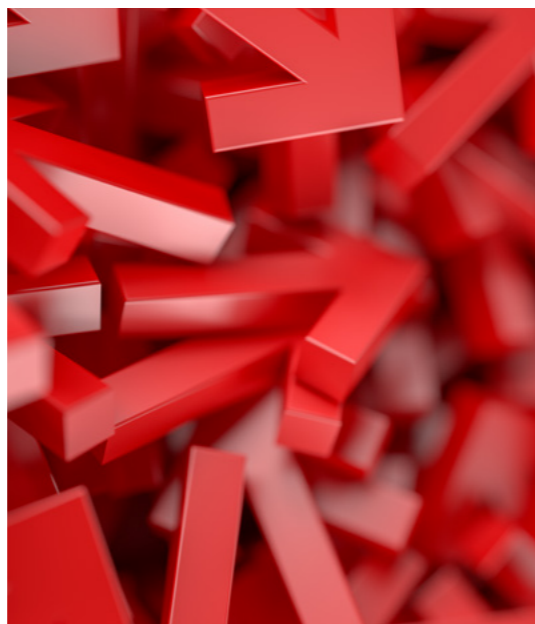
The Government has now published its response to the consultation on restoring trust in UK corporate governance, corporate reporting and audit. The legislative timetable may take longer, and the recommendations may not be as wide reaching as previously thought, particularly with respect to attestation of internal controls. However, the FRC is moving forward with its plans to address issues currently within its remit.

The Government has chosen not to expand the scope of an audit, but there will be changes to the definition of what a 'public interest entity' is, bringing more organisations under the ambit of the regulator.

Specifically, as regards the audit market reform, BDO welcomes the Government's proposals and the opportunity to implement meaningful change; however, market change may take longer than originally planned. Managed shared audits may be seen as an opportunity for challenger firms but there are concerns about the practical application of the change. The PIC notes that reforms should address all aspects of corporate governance and that reforms remain necessary in other areas such as directors' responsibilities. That said, the PIC looks forward to playing an active role as the current proposals move forward in the legislative process.

OTHER ACTIVITIES

PIC meetings have received regular reports from the Head of Audit, the Ethics Partner, and on the activities of the Business Interest Oversight Board, the Audit Board, the Quality and Risk Management Committee, whistleblowing procedures, the Audit Committee, the Leadership Team and the Partnership Council.



OTHER TOPICS DISCUSSED BY THE PIC INCLUDE:

- ▶ updates on the implementation of ISQM (UK) 1
- ▶ presentations on the quality control and review procedures in the Tax and Advisory streams and the improvements thereto
- ▶ review of the UK Firm's top risks, including the firm's response to the Russia/Ukraine situation
- ▶ updates from BDO Global
- ▶ the use of offshore delivery centres in audits including the management of risk and quality
- ▶ financial updates, including forecasts for at least the next 12 months
- ▶ insurance renewals and litigation
- ▶ partner remuneration process, particularly about audit partners and satisfying ourselves there is a focus on audit quality in the assessment
- ▶ culture, including the firm's culture surveys and workshops. Further detail will be disclosed in the Culture and Impact Report released in November 2022.



The PIC has followed a clear plan of review as well as ensuring that we can react and adapt to changing circumstances. We also conclude every meeting with a private discussion among the INEs only to review our own effectiveness and discuss any issues that are of concern.

Additionally, we regularly meet informally with the Managing and Senior Partners as well as the Head of Audit and the Ethics Partner to ensure that we maintain open and frank dialogue outside of the formal meeting process.

We have also restarted office visits which has provided local feedback on the culture of quality. We attend meetings of the Partnership Council twice a year. We have also attended briefings of the whole partnership. The INEs also met members of the Audit Committee Chairs Independent Forum as part of our stakeholder engagement.

LOOKING FORWARD

The PIC knows that this has been a challenging time for all those in the audit profession and we accept that challenges remain as we continue to focus on improving audit quality.

The PIC will play its role in overseeing BDO's journey to improve audit quality with a continued focus on serving the public interest.

GOVERNANCE STRUCTURE

As introduced by the Senior Partner in his report, this year BDO has introduced a new governance structure following an internal review.

The review was initiated after a period of significant growth within the firm, both in terms of the scale and the complexity of the business, as well as considerable growth in the partnership.



GOVERNANCE REVIEW: CONSIDERATIONS AND OUTCOME

The overarching aim was excellence in governance, reflecting our commitment to serving public interest, for the benefit of the firm, now and in the future, whilst maintaining and protecting our partnership culture that embodies our values.

During the review we considered:

- ▶ the desired balance between oversight, leadership and management
- ▶ how these functions are divided between the various governance bodies
- ▶ the role partners play in exercising oversight as business owners
- ▶ the effectiveness of our current arrangements
- ▶ and how we might improve things.

During the review, we consulted with both internal and external stakeholders, partners, senior business leaders within the firm, Independent Non-Executives (INEs) and the FRC.

The results of the review were presented to the Partnership Council, and then all the equity partners, for approval in November 2021. They were approved in December 2021 and adopted from January 2022. The framework which we have implemented includes:

- ▶ a repositioning of our INEs in the governance structure
- ▶ the introduction of an Audit Board (AB)
- ▶ a new Business Interest Oversight Board (BIOB)
- ▶ new or refreshed Terms of Reference (ToR) for all governance bodies
- ▶ revised role descriptions for particular positions, including the Senior Partner, the Managing Partner, the Finance Partner and the Ethics Partner
- ▶ and structural revision of our Members' Agreement.



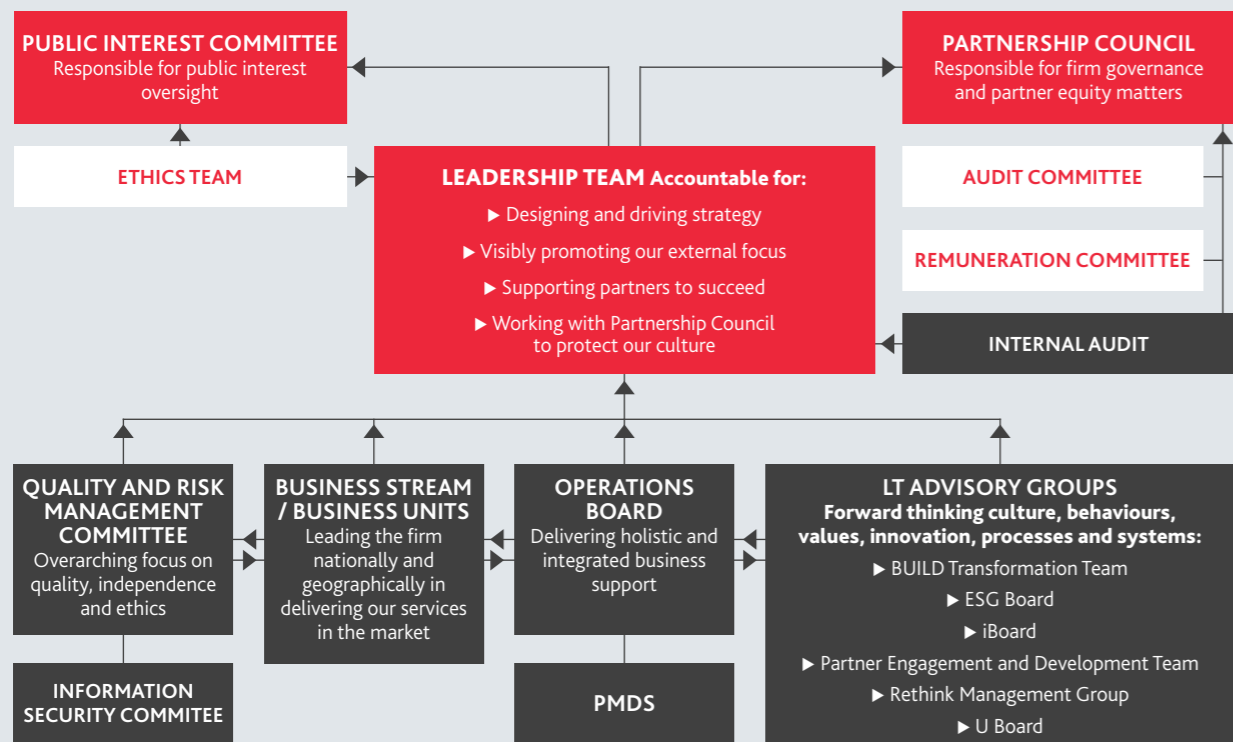
We also recognised the importance of overlaying any changes required as a result of the new International Standard on Quality Management (ISQM (UK) 1).

We believe these moves will enhance our governance, so that we will have three more clearly delineated layers – oversight, leadership and management – while retaining our unique culture.

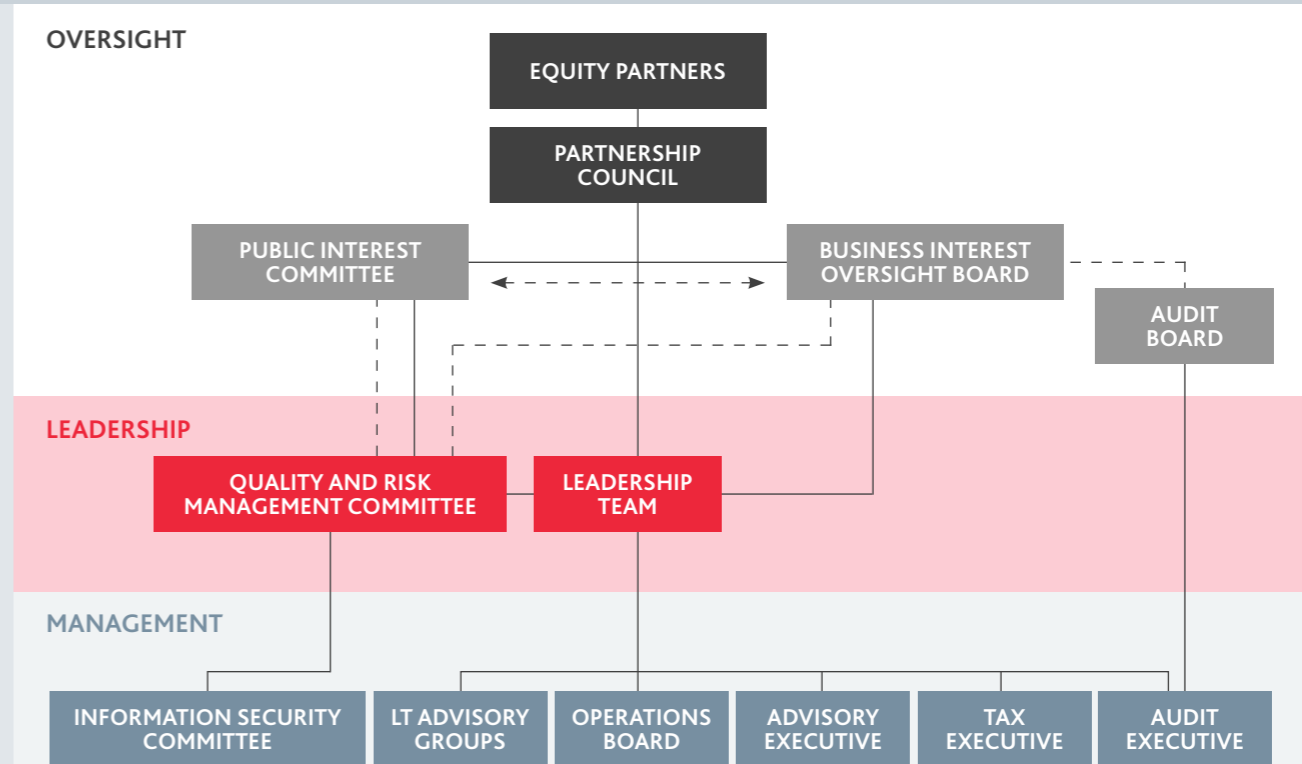
The structure charts on the following page visually represent the old governance structure in place until 31 December 2021 and the governance structure now in place:

GOVERNANCE STRUCTURE

OLD GOVERNANCE STRUCTURE (UNTIL 31 DECEMBER 2021)



NEW GOVERNANCE STRUCTURE (FROM 1 JANUARY 2022)



GOVERNANCE STRUCTURE



PERIOD OF TRANSITION

Accordingly, for the financial year under review – 3 July 2021 to 1 July 2022 – the firm had two governance structures, the old structure, which was in place until 31 December 2021 and, from 1 January 2022, the new structure outlined above.

The first half of 2022 has been a period of learning as the firm transitioned from the previous governance structure to the new one. It may be that further changes are required in the future as the new structure continues to establish itself.

AN OVERVIEW OF THE GOVERNANCE BODIES AND KEY MATTERS CONSIDERED BY THEM

- ▶ Under the new structure, the **Partnership Council (PC)** remains the principal oversight body of the firm. It is chaired by the Senior Partner and has 12 elected members chosen from the equity partners by the equity partners. It is responsible for ensuring, on behalf of the equity partners (as owners of the firm), that the firm's activities align to its purpose, values and strategic framework.

It protects equity by determining, in particular, admissions and retirements of partners. It oversees key processes in the firm such as profit share, disciplinary matters, elections, changes to the Leadership Team and some financial matters.

It uses BIOB to ensure delivery of strategy and business plans, effective risk management and adequacy of internal controls. It acts as a sounding board for management. PC also receives updates at every PC meeting regarding the activities of PIC and the AB and, in turn, it can and does raise actions for PIC and AB to consider on their own agendas.

As well as BIOB (which is discussed in more detail below), the Audit Committee, the Nomination Committee and the Remuneration Committee are also sub-committees within PC. These committees meet as required pursuant to their Terms of Reference to oversee and consider, in the case of the Audit Committee, the firm's approach to its financial reporting, in the case of the Nomination Committee, the appointment of INEs and, in the case of the Remuneration Committee, the performance of the Senior Partner, Managing Partner and members of LT.



- ▶ A **reconstituted PIC**, made up entirely from BDO's INEs, reports to the PC. The PIC acts as an independent voice for the firm, one that is able to counsel and challenge the Leadership Team. It considers public interest matters affecting the firm with a view to enhancing stakeholder confidence. In particular, it looks at audit quality risks, non-audit business risks, matters which could adversely affect the firm's reputation and the firm's resilience.
- ▶ The **new Business Interest Oversight Board (BIOB)** is a sub-committee of Partnership Council. It is chaired by the Senior Partner and includes the firm's Ethics Partner, two INEs and two members of PC. The two INEs currently sitting on BIOB have considerable expertise in the wider regulatory and corporate world and, accordingly, bring a much wider commercial context and experience to the issues under discussion and debate. BIOB ensures management decisions align with the firm's purpose, values and strategic framework and, in particular, that decisions are made, and strategy is set with the firm's Quality and Risk framework at front of mind and are appropriate and consistent with the public interest. It has a particular focus on the firm's culture, financial strategy and people proposition.

- ▶ The **new Audit Board** has oversight of the firm's Audit practice. This board is also chaired by the Senior Partner and includes two INEs. The current INEs sitting on this Board both come from Big Four audit backgrounds and accordingly bring wider technical and market knowledge to the debate. The Head of Audit attends meetings of the AB, along with another audit partner. The AB reviews actions taken to improve audit quality, audit partner remuneration, investment in audit infrastructure, the firm's audit portfolio, as well as other quality programmes such as root cause analysis. It also considers culture, in particular the culture of quality as it affects the Audit practice.

Members of the firm's leadership and management bodies are invited to attend governance body meetings in accordance with the relevant Terms of Reference.

Memberships for all the governance bodies and attendance statistics for the year can be found in Appendix I, from page 72 onwards.

GOVERNANCE STRUCTURE



AN OVERVIEW OF THE LEADERSHIP BODIES AND KEY MATTERS CONSIDERED BY THEM

The Leadership Team (LT) is the main body in BDO's governance structure that provides executive leadership to the organisation. The LT is led by the firm's Managing Partner and comprises seven other partners selected by the Managing Partner such that the composition of the body reflects the needs of the business in terms of skill mix and behavioural attributes.

The LT is responsible and accountable for designing and driving our strategy (including an appropriate focus on quality), visibly promoting our brand and external focus, supporting partners and our people to succeed and collaborating with PC to protect and sustain our partnership culture. The LT is also responsible for the design, implementation and the operational effectiveness of the quality and risk management framework and our system of internal control.

In addition to the leadership and management responsibilities exercised by LT, it also provides oversight to the bodies sitting in the management layer of the governance structure.

The changes to the governance structure have principally impacted on the composition of the Leadership Team with the repositioning of the INEs elsewhere in the governance structure.

The Quality and Risk Management Committee reports to the Leadership Team. Its role is to ensure appropriate strategies and plans are drawn up, implemented, and monitored to ensure the quality objectives of the firm are achieved and the effective management of risk consistent with the firm's strategy.

This includes understanding and monitoring all the risks facing BDO as a business (be they strategic, reputational, financial, operational) and for scrutinising the processes in place within the business for managing and mitigating these risks. The committee is chaired by the Head of Quality and Risk Management with members including the stream Heads of Quality and Risk, other partners with relevant expertise and experience, and at least one INE as an observer.

AUDIT FIRM GOVERNANCE CODE 2016 AND 2022

Details regarding the firm's compliance with the Audit Firm Governance Code 2016 are set out in Appendix B on page 46.

The firm is actively considering the requirements of the new Audit Firm Governance Code published by the FRC in April 2022 with a view to implementing these requirements from its financial year commencing 1 July 2023.

GOVERNANCE BODY KEY PERFORMANCE INDICATORS (KPIs)

Historically, the governance systems' performance has been measured by reference to statistics such as meeting attendance.

These KPIs are included for both the bodies under the old structure and the new structure in Appendix I from page 77.

Additionally, with the newly created Terms of Reference, all governance body agendas are now set with these in mind. We note the need for additional KPIs from a governance perspective and we are actively considering these together with the targets and metrics required to measure these KPIs effectively and we expect to report more fully on these in next year's report.

AUDIT QUALITY

Quality is our top priority; however, we acknowledge that we need to do more to improve our external regulatory review results.

It is extremely disappointing that for the third consecutive year, our results in the FY21/22 FRC's Audit Quality Review inspections have fallen short of the high standards that the regulator expects from us and that we set ourselves.

OUR EXTERNAL AND INTERNAL QUALITY RESULTS

BDO is committed to serving the public interest. Part of this will be achieved through consistently performing high quality engagements. This is enshrined in our vision and strategy.

Our Quality Vision is that high quality is fully embedded in our culture, shared values, individual behaviour and everything we do.

Quality is our top priority; however, we acknowledge that we need to do more to improve our external regulatory review results. It is extremely disappointing that for the third consecutive year, our results in the **FY21/22 FRC's Audit Quality Review** inspections have fallen short of the high standards that the regulator expects from us and that we set ourselves, with 42% (FY20/21: 56%) of the audits reviewed assessed as requiring significant improvements or improvements. This 42% comprises the 33% which were assessed as requiring significant improvements (FY20/21: 11%) and the 9% that required improvements (FY20/21: 45%).

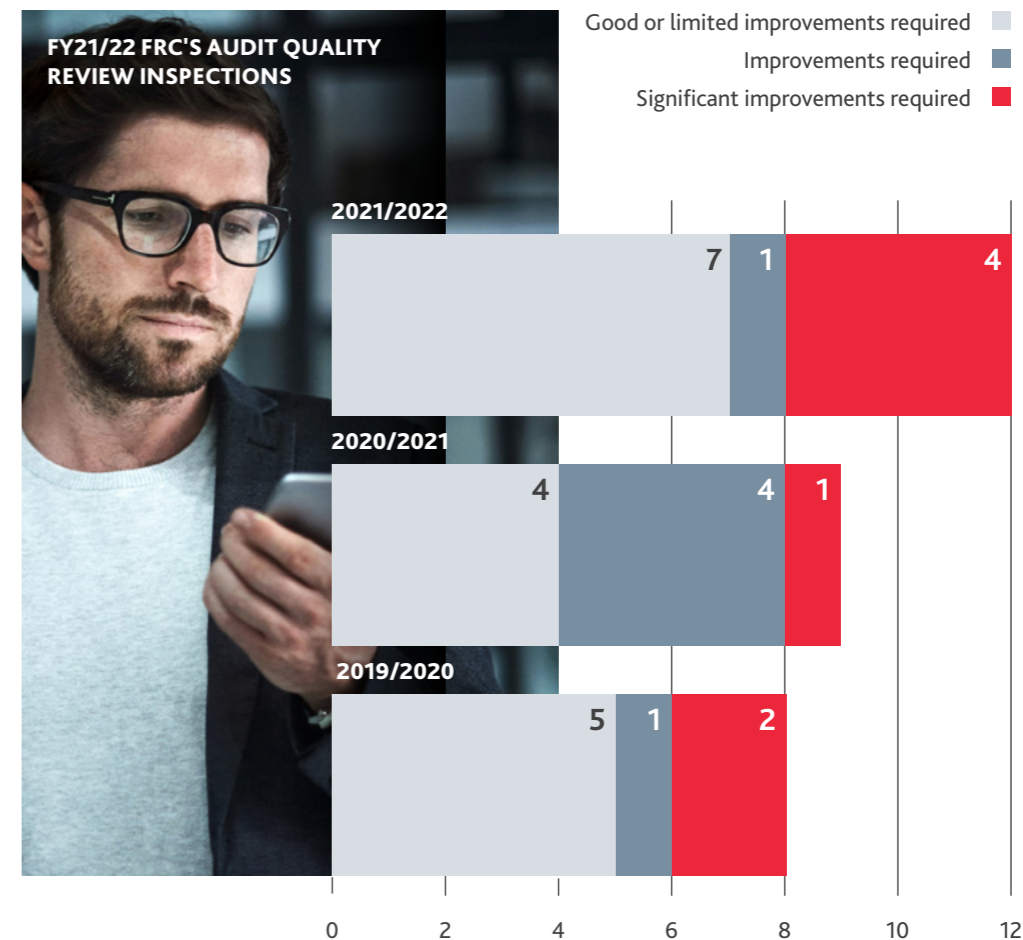
The key findings at an engagement level related to: the audit of revenue; audit work on financial services entities; scepticism and challenge in key areas of judgement; the firm's procedures over independence assessments; the audit testing of journals; and quality control and review.

From a firm-wide perspective, the regulator identified findings related to: the firm's actions to implement the revised Ethical Standard; the firm's policies and procedures in relation to EQCR; the firm's audit methodology in relation to the auditing of fair value instruments; and internal quality monitoring arrangements.

As explained in this section, we will continue to work hard to fully address the FRC's findings through our Audit Quality Plan (AQP).

BDO's AQP is an important part of the firm's multi-year programme to drive improvement and support delivery of consistent high quality audits, identifying priorities and key quality improvement initiatives. The AQP includes actions to address the findings identified by the regulator.

As a specialist sector, local audits are subject to review by both the **FRC's AQR for Major Local Audits (MLAs) and the ICAEW's QAD for Non-Major Local Audits**. The FRC's AQR reviews happen annually. The ICAEW reviews typically happen every other year.



AUDIT QUALITY

As the 2020/21 FRC's AQR for Major Local Audits was published after the issuance of our 2021 Transparency Report, a brief summary of our results has been included in this year's Transparency Report for completeness purposes. The results from the FRC's AQR for MLAs reviews for the firms inspected were not disclosed separately. The ICAEW's QAD 2020/21 review of local audits that do not meet the definition of a MLA were also published in the same FRC report and covered two BDO audits. One of the financial audits reviewed was of a good standard with no issues identified and one required significant improvement. The work to support the Value for Money (VfM) arrangements conclusion was assessed as satisfactory. We were disappointed with the results and prompt actions were taken to address the findings. The results of the 2020/21 reviews can be downloaded from the [FRC website](#).

As part of the 2021/22 FRC Major Local Audit review, two engagements were selected.

One engagement was graded as requiring 'significant improvements' for both the financial statements and value for money engagements. The other engagement was graded as 'good or limited improvements required' for the financial statements audit.

Findings in relation to the financial audit with an adverse rating included findings in relation to the auditors' report and the consideration of the impact of unadjusted audit differences on the financial statements. The key findings in relation to the VfM engagement identified significant weaknesses in the documentation, the archiving procedures and our engagement with the regulator.

We are very disappointed with these unacceptable results and acknowledge that urgent and robust action needs to be taken. Further details on these actions are included in [the FRC report](#).

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants of England and Wales (ICAEW) reviews our firm every two years. We are currently awaiting the results of the latest review carried out by QAD in June 2022. Further details on prior year results are included on page 99 in Appendix M.

The results of our internal quality monitoring programme, the **Audit Quality Assurance Reviews (AQAR)**, are broadly similar to the previous year's results, with 28% of files reviewed graded with improvements required or significant improvements required (2020: 31%).

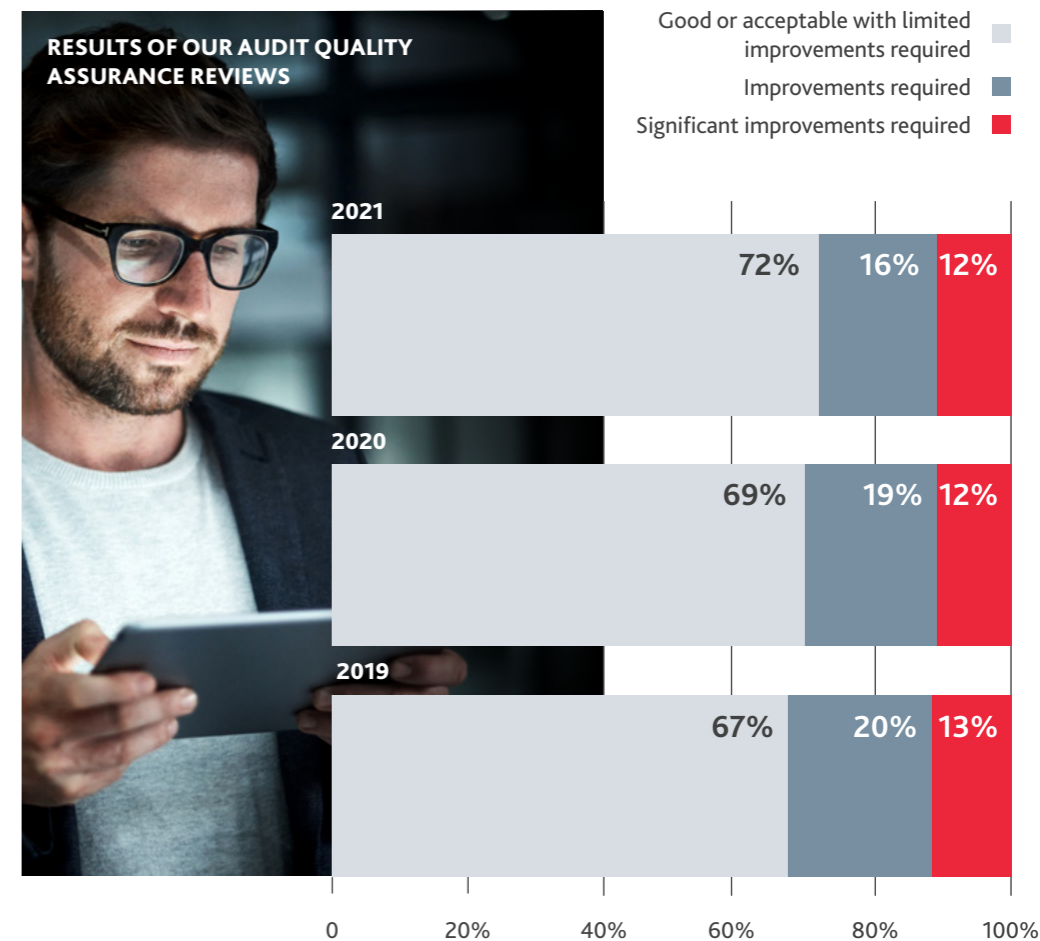
We acknowledge that there is more work to do on this front and we are committed to reducing the number of engagements that are found to require improvements and significant improvements.

Themes from the AQAR programme are used to inform development of actions within the AQP with findings including areas related to the audit of revenue, going concern, challenge of management and detecting material fraud amongst other matters. Equally, good practices identified are considered to determine how they can be widely embedded across the Audit practice.

We are cognisant that the FRC's Audit Quality Reviews assessed a lower proportion of audits as 'requiring no more than limited improvements' (58%) than the AQAR review programme (72%). Whilst the AQAR programme covers both PIE and non-PIE audits, and the external regulatory reviews are mainly focused on PIEs, the firm is currently undertaking a critical review of its AQAR programme to understand the disparity in the grade profiles and identify potential areas for enhancement of the AQAR programme that may be required.

We are also committed to improving the timeliness of completing the AQAR review programme so that identified audit quality improvements can be implemented more quickly.

Key actions to support the AQAR monitoring programme include investment to strengthen the central team capacity with senior recruitment and increased collaboration with specialists. This will allow the firm to increase the scope, depth and breadth of its internal inspections.



AUDIT QUALITY

THE AUDIT QUALITY PLAN (AQP) IN DETAIL

The AQP is an ongoing and evolving programme to drive improvements in quality by including articulation of our commitment to high quality and the behaviours that underpin a culture of quality, ensuring quality is prioritised in strategic decisions and that our people are clear on the role that each individual plays in it.

Oversight and monitoring of the AQP, including progress against the plan and key strategic initiatives are provided as follows:

- ▶ the Audit Quality Steering Committee (AQSC), established by the Audit Quality Directorate (AQD) to identify measures to improve audit quality, considers the AQP on a monthly basis in conjunction with regular reporting from the Audit Quality Improvement Team (AQIT) regarding Audit Quality Indicators (AQIs), Audit Quality Assurance Reviews, external regulatory developments and Root Cause Analysis (RCA) outcomes
- ▶ the Head of Audit Quality is a member of the AQSC. Key matters discussed in these meetings will be reported as necessary to the Audit Executive (AE) for consideration of stream-wide matters
- ▶ the AQP is a live document that is considered throughout the year by the Audit Executive. In turn, monthly reporting is provided to the Quality and Risk Management Committee

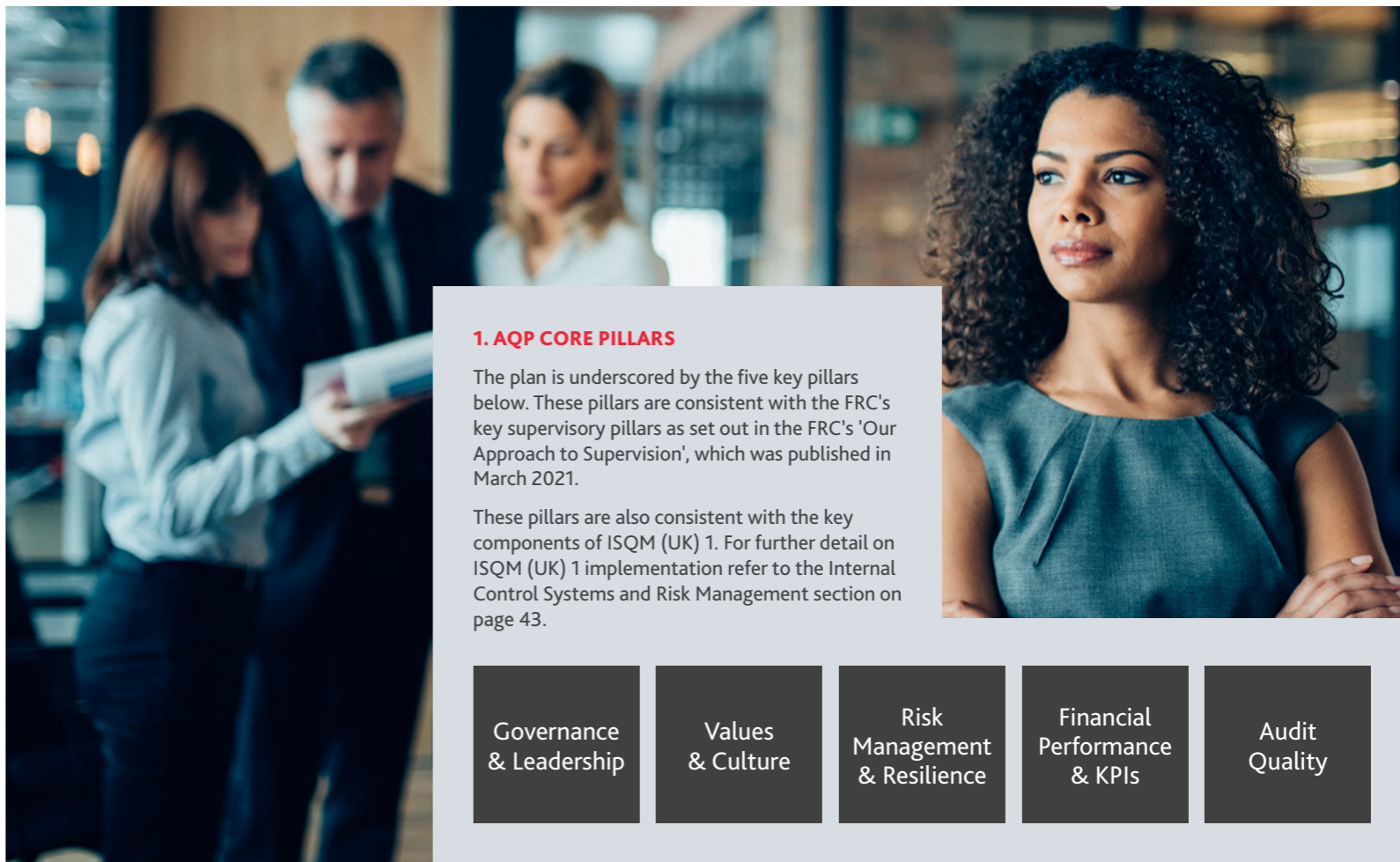
(QRMC) and Leadership Team (LT) with quarterly reporting to the Audit Board (AB) and Public Interest Committee (PIC)

- ▶ regular oversight from the INEs is provided through reporting and engagement with AQD partners.

As part of our commitment to enhanced monitoring, the Audit Executive and the LT receive monthly reports on AQIs, audit portfolio and pipeline activity, resource planning and progress against actions.

On a quarterly basis reports are also provided to the Audit Board, which include results of RCAs, training data, culture metrics and other audit quality metrics.

In October 2022, we held our national Audit Summit, attended in person by 1,200 of our Assistant Managers, Managers, Senior Managers, Directors and Partners. The theme of the Summit was the same as this report: 'Responsible Growth, Rooted in Quality'. Post-pandemic, it was important for us to get our people together to discuss our audit strategy in detail and for our Audit Executive and Managing Partner to reinforce the importance of our Audit Quality Plan and the key role that each of our partners and employees play in delivering this plan.



1. AQP CORE PILLARS

The plan is underscored by the five key pillars below. These pillars are consistent with the FRC's key supervisory pillars as set out in the FRC's 'Our Approach to Supervision', which was published in March 2021.

These pillars are also consistent with the key components of ISQM (UK) 1. For further detail on ISQM (UK) 1 implementation refer to the Internal Control Systems and Risk Management section on page 43.

Governance
& Leadership

Values
& Culture

Risk
Management
& Resilience

Financial
Performance
& KPIs

Audit
Quality

AUDIT QUALITY

2. OUR FOUR KEY PRIORITIES

Whilst the AQP encompasses wide-ranging actions, four key priorities were identified in 2022 for which a summary of progress is provided below:

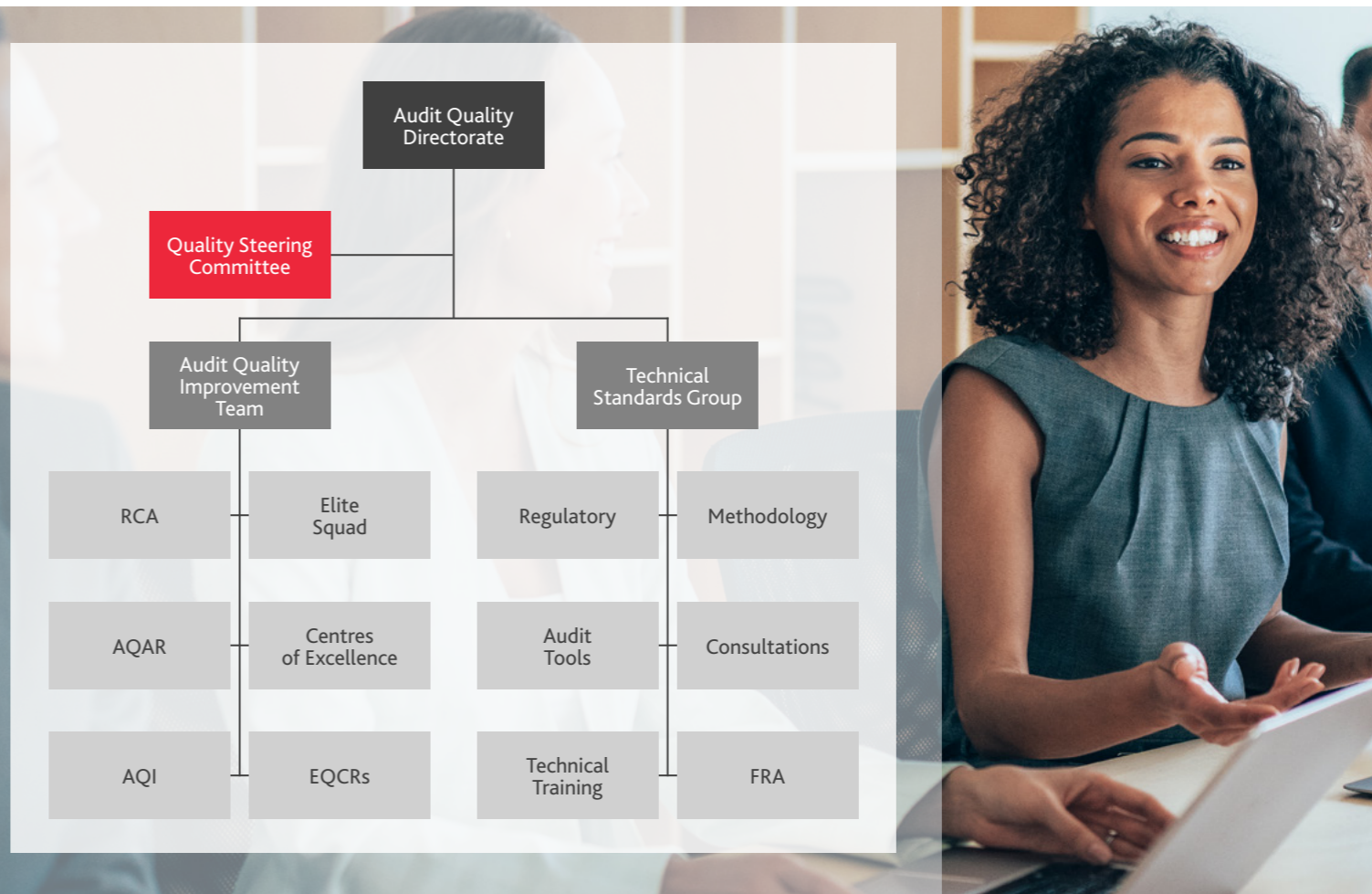
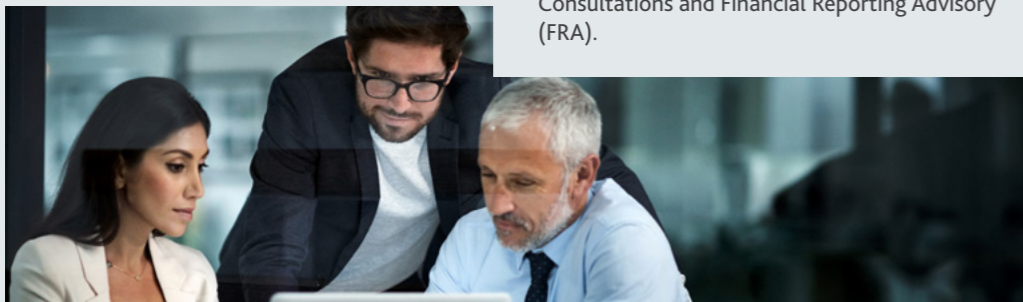
1. Investment in central audit quality infrastructure: We have further expanded our investment programme focused on adding additional capacity and capability to support the Audit stream, building on the investments reported in our 2021 Transparency Report.

The investment approved under the programme in relation to the central audit quality function now totals approximately £8m. Out of the 67 roles identified through the programme, more than 75% have been filled, including recruitment of five additional specialist partners.

The investment has allowed the firm in 2022 to create the Audit Quality Directorate (AQD), which brings together several subgroups under the existing Technical Standards Group (TSG) and the newly created Audit Quality Improvement Team (AQIT). The AQD and AQIT were formed in response to the Audit practice's increased complexity as a business as we have grown and have taken on more complex audit engagements.

The AQIT comprises six subgroups which include AQAR, AQIs, the Elite Squad, Centres of Excellence, Engagement Quality Control Reviewers (EQCRs) and Root Cause Analysis (RCA). Each subgroup plays a different role in our continuous improvement journey and are key drivers of quality.

TSG houses Regulatory Standards, Audit Tools, Audit Methodology, Technical Training, Consultations and Financial Reporting Advisory (FRA).



AUDIT QUALITY

2. Controlled responsible growth: The firm recognises this is essential to control the size and shape of our portfolio of audited entities to ensure we have the capacity and capability to deliver high quality audits and its audited entities have the appropriate governance and control environments.

Key actions implemented have included central approval for audit tenders, briefing sessions for partners on tender risk assessment and portfolio reviews at a local office/sector and central level and the current development of a PIE audit licencing system for Responsible Individuals ahead of the PIE Auditor Registration requirements taking effect in early December 2022.

3. Strengthening our methodologies to support consistent high quality: Strengthening methodologies and guidance is a key enabler of consistently high quality audits.

The AQD has undertaken a review and first phase of update of existing methodologies, guidance and policies to ensure they are clear, relevant and accessible to engagement teams, together with development of specific methodologies for audit of long-term contracts and strengthening specific application frameworks for financial services audits ahead of December 2022 year ends.

This has involved investment in a new platform, 'Audit Insite', for the firm's audit manual as well as a redesigned and repurposed intranet for use by the Audit practice.

4. Fostering a culture of challenge: Clearly articulating, fostering and developing our unique audit culture and enabling, promoting and recognising behaviours focused on challenge and scepticism that support audit quality are key to delivering high quality audits.

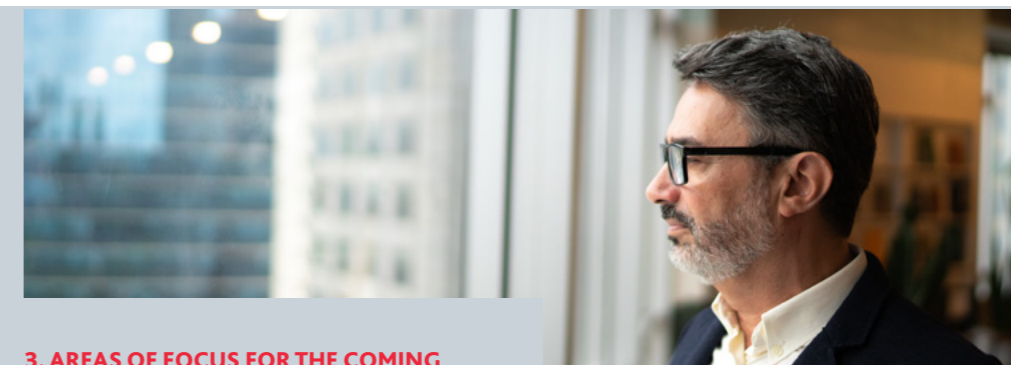
These critical behaviours formed an important part of the annual summer training event for the Audit stream whilst actions to recognise audit quality have included the introduction of an enhanced performance review process with quality ratings extended to managers, new bonuses for positive external inspection results and non-financial recognition through a new Annual Audit Awards programme to celebrate exceptional contributions focused on audit quality.



Whilst these areas represented strategic priorities in the 2022 AQP, the AQP is also focused on quality improvement initiatives in key engagement level audit risk areas comprising going concern and viability, audit of revenue, challenge of management and detection of material fraud.

The Audit Quality Plan comprises a number of actions that are being progressed and monitored.

The AQP actions are currently being incorporated with broader quality improvement initiatives and actions agreed with the FRC as part of its Audit Firm Supervision activities into a Single Quality Plan in keeping with the FRC's request to all Tier 1 firms.



3. AREAS OF FOCUS FOR THE COMING YEAR

Our areas of focus for the coming year are on the following key areas:

- ▶ continued control of growth through our central audit tender approval platform and further focus on portfolio reviews
- ▶ further strengthening of the linkage of reward and recognition to audit quality
- ▶ development of projects to enhance the consistency of project management and review
- ▶ strengthening the application of professional scepticism and challenge of management regarding judgements and estimates, forecasts and fraud, particularly recognising the challenges created by the current macroeconomic uncertainty
- ▶ improving the audit of revenue including embedding the revisions to the firm's methodology in this area
- ▶ further strengthening methodologies and guidance for engagement teams related to financial service audits
- ▶ enhancing in-flight reviews and implementation of actions from our recent EQCR review
- ▶ review of the firm's AQAR programme and actions to strengthen the timeliness, evidence of challenge and depth of such reviews
- ▶ further investment in our Root Cause Analysis function and enhancement of frameworks and methodologies for root cause analysis.

AUDIT QUALITY

4. OTHER IMPORTANT CHANGES IN EXISTING PROCESSES AND CONTROLS TO IMPROVE QUALITY

Acceptance and Continuance

In July 2021 we implemented a new tender approval policy and online platform to facilitate review of potential audit tender opportunities. Under the policy, all opportunities require approval by the relevant Regional Head of Audit or London Audit Sector Leader including assessment as to whether sufficient and appropriate resources are available for the opportunity. Additionally, tenders above certain size criteria or those that are designated as higher risk under predetermined criteria (including PIE audits) require approval by members of the Audit Executive.

Further improvements to the platform are currently being implemented to increase the breadth and depth of information considered as part of the review process. Further enhancements of our tendering processes will be kept under review at the highest levels of the firm.

Engagement continuance is considered as part of the annual reacceptance decision process, with particular regard to any changes in circumstances, risk or other relevant factors.

The firm also operates acceptance and continuance panels involving members of the Leadership Team and, where applicable, INEs for certain high-risk engagements. For further details on the acceptance and continuance process refer to page 86 in Appendix K.

Engagement Portfolio Reviews

The firm conducts an annual portfolio review exercise, considering each Responsible Individual's portfolio, as well as a 'top down' assessment of risk areas. This process has been enhanced in the current year.

The portfolio review is led by an AQIT partner and Regional Heads of Audit/ London Heads of Audit and includes a detailed review focused on the RI's capacity, skill set, audit quality record and the quality of the entity's governance and control environment.

The results of this review are reported to leadership, and actions subsequently monitored.



Engagement Quality Control Reviewers (EQCRs)

Our enhanced portfolio review process pays close regard to the EQCR responsibilities, to ensure the reviewers have sufficient time to perform these roles, and that they receive appropriate recognition for these commitments.

In order to further bolster the effectiveness of the EQCR function, the AQIT Partner meets with small groups of EQCRs in a 'roundtable' format to discuss the role, its challenges and how it might evolve and improve.

There is a particular emphasis on knowledge sharing and establishing an effective two-way dialogue between the EQCR and the audit team, as well as recognising the importance of the EQCR in helping improvement in audit quality.

The firm recognises the importance of the EQCR programme. As part of the Audit Quality Plan, a review of the EQCR function has been undertaken, which considered allocation, training and performance, and key proposals have been approved by the Audit Executive which are to be implemented during FY23. For further details on the EQCR process, refer to page 91 in Appendix K.

Improvements in our audit methodology and tools

We have undertaken a root and branch review of our audit methodologies and technical support materials, processes and the platforms used to provide easy access for engagement teams.

Key elements of the review and upgrade of the firm's methodology include updates to accommodate the requirements of ISA (UK) 315 (Revised) 'Identifying and Assessing the Risks of Material Misstatement' and the introduction of a new audit tool to support application of the new methodology. In addition, a new web-based platform to host the BDO UK Audit Manual, policies and technical support documents has been introduced as well as further developments to sector-based methodologies and our repurposed 'Audit Insite' for sharing news, examples and best practice.



AUDIT QUALITY

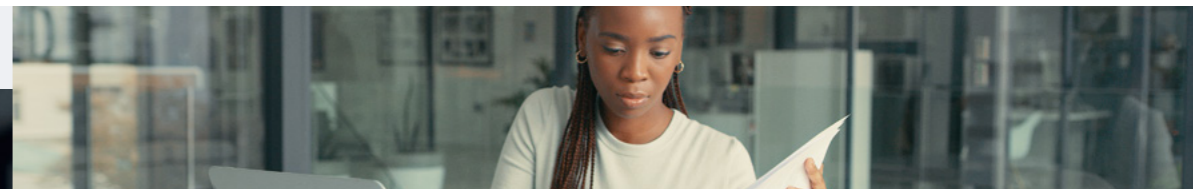
Audit Quality Indicators (AQIs)

The overall framework for AQIs is being developed in a phased approach. In October 2021 the AQIs monitored and reported upon by the Audit stream were subject to review by the Audit Quality Steering Committee (QSC). The review was undertaken to assess the appropriateness of existing AQIs historically monitored and to evaluate new or revised AQIs including consideration of internal and external sources.

This resulted in an expanded suite of AQIs being reported in a monthly AQI dashboard, allowing monitoring of project management at engagement level, resource capacity and training, technology adoption, tone at the top and culture of challenge, AQAR and external inspection results. These areas link to the Building Blocks of Audit Quality set out in the Audit Quality Plan.

Central monitoring and intervention protocols are also being established and developed in a phased approach, and the introduction of an Insights dashboard, which represents an extraction of AQI metrics from the audit file, will facilitate central audit quality oversight and monitoring in addition to enabling individuals within the Audit stream to monitor their own portfolios and track their AQIs. As the audit milestone AQIs are embedded, this will enable more robust project management of audit engagements and we will be able to develop reporting dashboards to further enhance our reported AQIs.

The suite of AQIs included in the dashboard may change over time, and the engagement level and Audit stream level AQIs, along with the red, amber and green (RAG) criteria, are to be reviewed on an annual basis. Recent further development of the Insights dashboard has meant that additional AQIs are now able to be considered for inclusion.



Root Cause Analysis (RCA)

Root cause analysis (RCA) is a key process in the AQP, in our system of quality management and it is a core pillar in the firm to drive continuous improvement. RCA is used to identify the potential causal factors of quality findings, evaluate the severity and pervasiveness of these factors and to develop appropriate actions to avoid these from recurring. Equally, RCA is also used to identify the underlying drivers of good practice.

We acknowledge that we have more work to do in this critical area, so we have recruited a partner with extensive experience in this area to take responsibility for overseeing, developing an 'in-house' granular approach and increasing the scope of the RCA programme. This will allow us to increase the number of engagements subject to RCA as well as expanding the RCA programme to the wider quality objectives in the system of quality management as required by ISQM (UK) 1.

We have also implemented a more robust oversight process where RCA findings are reported to the Quality Steering Committee (QSC) and LT on a monthly basis.

Causal factors for audit quality falling below our expectations for the year included areas such as:

- ▶ a lack of challenging mindset in relation to audit evidence
- ▶ inappropriate setting of the audit strategy
- ▶ lack of intelligent application of the firm's policies and procedures
- ▶ inappropriate planned supervision and review.

Key actions have been identified and are being undertaken to address the specific root causes. These actions have been incorporated into the AQP.

Further details on monitoring activities and the RCA programme can be found on page 93 in Appendix K.

AUDIT QUALITY

Technology and innovation in audit

Technology in our audits is critical for improving quality. We are making significant investments into audit technology risk assessment (TRA) capabilities. We expect this team to grow rapidly to 15 partners and an increasing proportion of the stream's headcount. This investment represents the next stage of BDO's data and digital transformation journey. It will see its technology platforms enhanced and consolidated, alongside innovative tools that will enable greater use of data analytics.

In October 2021, the firm hosted its Audit Innovation Summit, which showcased its latest technology developments. We also launched the Audit Labs in November 2021, which encourages experimentation and idea generation, some of which are now in production.



LABS AUDIT



88 ideas submitted on Edison platform



8 challenges raised on the platform



22 experiments in-flight



8 Fail Fast



30,000 hours of time savings from Sample Generator (forecast)



1 experiment moving to production and 7 on the way



780 idea views, and 62 votes made on the ideas



All offices engaged with Audit Labs



1,300+ Audit members engaged and ideating across the stream

TOP 3 EXPERIMENTS

- ▶ Sample Generator
- ▶ Independence Check App
- ▶ APT Document Checks

TOP 3 CHALLENGES

- 33:** How can we improve our audit quality and time management across audit
- 13:** Process efficiency
- 11:** Improving and analysing how we use data and dashboards



ROSIE PEAT
TRANSFORMATION AND OPERATIONS SENIOR MANAGER



I currently have a dual role, the first is to identify audit tools available on the open market which can benefit BDO's Audit practice; the second is working with our Audit Labs team to design in-house tools which can help drive up efficiency or quality.

We recently introduced two new bought-in tools into the practice, Templafy and Datasnipper.

The former reduces the time required to pull together document templates, in addition to providing quality and consistency benefits. The latter, which has been very well received within the Audit stream, automates sample matching.



ASHWIN PATHIYATH
SOLUTIONS DESIGNER WORKING IN THE NEW AUDIT LABS



I work closely with Rosie and her transformation team and together we launched Audit Labs in November 2021 – a platform which allows our people to submit ideas for innovations which respond to current business challenges.

After people submit their ideas, we triage and evaluate them and that's when the fun starts. We work in an agile manner across a hybrid team of audit and technology professionals. We build prototypes within weeks, ready to test the proof of concept with stakeholders and digital audit champions. Concepts with potential are then developed and refined to be created as enterprise-grade digital products.

Not everything passes the first hurdle and we're not afraid to fail fast. It's really gratifying to play a part in the innovation process - taking ideas, experimenting with them and ultimately putting a workable solution back in the hands of our auditors.



OUR CULTURE AND OUR PEOPLE

When it comes to being a responsible, sustainable and successful firm, focusing on people and culture are fundamental.

PUBLIC INTEREST AND OUR STRATEGIC FRAMEWORK

A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. While the ICAEW Code of Ethics provides guidance on how a professional accountant fulfils this duty, the focus of our firm, and us as individuals, is to discharge our obligation to serve the public interest by consistently performing quality engagements.

Meeting this obligation has never been as important as it is now, at a time when we all need to act to restore trust in the profession.

We recognise that the 'tone at the top' has a significant role to play in fostering a culture that positively influences the actions and behaviours of its people. This is of particular importance in fostering a culture of quality and of challenge.

During the year, the LT updated the firm's strategic framework.

QUALITY IS REPRESENTED IN OUR FRAMEWORK IN TWO IMPORTANT & DISTINCT WAYS:

- ▶ **The first is that we are committed to serving the public interest** by consistently performing quality engagements – this is particularly important for two reasons: firstly, that it is the right thing to do and secondly, that it's required of us by the new international standards on quality management.
- ▶ **The second commitment is to high quality, independence and ethics**, which is broader than just our performance on individual audit and non-audit engagements and recognises the importance of high quality in everything we do.



OUR STRATEGIC FRAMEWORK

COMMITTED TO SERVING THE PUBLIC INTEREST BY CONSISTENTLY PERFORMING QUALITY ENGAGEMENTS

OUR CORE PURPOSE



HELPING YOU SUCCEED

OUR VISION

To be an independent, sustainably profitable and globally focused firm, known for helping people and businesses succeed



OUR VALUES



OUR STRATEGY



COMMITTED TO HIGH QUALITY, INDEPENDENCE AND ETHICS

OUR CULTURE AND OUR PEOPLE

OUR UNIFYING CULTURE

We are committed to fostering a 'Unifying Culture', where everyone is encouraged to be themselves, everyone is inspired and challenged, collaborative and successful in their ambition to deliver high-quality work.



It is the 'U' in our BUILD strategy. Importantly this year, the Unifying Culture element of this strategy has been updated to reflect how critical it is that BDO's culture points towards and supports the delivery of high quality work.

More details about our culture, including many individual stories, can be found in our Culture and Impact Report 2022, which will be released in November 2022.

TONE AT THE TOP



Our Managing Partner understands the importance of 'tone at the top' and, through clear internal communication (including a monthly

article distributed to all in the firm called 'Central Line Time'), aims to help explain to every member of the firm, regardless of business area, grade and role, why we focus so much on high quality.



Yet we recognise that 'tone at the top' is not just broadcasting messages; **it is also active listening.**

During FY22, partners received 360-feedback from members of their teams which provided useful insight into how well they demonstrate key behaviours that foster the team culture, including business thinking, communicating, decision making and developing self and others.

OUR BUILD STRATEGY

BUILD DELIVERS RESULTS FOR THE FIRM. IT ALLOWS US TO LEVERAGE OUR DOMESTIC AND GLOBAL SKILLS TO SERVICE OUR CLIENTS AND AUDITED ENTITIES IN A CHANGING WORLD.

BUILD ENSURES THAT AS A FIRM WE EMBRACE A DIGITAL MINDSET, TO BE COLLABORATIVE AND TRUST EACH OTHER TO DELIVER TAILOR-MADE SOLUTIONS.

BUILD GENERATES PROFITS TO INVEST AND REWARD OUR PEOPLE AND ENSURES OUR BRAND IS SYNONYMOUS WITH HELPING PEOPLE AND BUSINESS SUCCEED.

BRAND

A name synonymous with helping people and business succeed.

INTERNATIONAL

A \$11.8bn organisation with 95,414 people in 164 countries helping clients and audited entities to grow internationally.

DIGITAL MINDSET

Doing things differently to drive value, deliver efficiency and promote innovation.

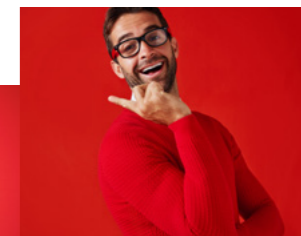


UNIFYING CULTURE

Fostering a Unifying Culture where we are encouraged to be ourselves, are inspired and challenged, collaborative and successful in our ambition to deliver high quality.

LEADING OUR MARKETS

Providing integrated and valuable advice for ambitious clients and audited entities.



OUR CULTURE AND OUR PEOPLE

OUR VALUES

In 2020, we introduced a new set of four Values: Being Bold, Being Collaborative, Being Genuine, and Being Responsible and Acting with Integrity.

These Values, together with the firm's Code of Conduct (underpinned by the ICAEW Code of Ethics), guide day-to-day interactions and decision making with colleagues, the business world and society as a whole. They define how individuals should behave towards one another, not only in an office context but also in their wider lives; ethical behaviour is pervasive, not selective. These Values are now becoming embedded into our processes, policies and everyday language.



KAREN DUFFIN

Director of Transformation

Our Values are more than just a component of our Strategic Framework. They set out what is important to us and define the behaviours that we all commit to live by with each other, our clients, audited entities and society as a whole. Our Values are not just the cultural glue of our firm; they also represent what we all have in common that binds us together as a community.



OUR CULTURE AND OUR PEOPLE

MINDSET

- ▶ Scepticism
- ▶ Independent
- ▶ Focus on the shareholder as user
- ▶ Robustness and moral courage

KNOWLEDGEABLE, SKILLED PEOPLE

- ▶ Knowledge of the business
 - ▶ Intelligent application of auditing standards
- ▶ Intelligent application of accounting standards
 - ▶ Understanding the control environment

DILIGENT PROFESSIONAL JUDGEMENTS

- ▶ How to assess: benchmarking
- ▶ Where to focus: risk-based approach
- ▶ How to test: audit strategy
- ▶ What to test: materiality and scope

AUDIT QUALITY CORNERSTONES

HIGH QUALITY AUDIT OUTPUTS

- ▶ Audit reports
- ▶ Management letters
- ▶ Audit Committee letters
- ▶ Top quality financial statements



AUDIT QUALITY CORNERSTONES

Doing the right thing is key. In our Audit stream, this requires auditors to have a mindset of challenge, being professionally sceptical at all times, and for our people to have personal strength and bravery to make difficult decisions to ensure we preserve quality.

The Audit stream has a defined set of Audit Quality cornerstones: Mindset; Knowledgeable, skilled people; Diligent, professional judgements; and High quality outputs. These cornerstones help our people understand the pillars needed to deliver consistent high quality audits. These are in the process of being updated.

In support of the firmwide 'Culture of Quality' team, a partner has been assigned specific

responsibility for People and Culture within the Audit stream and has joined the Audit Executive.

One of this individual's first tasks has been to create an Audit Culture team whose initial focus will include supporting the articulation of audit behaviours and how the firm's values translate into an audit context.

The team will also be responsible for determining the actions needed to respond to the FRC's Culture of

Challenge thematic as well as responding to the firm's own culture review.

OUR CULTURE AND OUR PEOPLE

OUR PEOPLE

PEOPLE PROPOSITION

Our People Proposition summarises what life at BDO is like and is clear on centrally and stream-led initiatives.

Workable

WORKABLE is an agile working firm-wide framework made up of guidance, policies and support to help our people work in the most productive way possible. It provides flexibility around how, when and where our people work in order to achieve the best quality outcomes. Each stream has adapted the core framework to meet its specific needs to deliver quality work.

Wellbeing

We prioritise health and wellbeing, encompassing financial, physical and mental health. During the year, streams have been able to benefit from centrally-run programmes as well as localised 'U Board' activities which have included a very diverse range of different activities including virtual and face-to-face walking challenges, smoothie bike competitions, publications to recognise stream role models for International Women's Day and Vegetarian Week.

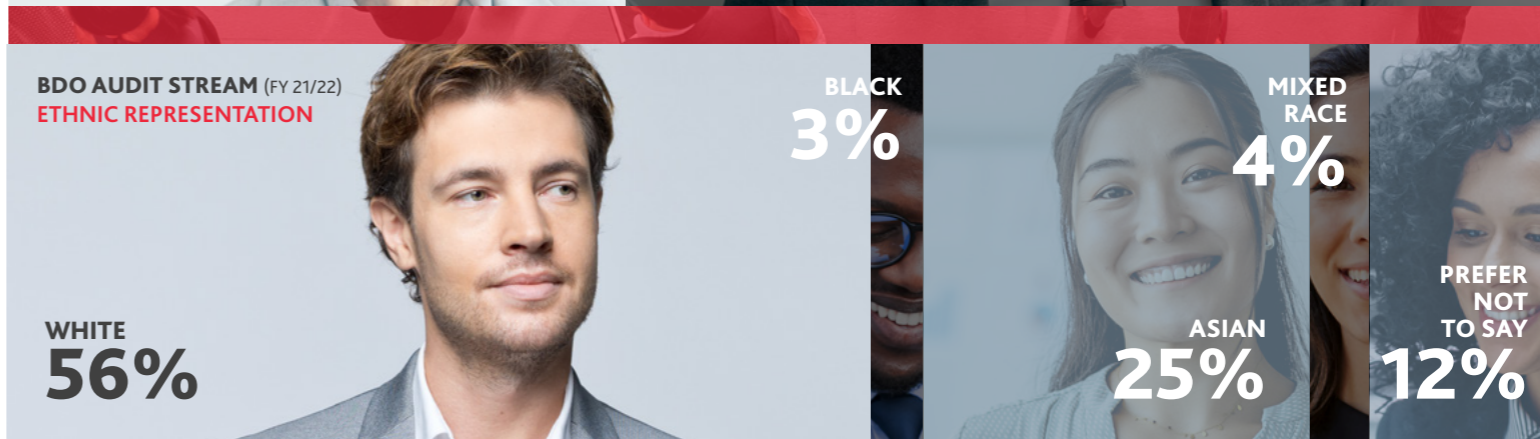
Citizenship

For more than 15 years, we have offered our people the chance to use ten days a year for Citizenship activity. Five days ('Strategic 5') are for people to use their professional skillsets out in the community, for example as trustees on boards, or helping students with mock interviews or board presentations. Partnerships include 'Leadership Through Business and Sport' and 'Teach First'. The other five days ('Action 5') are for people to volunteer or fundraise for local or national charities.

Equality, Diversity & Inclusion (ED&I)

As part of our firm-wide recruitment strategy, the firm proactively considers its ED&I policies and frameworks. This is a key area of focus in our recruitment and performance review programmes, where the firm assesses numerous ED&I indicators including gender and ethnicity.

BDO has published its 'Race Action Plan' and 'BE INSPIRED' plan, which document actions to increase race, ethnicity and gender imbalances, particularly at senior levels.

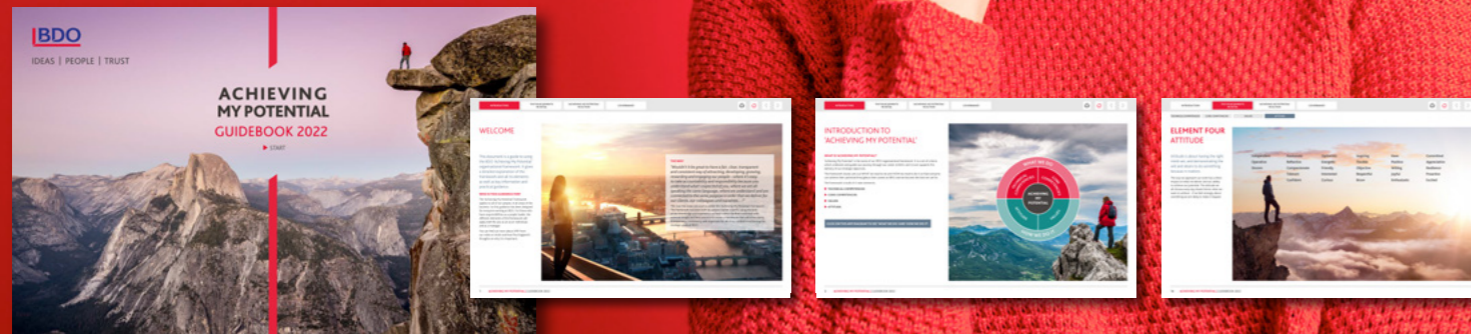


OUR CULTURE AND OUR PEOPLE

Learning culture

Our learning culture is underpinned by the 'Achieving My Potential' (AMP) framework which guides people through their career journey. For some this will mean support to help them get promoted. For others it will mean help to move across streams or sector teams into roles which better suit their skills, interests and career ambitions.

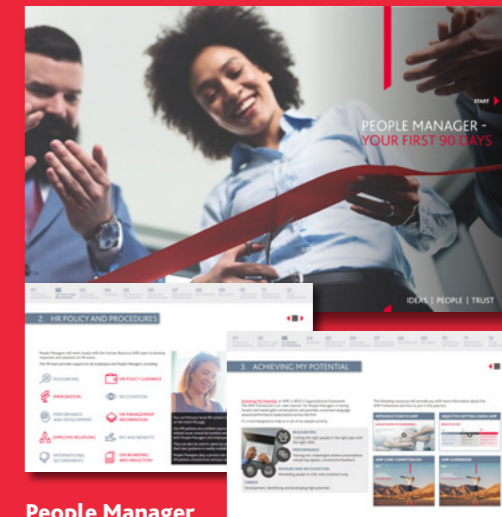
Within the Audit stream, additional guidance has been developed which seeks to add colour to the competencies within the AMP framework and provide reference points to individuals to understand how AMP works for them and supports them in their day-to-day roles.



Career Development

Our 'Identifying and Developing Potential' (IDP) talent review tool was introduced in January 2021, which aims to facilitate success conversations with all our colleagues. An output of these reviews will be individual conversations with colleagues and their people managers around current performance, future career ambitions, potential and areas for development. Within the Audit stream, we recently rolled out IDP at Manager, Senior Manager and Director levels. Some areas also reviewed colleagues at Assistant Manager level. We recognise that not everyone's career aspirations are the same, and this tool helps our people managers to understand potential, enabling them to provide individualised career support to colleagues based on discussions around all of these factors. We anticipate conversations will be happening with colleagues in October and November this year.

The 2022 Listening Programme Survey has just been launched for the new financial year, so the results are not available at the time of issuing this report. In addition to this firm-wide programme, during the year, the Audit stream has conducted a series of listening events for all grades hosted by the Head of Audit with tangible outputs shared with leaders. Further details on some of these metrics are included on page 97 in Appendix L.



People Manager Accreditation

During the year all people managers have had the opportunity to complete the first four modules of the People Manager Accreditation Programme. This is an important programme which upskills people managers to enable them to have genuine, individual and authentic conversations with each individual within the firm's 7,000-strong workforce.

The Audit stream has achieved levels of completion of over 80%. People managers are encouraged to complete all modules to achieve full accreditation.

The firm's Listening Programme last year validated that those people who rate their people manager high, feel more engaged with the firm, its strategy and their development.

The aim is to ensure that everybody is engaged, well supported and aligned in their objectives against the firm's strategy.



OUR CULTURE AND OUR PEOPLE

RECRUITMENT AND ONBOARDING

Putting the firm's core purpose and quality commitments into practice begins with recruiting and onboarding the right people in the right way so they are able to achieve their potential and deliver on the firm's strategy.

Our aim is to ensure that our recruitment process is fair, consistent, supportive and helps identify the skills and talents required.

It is fundamental to our ongoing success that the right people are recruited into the right roles and onboarded with the right support around them to ensure they can deliver their roles.

We have clear policies that set out our approach to recruiting at any level, both internally and externally, for both full-time and part-time positions as well as a dedicated policy for partner recruitment.

We are committed to providing an inclusive culture and so our equal opportunities policy is applied in all aspects of the recruitment process. Shortlisting, interviewing and selection will always be carried out without regard to gender, gender reassignment, sexual orientation, marital or civil partnership status, colour, race, nationality, ethnic or national origins, religion or belief, age, pregnancy or maternity leave or trade union membership.



People are recruited based on how their skills, experience, individual merit and potential meet the requirements of a particular role. It is always our aim to recruit the person who is best suited to a particular role.

We have launched a new careers site to support the vision of a career journey with the firm. This new site is an important tool to help attract new external talent, showcase our employer brand and demonstrate what life is like at BDO.

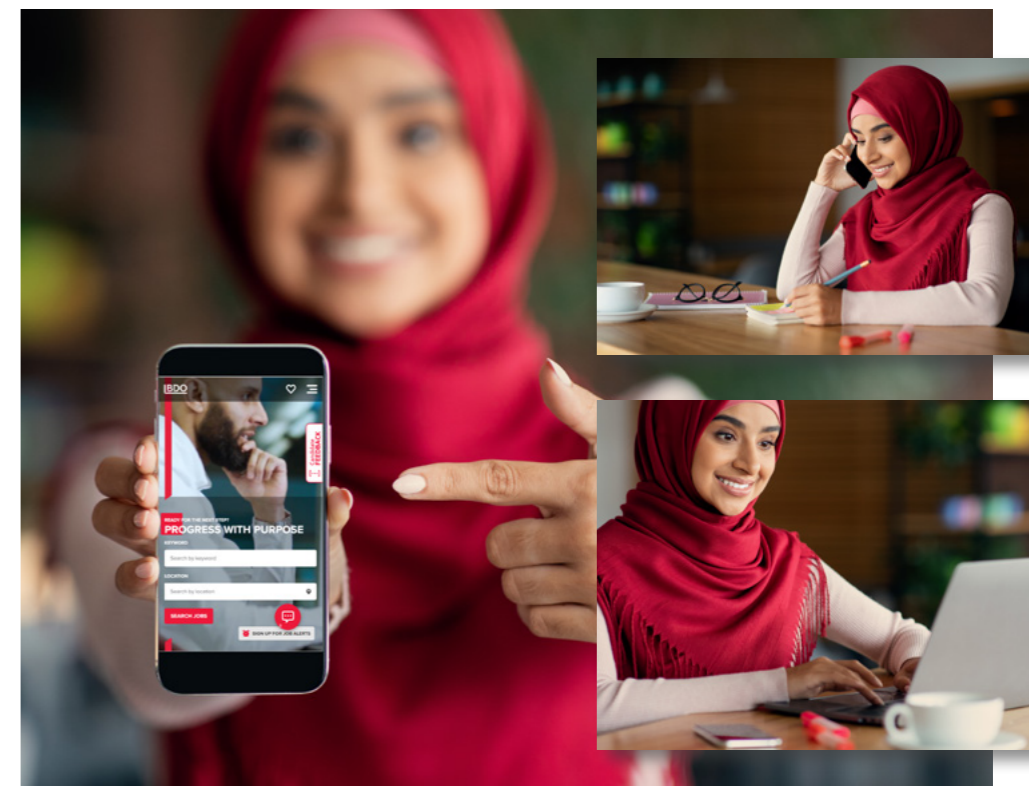
To ensure the firm recruits the best talent, BDO divides recruitment into three categories: early in career (EIC) recruitment, experienced hire recruitment and partner recruitment. For further detail refer to page 88 in Appendix K.

The audit market and the firm's audit portfolio has changed significantly in a relatively short period of time and hence recruitment has been an area of focus in the Audit stream. During the last financial year and in order to resource the Audit stream's growth, we have added 341 experienced hires which takes the Audit stream headcount to 2,600 at year end.

We have also recruited a total of 25 lateral hire partners that have joined us or are due to join us soon, many of whom are sector experts who can quickly understand the nuances of an audited entity's business and the trends in a particular marketplace.

This additional resource is incremental and was recruited not only to replace vacancies within teams but also to deepen and widen the skills base and to add capacity to allow teams to focus on delivering consistently high quality audits, coaching, training and development of our people.

To ensure a high quality onboarding experience, all new joiners attend a 'Welcome to BDO' induction as well as local inductions in their chosen offices. Stream start dates have been aligned so groups of new joiners meet on regular predetermined days.



OUR CULTURE AND OUR PEOPLE

As part of a new starter induction, joiners are introduced to the firm, their respective streams and helped to familiarise themselves with the firm's core purpose, culture, values, methodology, policies and procedures. 'Buddies' are often assigned to support new colleagues in their first few weeks.

In Audit, the training that new starters receive in their first weeks with the firm covers the mandated regulatory and audit methodology learning required for their roles as well as sector-specific training when they join a team which has deep specialism in a particular market.

In addition, the firm and the Audit stream have introduced a new '100 day' onboarding programme through which more detailed guidance, tools, and 'town halls' (ie check-in points) are run monthly to guide our new joiners and to ensure they feel they have a cohort they belong to.

The Audit stream's people managers are provided with guidance and clarity on how they can support new joiners to ensure that onboarding is successful.

RESOURCING

Managing resourcing in the firm is not just about recruiting to replace individuals on a like-for-like basis. There are many levers that need to be considered in ensuring we remain an attractive place for people to develop their careers and our resource levels are appropriate. However, where we look to add more resource into teams, we ensure this is focused on the growth areas of the business.

On a monthly basis the Audit Resourcing Directorate reviews its resourcing requirements for a rolling six-month period in order to assess any potential pressure points. By looking forward the firm can ensure, where possible, work schedules are adjusted, resource is reallocated amongst offices, additional resource can be brought in on a short-term basis from offshoring centres or it may consider expanding established contractor arrangements. The Audit stream's average utilisation of individuals in FY22 has reduced, returning to pre COVID-19 and long-term averages and helping our people reduce their working hours and improve their experience.



ONSHORING AND OFFSHORING

Our resourcing model of FTEs is also supported by additional resource in onshore and offshore centres.

Our onshore Shared Service Centre in Liverpool continues to provide bespoke project-led service delivery to many different areas of the firm.

Meanwhile, our offshoring team in Mauritius has continued to remain a key contributor to the audit resources and now totals 105 people focused solely on the Audit stream. The Mauritius teams are considered to be part of the audit team and they are directed, coached and supervised by senior members in the UK team.

We have expanded our offshoring into South Africa and created dedicated specialist hubs to support the Audit stream. For example, the US Audit sector, based in London, has a dedicated specialist team of around 70 people located offshore in South Africa. This South African US audit team receives the same technical training and works on the same projects, side by side, with their UK counterparts in the US Audit sector. The UK partner leads for the US sector make regular trips to South Africa to ensure that the connections between the UK and South African teams and the South African US audit team are as strong as possible and hence good quality outputs are delivered.



OUR CULTURE AND OUR PEOPLE

LEARNING AND DEVELOPMENT (L&D)

As a professional services firm, we place great importance on the continued professional development of our people, whether this is technical learning or soft skill development.

Our professionals have access to on-demand, self-paced bite-sized e-learning across a range of topics, as well as virtual and in-person facilitated learning programmes, giving them flexibility to engage in learning in a way that suits them.

With the return to offices, post COVID-19, the Audit stream has focused on increasing the number of face-to-face training and learning opportunities. This is because we believe that certain learnings are more effective in physical settings, allowing our people to develop softer skills such as non-verbal signals, as well as enhancing wider people-based skills which increase the effectiveness of managing our teams, as well as challenging our audited entities.



AUDIT LEARNING AND DEVELOPMENT HUB (L&D HUB)

In July 2021, the Audit stream created a new dedicated Learning and Development Hub (L&D Hub) whose remit is to drive the learning agenda for the stream and collaborate with other teams, such as the Audit Quality Directorate (AQD) and the People Development (PD) team, to ensure individuals within the Audit stream receive the right learning and development to enable them to excel in their role, now and in the future.



The L&D Hub is also responsible for monitoring the completion of learning and working with various stakeholders to guide on the development of the learning curricula across both technical and business skills development.

In the Audit stream, individuals complete mandatory learning both in order to meet the professional standards of their professional bodies, as well as our firm's requirements resulting from being a regulated entity.

In addition to mandatory learning, our people are encouraged to attend additional learning events which stretch people to learn new skills and develop personal competencies across different areas as individuals progress through their careers with the firm.

The L&D Hub seeks to ensure that all learning and development activities for the stream support the Audit Quality Plan and Audit People Plan strategic priorities, are fit for purpose and support the training needs of our people.

The main training event for the Audit practice is our Audit Summer School which was delivered face-to-face in July and August 2022 with training provided to over 2,000 people across the stream.



Two 'mop up' courses have also been run in September and October for those that could not attend the main summer events, plus new joiners to the firm's Audit stream since the initial July running. We also recently rolled out our Technology Risk Assurance (TRA) Summer School, for these specialists within the Audit practice. Further detail in relation to training is included on page 92 in Appendix K.


OUR CULTURE AND OUR PEOPLE


AUDIT FACULTY OF TRAINERS

As we continue to expand our training offerings, we have continued to invest in the Audit stream's dedicated 'faculty of trainers' who are led and managed by the L&D Hub. The L&D Hub's ethos is to train people to train their peers, in order to ensure the training is grounded in practical experience.


The Faculty will have 70 people in it by the end of calendar year 2022, with this number increasing towards 230 people by the end of 2023.

The initial running of the Faculty training received overwhelmingly positive feedback from delegates, highlighting the development gained to not only design and lead effective training, but also enhance presentational and soft skills of our qualified members of audit staff.

 *Good opportunity to be pushed out of my comfort zone to develop key presentation and communication skills.*

 *An insightful introduction to how we can contribute to learning in our firm in an effective (and human!) way.*

 *This was my favourite and most productive training workshop since I've been at BDO.*

 *This course ignited and reminded me of my passion for teaching/mentoring/training individuals.*



OUR CULTURE AND OUR PEOPLE

PERFORMANCE AND REWARD

We are committed to ensuring there is a clear link between performance and reward. High levels of performance must be recognised through the right reward mechanisms which motivate people to deliver consistently high quality audit work as an uncompromising fundamental of the firm-wide strategy.



AUDIT ANNUAL PERFORMANCE MANAGEMENT

The annual performance review cycle brings together project feedback for all grades, inputs from quality reviews (internal and external), inputs from training programmes and statistical management information data to form the foundation of the performance review programme.

Individuals benefit from performance review discussions with their people manager which focus on their individual reflections of their performance, evidence to support their performance and direct input from their people manager. Senior leaders provide oversight and consistency in the performance rating and promotion nomination process before 'Success Conversations' occur to share the outcomes of the gradings and start to focus on objective setting for the year ahead.

The Annual Performance Management review is designed to ensure there are pre-determined touchpoints during the performance review period. The firm also sets clear expectations that people managers and those they support should discuss development and aspirations on a regular basis through the year.

REWARD AND RECOGNITION

The Audit stream reward and recognition strategy has been redesigned within the last year to clearly demonstrate a clear linkage between performance, quality and recognition across all grades.

The professional, external-facing Manager through to Partner grades now receive both a performance rating and a quality rating which reflect both their contribution to their business area and their focus on audit quality. All gradings for the Audit stream are centrally calibrated and reviewed with constructive challenge made to business leaders around the decisions made.

The output of the performance and quality rating process forms the basis of the pay reward structure for the stream with there being an element of fixed and variable reward to ensure the recognition of high performance and quality.



Additional quality bonuses are now awarded for AQR and PCAOB good outcomes. These are allocated by the lead partner by reference to those team members making the biggest contribution to the outcome. In several cases allocations were made outside the stream to experts in other areas who had made a significant contribution.

We continue to offer a competitive financial package and in FY21/22 gave an additional special thank you payment to all staff in recognition of their efforts throughout the pandemic. The firm has introduced a Total Reward Statement, so people have a better understanding of all elements of their employment benefits.

OTHER ASPECTS OF REWARD

All leaders within the Audit stream clearly recognise that reward is not just about pay and bonus. Reward is also about recognition through events such as the Audit Award Gala Evening, which will be taking place for the first time in November 2022, where the practice brings together individuals, nominated by their leaders, who have excelled throughout FY 21/22 in certain areas such as:

- ▶ the Audit Quality Star Award aimed at recognising an individual who has consistently demonstrated an audit quality mindset across all projects they have been involved in
- ▶ the Audit Support Team Award focused on those other teams which contribute to the successful delivery of an audit, and
- ▶ the Head of Audit Special Award for an individual whose reputation for the delivery of quality audit work, role modelling and contribution to the stream is considered to be truly exceptional.

Immediate feedback is also very important, so our instant spotlight awards are accessible by all to recognise positive contributions at a moment in time, as well as a more holistic view of other offerings provided by the firm through wellbeing initiatives.

ETHICS AND INDEPENDENCE

Ethics and ethical behaviour are foundational to the way we 'do things' at BDO; it is important to the people proposition that we offer our partners and staff and is expected by our clients, audited entities and wider stakeholders.

For these reasons, it forms a strong and explicit thread through our Strategic Framework and is prominently reflected in all the major components of our system of internal control and our Governance Structure; most notably the Ethics Partner is a permanent member of the firm's Business Interest Oversight Board and is at attendance at meetings of the Public Interest Committee.

In terms of regulatory obligations, we have a responsibility at a firm level to follow the FRC's Revised Ethical Standard (2019) and the ICAEW Code of Ethics (2020), as well as a global network requirement to comply with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants.

THE IMPORTANCE OF TRUST

Ethics and independence remain central to reinforcing trust and confidence in BDO and in the accountancy and auditing profession more widely. This is why we not only embed ethics and independence into our systems, processes and cultural values, but we also work hard to ensure that all our people live by them.



We also believe that ethics is not something that can be turned on, or off, at will; it is a way of life for every hour of every day and personal behaviour is reflective of professionalism. For this reason, the firm has also continued to consider professional behaviour both in and out of the office, reflecting the expectations of our stakeholders.

We already had in place training to provide clarity regarding expected behaviours, but the issuance of guidance by the ICAEW (January 2022) and the Consultative Committee of Accountancy Bodies (CCAB) (July 2021) on when disciplinary action over behaviour outside the office environment would be appropriate, has reinforced that our direction was valid, and we have further strengthened these policies and training. This formed part of BDO's 2022 ethics e-learning programme and was accompanied by enhancements of related policies and procedures.

NEW ETHICS CODE AND STANDARDS: WHAT'S CHANGED

The FRC has confirmed that the corporate governance and audit reform proposals that are currently being debated will have wide ranging impacts in terms of changes to professional standards, and we anticipate these changes will affect ethical codes and standards in the next year.

As these changes become more clear, proactively implementing them throughout BDO will be a key focus during 2023.

2022 has not been without change though: enhancements made by IESBA to its International Code of Ethics for Professional Accountants have enhanced certain requirements in relation to the provision of non-audit services to audited entities, and independence threats relating to our fees charged.

Furthermore, it has made some important changes regarding the expected Role and Mindset of the Professional Accountant, clarifying matters relating to the public interest, recognition of strength of character for professionals, the importance of an enquiring mind and the need for accountants to be aware of cognitive biases and the impact that they can have upon decisions.



IESBA's Role and Mindset changes internationally are complemented by the FRC's own professional judgement framework that was released in 2022.

BDO's own professional judgement framework, that we have had in place for several years, is consistent with the FRC's thinking. We welcome the regulator's focus on this area and are looking to see how we can integrate it even further into our activities and thinking.

ETHICS AND INDEPENDENCE

TRAINING

As our business continues to grow, so does our commitment to maintaining the highest levels of ethical behaviour. New recruits, lateral hires and those of long standing are all subject to their own training requirements.

Firm-wide mandatory ethics training remains an important tool in aligning expected behaviours and highlighting important and common focus areas. This year's mandatory annual ethics training was part of five mandatory quality and risk training modules, which every person in the firm was required to complete by 31 October 2022. The modules cover anti-money laundering, modern slavery, ethics, cyber security awareness and protecting personal data.

Complementing this firm-wide training, the central Ethics team has a schedule of attendance at local management meetings in order to provide training to target the more nuanced and fact-specific needs of these audiences and provide a forum for smaller group discussions.

CHEATING IN EXAMS

During the year a number of accountancy firms around the world were sanctioned by regulators in respect of cheating in both external professional exams and internal assessments. We take this issue very seriously. Cheating of any kind goes against our core values including 'Being Responsible and Acting with Integrity'. Allegations of cheating are investigated in line with the firm's disciplinary procedures.

The firm does not carry out or invigilate any exams or assessments on behalf of any Recognised Qualifying Bodies (RQBs). Partners and employees take exams with ICAEW, ACCA and ICAS. Tuition, exam preparedness and exam sitting are outsourced to external training providers, which operate strict preventative measures against cheating and plagiarism.

In respect of internal assessments, we use Tests of Knowledge (ToK) as a means of demonstrating understanding of content covered by training activities including firm-wide mandatory training modules.

Cheating of any kind goes against the core values of the firm including 'Being Responsible and Acting with Integrity'. Allegations of cheating are investigated in line with the firm's disciplinary procedures.

Operational controls relating to ToKs include randomising the selection of questions from a bank of questions and requiring individuals taking the ToK to confirm that they will not share any of the questions and answers before taking the test. Partners and employees are offered the opportunity to discuss the answers to questions with the training module owners

after the module has been completed on the basis that this information is not shared. The release of the mandatory training modules was accompanied by an email from the Leadership Team reminding all partners and staff that the sharing of answers is prohibited and that everyone is required to complete training on an individual basis. Additionally, the firm's Ethics Partner highlighted the importance of integrity by reference to exam

cheating in both the 2021 and 2022 annual ethics training. We investigate any suspected cheating. The firm has recently appointed a Director of Learning who will be reviewing the way internal training is assessed and the need for further controls to prevent and detect exam cheating across all internal assessments.



REGULATORY FEEDBACK

The FRC's Audit Quality and Supervision report for the firm included findings in relation to the quality of evidence and assessment regarding certain matters relating to independence.

Actions have been taken, both in relation to the specific findings with the individual audit partners and, more widely, by way of changes to policies, workflow and documentation tools. We are confident that the package of actions will improve consistency regarding the assessment and evidencing of independence.

ETHICS AND INDEPENDENCE



GLOBAL ETHICS AND INDEPENDENCE

Our Global Ethics and Independence team is committed to developing policies and procedures, supported by effective technological solutions, to ensure that the BDO network continues to act ethically and, where required, remains independent both in fact and appearance.

This year, the network has continued investing in ethics and independence, including implementing a number of enhanced policies and minimum procedures further contributing toward aligning behaviours and ensuring high quality ethical outcomes across the network.

This suite of policies and procedures form the basis of the Global Ethics and Independence Management Programme; a framework established to assist member firms to comply with relevant ethical and independence requirements.



The programme is documented in the BDO Ethics and Independence Manual and comprises five elements:

- ▶ standards and policies
- ▶ processes, data and tools
- ▶ training and communication
- ▶ monitoring and reporting and
- ▶ leadership and governance.

BDO works with clients and audits entities that operate across multiple jurisdictions, including a large number of public interest entities. Working with these businesses 'conflict-free' and maintaining independence, where required, is a priority for the network.

Comprehensive due diligence is performed prior to accepting any new client, new audit engagement or new engagement for an existing BDO client and the maintenance of a database of restricted entities, including listed and other public interest entities, that is readily accessible to all partners and employees is an important component of this.



This due diligence, in combination with the global independence and conflict of interest tool, enables BDO firms to collaborate on service provision prior to clients and audited entities acceptance.

Furthermore, ongoing monitoring activities are carried out at a global level to ensure that BDO firms remain compliant with the programme and to ensure that BDO continues to meet the demands of the changing environments in which our firms operate.

Such is the importance of procedures and control in this area, that the network is currently in the process of designing and implementing a new generation of entity management system and conflict of interest tool, which will future-proof the system of internal control well into the future.

Further details of BDO's independence and ethics policies can be found on page 82 in Appendix J.

INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

The Audit Firm Governance Code (revised 2016) requires the firm to conduct, at least annually, a review of the effectiveness of the firm's internal control systems, including financial, operational, compliance controls and risk management systems as well as to promote an appropriate culture underpinned by sound values and behaviour within the firm. It also requires the firm to carry out a robust assessment of the principal risks facing it.

Our Leadership Team (LT) assumes the ultimate responsibility for BDO LLP's internal control systems.

Our compliance statements with the Audit Firm Governance Code (revised 2016), article 13 (2) (d) of the EU Regulation and the Local Auditors (Transparency) Regulations 2020 have been included in Appendix A.

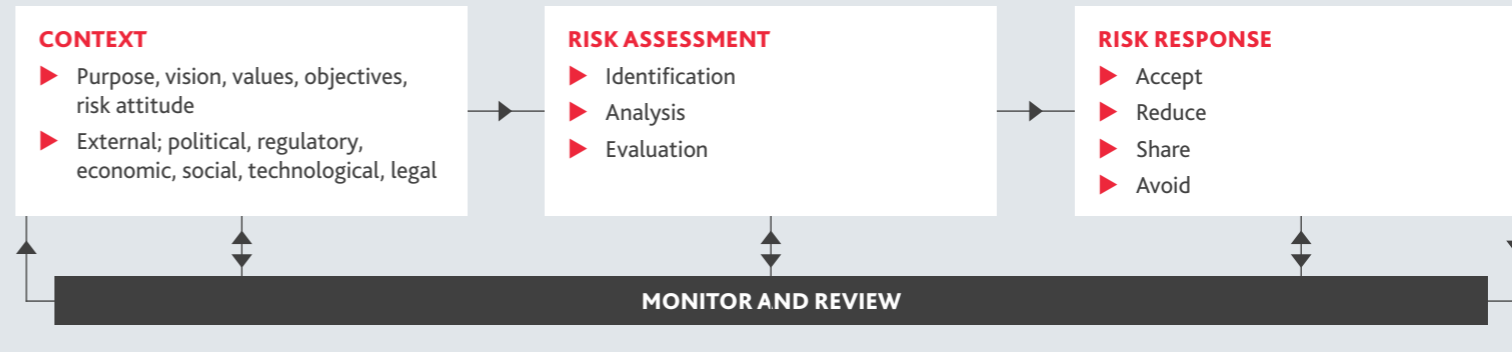
Further details on how we have complied with the disclosure requirements have been included in Appendices B, E and D respectively.

RISK MANAGEMENT, TOP RISKS AND MITIGATING ACTIVITIES

We monitor, manage, mitigate and resolve the risks we face through a robust internal control system that combines policies, processes and controls; a focus on risk management and both preventative and reactive measures.

An important element of governing any firm is to identify and mitigate risk. We have identified our top risks and put in place key mitigation activities to minimise those risks. Careful consideration has been given to the implementation of the new quality standard, ISQM (UK) 1, when assessing the risks that affect our firm.

THE OVERALL CYCLE OF IDENTIFYING, ASSESSING AND RESPONDING TO RISKS



Our top risks are reviewed and agreed by the Quality and Risk Management Committee (QRMC) combining both top-down and bottom-up perspectives and evidence. The top risks are then reviewed and agreed by the LT. Details of individual risks and mitigation activities can be found in Appendix F.

The QRMC receives periodic updates from business units as well as regular updates on internal compliance reviews, internal audit reviews, information security risks, engagement acceptance and economic crime matters, regulatory inspections, claims and other risk events.

The firm's risk reporting system ensures that risk event reports are escalated to the appropriate level so that the firm's management are aware of the risk and can respond appropriately to resolve the risk.

One example of this is how the geopolitical and humanitarian crisis driven by the war between Russia and Ukraine was promptly discussed to assess the impact in our firm. The global BDO network does not have a member firm in Russia; the former Russian member firm operates entirely independently under the name of Unicon. The former Belarus network firm was removed from the global network in March 2022.

In line with BDO's global policy and UK regulations we will not work with sanctioned Russian or Belarussian entities including the Russian and Belarussian governments, Russian and Belarussian state-owned enterprises and sanctioned individuals.

Even though an individual or organisation is not on a sanctions list we consider the commercial, economic crime and reputational perspectives carefully. We also adhere to relevant professional guidance set out in the CCAB joint statement to the profession following recent and ongoing developments in Ukraine dated 2 March 2022.

INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT



Our central Risk Management team is the first point of contact within the risk reporting system. It ensures that when a risk is reported, the appropriate resources and specialist expertise are applied to the incident including reports to professional indemnity (PI) insurers.

The legal team is responsible for the firm's PI policies, regulatory investigations, claims and complaints. For further details on investigations refer to page 99 in Appendix M.

A further example is how the firm is responding to the growing importance of the environmental, social and governance (ESG) agendas.

An explanation of our strategic approach to ESG is set out on page 67 in Appendix G with details on specific risk mitigations listed in the Top Risks section in Appendix F.

THREE LINES OF DEFENCE

We operate a three lines of defence model to monitor and manage risks and internal controls.

The first line of defence comprises operational management who have responsibility for identifying and managing risks, operating robust internal controls and upward reporting on the operation of those controls.

The second line of defence comprises the functions that oversee quality and risk management.

They also provide policies, frameworks, tools, techniques and support to enable risk and compliance to be managed in the first line.

They carry out testing of controls and monitor outcomes. These functions include the firm's Quality and Risk Management teams, the Audit Quality Directorate and the Ethics team.

The third line of defence is independent assurance provided by Internal Audit and certain external providers (eg ISO 27001 certification). Their main role is to ensure the first and second lines are operating effectively and to consider how they can be improved.

INTERNAL AUDIT

Following the review of the firm's governance arrangements, the internal audit function now reports to the Audit Committee with effect from 1 January 2022. Previously it reported to the QRMC. The QRMC reviewed and approved the Internal Audit plan of activity for the year which is based on an overall three-year plan. The Internal Audit plan is based primarily on the firm's Top Risks and includes both service stream and Practice Management Department (PMD)-specific reviews.

Reports setting out the recommendations raised to address any weaknesses identified in our 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 both the Audit Committee and the Quality and Risk Management Committee.



GLOBAL COMPLIANCE REPORTING SYSTEM

In 2021, BDO global network implemented a new Global Compliance Reporting System (GCRS) to monitor the compliance of each BDO firm with BDO quality standards in the areas of audit quality, independence, information security, privacy and insurance. The tool enhances transparency and the building of assurance across the organisation and is based on the validation of control assessments. BDO's global accreditation programme was revised in 2020 and was renewed in 2021 as the first campaign launched via the new GCRS. The primary purpose of the accreditation programme is to enhance all network firms' focus on quality, in line with the key global strategic aim for all our firms to consistently deliver exceptional and high quality services.

COMMERCIAL CONTRACTS AND PROCUREMENT

We have set templates for commercial contracts, which include templates for audit engagement letters and supplier contracts, specifying standard terms of business. Quality and Risk teams within each stream tailor these templates and insert stream-specific requirements. Within the Audit stream, responsibility for this process rests with Technical Standards Group (TSG) to determine content. Any material non-standard terms are subject to review and approval by our central Commercial Contracts and Procurement team.

INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

CONFIDENTIALITY AND INFORMATION SECURITY

All BDO member firms must have policies, procedures and training in place in respect of confidentiality, data protection, and information security and must comply with the BDO Global Information Security policy and Global Privacy policy.

We are strongly committed to protecting the privacy of our clients' and audited entities', partners' and employees' personal information. Misuse or loss of confidential client or audited entity information or personal data could result in financial, operational and reputational damages.

To ensure that the use and circulation of personal data within the BDO network is safe and in line with data privacy principles, the BDO Global Office created the BDO Global Privacy Programme. This is an awareness and compliance programme that supports all BDO firms in meeting their obligations under privacy laws. It contains tools, guidance and information that will help BDO firms, partners, staff and anyone else engaged or retained by BDO firms, and the BDO network, to respect and appropriately protect personal data, as well as to create a culture of privacy within the BDO network.

Responsibility for information security in BDO LLP lies with the Chief Operating Officer.

The Chief Information Security Office (CISO) is responsible for the firm's information security framework and cyber incident response processes. There is also a security function in the IT team which is responsible for managing, monitoring and maintaining the firm's security controls.

Partners and employees are bound by the duty of confidentiality, one of the fundamental principles of the ICAEW's Code of Ethics, which precludes them from disclosing to third parties confidential information acquired as a result of professional and business relationships, unless there is a legal or professional right or duty to do so.

BDO LLP has appointed a partner as Data Protection Officer with responsibility for ensuring compliance with relevant legislation. Mandatory data privacy training is part of induction for all partners and employees and annually all partners and employees are required to complete e-learning on data protection and on cyber security.

BDO LLP is registered with the Information Commissioner as a data controller. Details of our registration can be found on the ICO website under registration Z5799637. BDO LLP operates an information security management system, which is certified as compliant with the requirements of ISO/IEC 27001:2013 and is audited bi-annually by the BSI.

INTERNAL QUALITY CONTROL

Having policies and procedures to ensure the delivery of consistently high quality audits are important. But monitoring adherence to those policies and procedures is just as important.

Our internal control framework is designed to ensure that our partners and employees comply with the professional standards, regulatory and legal requirements, including those relevant to Local Public Auditors. As described throughout the report, a number of deficiencies have been identified and an Audit Quality Plan has been developed to address those deficiencies as explained in the Audit Quality section of this report.



For further details in relation to the Internal Quality Control System under ISQC (UK) 1 requirements, please refer to Appendix K.

In this financial year, we have devoted significant efforts to the design and implementation of the new quality management standards. In December 2020, the International Auditing and Assurance Standards Board (IAASB) issued new Standards on Quality Management:

ISQM1 'Quality management for firms that perform Audits, Reviews, Other Assurance or Related Services engagements', ISQM2 'Engagement Quality Reviews' and ISA 220 'Quality Management for an Audit of Financial Statements'.

In July 2021 the FRC issued ISQM (UK) 1, ISQM (UK) 2 and ISA (UK) 220 revised which incorporates the existing UK pluses, which mainly arise from the European Audit Regulation Directive and application material.

ISQM (UK) 1 and ISQM (UK) (2) replace ISQC (UK) 1, the extant standard that deals with a firm's responsibilities for its system of quality control. The effective dates of these standards, that need to be adopted as a package, is 15 December 2022.

Systems of quality management in compliance with ISQM (UK) 1 are required to be designed and implemented by 15 December 2022 and the evaluation of the system of quality management is required to be performed within one year following 15 December 2022.

ISQM (UK) 1 is a significant change from ISQC (UK) 1 as it requires a quality management approach to establish a system of quality management that is risk based and proactive, supported by enhanced monitoring and timely and effective remediation of any identified deficiencies.

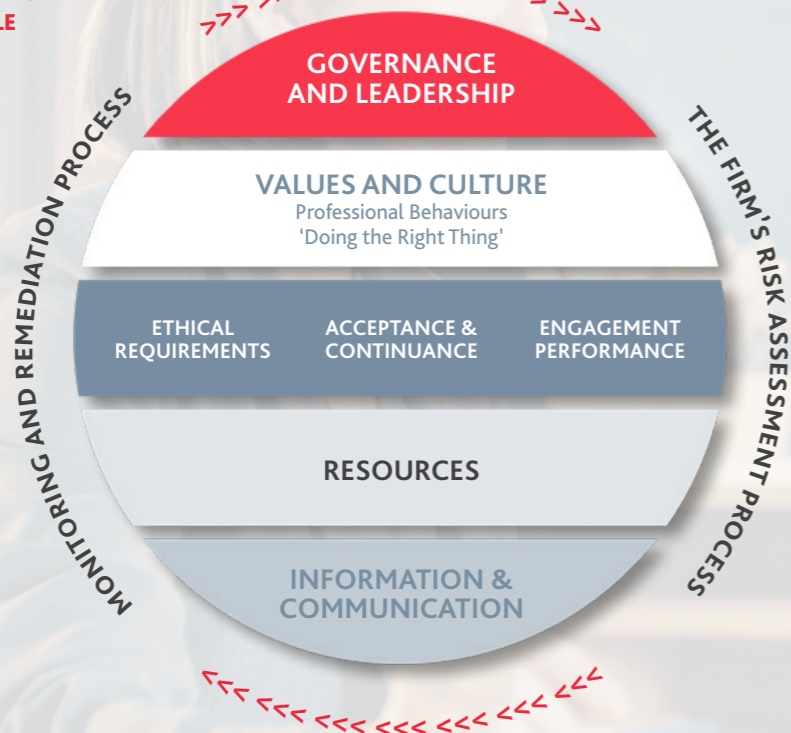
Our Leadership Team have prioritised the implementation of ISQM (UK) 1 and in 2019 started establishing a dedicated ISQM (UK) 1 implementation team overseen by the ISQM (UK) 1 Steering Group.

The Steering Group comprises leaders responsible for ISQM (UK) 1 components (see diagram below) and from each of the business streams and has responsibility for ensuring the implementation of the standard. The Leadership Team has ultimate responsibility and the Quality and Risk Management Committee has operational responsibility for the firm's system of quality management.

INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

For each component in ISQM (UK) 1, shown below, we have adopted the quality objectives set out in the standard.

GOVERNANCE AND LEADERSHIP CIRCLE



The implementation team has worked closely with component owners to perform a detailed analysis and assessment of the quality risks to meeting the quality objectives. The assessment of the likelihood and impact of each quality risk has been performed using the risk matrix set out in the firm's Enterprise Risk Management System.

Quality risks are those which have a reasonable possibility of occurring and which individually or in combination with other risks adversely affect the achievement of one or more quality objectives.

We have then identified the related responses (processes and controls) to address the identified risks and assessed the design and implementation of those responses in order to inform our residual risk assessment.

In line with our continued focus on improving audit quality we are taking the opportunity to enhance and formalise our system of quality management and we have identified additional processes and controls which have been, or are currently being, put in place.

Our work is not yet complete, but we expect to be in a position to state that we have designed and implemented our system of quality management by 15 December 2022.

The enhancement and improvement of our system of quality management will be a continuous process beyond the ISQM (UK) 1 implementation date.

We are in the process of designing our programme to monitor the effectiveness of the firm's system of quality management. The first cycle of monitoring needs to be completed within 12 months from 15 December 2022. This monitoring will inform our annual evaluation of our system of quality management. In next year's report we plan to report on an interim period through to our 2023 year-end date.

APPENDICES

- A: Compliance Statements
- B: Audit Firm Governance Code Disclosures
- C: Corporate Governance Code Adoption
- D: Local Audit Transparency Report Disclosures
- E: EU Audit Regulation Disclosures
- F: Top Risks
- G: Our Approach to ESG
- H: Legal Structure and Ownership
- I: Leadership, Oversight and Governance
- J: Ethics and Independence
- K: Internal Quality Control Systems
- L: Audit Quality Indicators
- M: External Inspections and Investigations
- N: Financial Information
- O: EU/EEA Member Firms
- P: Public Interest Audited Entities
- Q: Major Local Audits
- Glossary of terms



RESPONSIBLEGROWTH
 ROOTED IN QUALITY

APPENDIX A: COMPLIANCE STATEMENTS

This Transparency Report is compliant with the Audit Firm Governance Code (2016 AFGC), Article 13 of the EU Audit Regulation (537/2014) and Local Auditors (Transparency) Regulations 2020.

We have included here each required individual statement of compliance as required by the regulations above.

STATEMENT OF REVIEW OF THE EFFECTIVENESS OF INTERNAL CONTROLS AS REQUIRED BY AFGC D.2.2:

As part of its annual procedures and in compliance with the AFGC, the Leadership Team (LT) confirms that it has performed a review of the principal risks facing the firm and the effectiveness of the system of internal control.

This involved:

- ▶ consideration of the firm's governance structure
- ▶ reviewing the firm's Enterprise Risk Management Framework and Top Risks as established by the Quality Risk Management Committee (QRMC)
- ▶ reviewing reports and minutes from the QRMC and the Head of Quality and Risk Management on the management and monitoring of risks (including those in the detailed risk register)
- ▶ reviewing regular reports on the firm's financial performance from the Finance partner and any risks arising therefrom
- ▶ reviewing the Annual Report from the Operations Board on the delivery of key operational and infrastructure priorities
- ▶ reviewing the work of Internal Audit and compliance monitoring

- ▶ considering the reports and findings from external regulatory reviews
- ▶ reviewing the conclusions of our external auditors, including comments in relation to the control environment.

In the course of this review of effectiveness of internal control, the LT has not identified any significant weaknesses but has identified improvements that we believe will strengthen controls to manage and better mitigate principal risks. Corresponding actions have been developed and either have been or will be implemented and monitored. In addition, based on the results of internal compliance monitoring and feedback from our regulators, the Leadership Team recognises there is a need to strengthen elements of our system of quality management (see the separate statement on the internal quality control system to the right).

However, it is not considered that any of the areas requiring improvement represent a significant failure or weakness, which either requires disclosure or which undermines the current systems of internal control in respect of the firm's operations as a whole. On the basis of the reviews, the Leadership Team is satisfied that the firm's systems of internal control are operating effectively and are in line with the risk management principles of the AFGC.

EFFECTIVENESS OF INTERNAL QUALITY CONTROL SYSTEM AS REQUIRED BY ART. 13 EU AUDIT REGULATION:

The LT assumes the ultimate responsibility for BDO LLP's system of quality control as required by the International Standard on Quality Control (UK) 1 (revised 2019).

In accordance with article 13 (2) (d) of the EU Audit Regulation and the Local Auditors (Transparency) Regulations 2020, the LT confirms that it has performed a review of the effectiveness of its internal quality control system. Based on the feedback from our regulators and our internal review, the LT recognises that there are deficiencies and required improvements to strengthen our internal quality control system. Where deficiencies have been identified, prompt corrective actions have been developed and have or will be implemented and monitored.

However, LT remains of the view that no deficiencies identified, either individually or in aggregate, are of such significance to undermine the current internal quality control system or our ability to rectify the deficiencies.

LOCAL AUDITORS (TRANSPARENCY) REGULATIONS 2020 STATEMENTS:

In addition to the effectiveness of the internal quality control system statement as per the Local Auditors (Transparency) Regulations 2020 included to the left, we are also required to make the following statements:

- ▶ in accordance with the Local Auditors (Transparency) Regulations 2020, the last monitoring of performance for the 2021/22 inspection cycle was completed in the first half of 2022 with results published [on the FRC website](#) in October 2022.
- ▶ the LT confirms that the policies and practices are designed to ensure that persons eligible for appointment as local auditors continue to maintain their theoretical knowledge, professional skills and values.

APPENDIX B: AUDIT FIRM GOVERNANCE CODE DISCLOSURES

DISCLOSURES REQUIRED BY THE AFGC

	REQUIREMENT	Report section reference
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.	Section on Governance Structure
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.	Appendix I: Leadership, Oversight and Governance
B.1.2	Firms should introduce KPIs on the performance of their governance system, and report on performance against these in their transparency reports.	Section on Governance Structure Appendix I: Leadership, Oversight and Governance
C.1.2	The firm should disclose on its website and in its transparency report information about the appointment, retirement and resignation of independent non-executives; their remuneration; their duties and the arrangements by which they discharge those duties; and the obligations of the firm to support them. The firm should report on why it has chosen to position its independent non-executives in the way it has (for example, as members of the main Board or on a public interest committee). The firm should also disclose on its website the terms of reference and composition of any governance structures whose membership includes independent non-executives.	Section on Governance Structure Appendix I: Leadership, Oversight and Governance
C.1.3	The independent non-executives should report in the firm's transparency report on how they have worked to meet the purpose of the Code defined as: <ul style="list-style-type: none"> ▶ Promoting audit quality ▶ Helping the firm secure its reputation more broadly, including in its non-audit businesses ▶ Reducing the risk of firm failure. 	Report by Chair of the Public Interest Committee
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.	Appendix I: Leadership, Oversight and Governance
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.	Appendix J: Ethics and Independence
D.2.2	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.	Appendix A: Compliance Statements
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.	Appendix C: Corporate Governance Code Adoption
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.	Section on Internal Control Systems and Risk Management Appendix F: Top Risks

APPENDIX C: CORPORATE GOVERNANCE CODE ADOPTION

In addition to the mandatory provisions of the Audit Firm Governance Code, firms are asked to consider whether they might also wish to comply with some of the principles and provisions in the UK Corporate Governance Code.

The following tables set out BDO LLP's governance processes in respect of the UK Corporate Governance Code.



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.

CORPORATE GOVERNANCE CODE	REFERENCE
A.1.1: 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.	Details of the number of meetings and attendance at those meetings is included in Appendix I. Details of the matters specifically reserved for the Partnership Council and Leadership Team are set out in the Members' Agreement and accompanying documents and, to a more limited extent, the Terms of Reference for each body. Commentary on the working of the various boards and committees is set out in the Terms of Reference and the Governance section of the Transparency Report.
A.1.2: The annual report should identify the chair, the deputy chair (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.	The identity of the Senior Partner, Managing Partner and Independent Non Executives as well as attendance at meetings is set out in Appendix I.
A.1.3: The company should arrange appropriate insurance cover in respect of legal action against its directors.	The firm maintains Directors' and Officers' Liability Insurance (D&O) cover for its Partners/Responsible Individuals (RIs)/other individuals with management responsibility and INEs.

APPENDIX C: CORPORATE GOVERNANCE CODE ADOPTION

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.

CORPORATE GOVERNANCE CODE	REFERENCE
A.2.1: The roles of chair and chief executive should not be exercised by the same individual. The division of responsibilities between the chair and chief executive should be clearly established, set out in writing and agreed by the board.	The roles of the Senior Partner and Managing Partner are performed by different individuals. The job descriptions for each role have been approved by the Partnership Council and the Partners as a whole.

THE CHAIR

The chair is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.

CORPORATE GOVERNANCE CODE	REFERENCE
A.3.1: The chair should on appointment meet the independence criteria set out in B.1.1 below. A chief executive should not go on to be chair of the same company. If exceptionally a board decides that a chief executive should become chair, 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>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. Nominations for Senior Partner are approved by the Partnership Council and then equity partners vote for their preferred candidate.</p> <p>At the end of the Managing Partner's tenure, in line with other roles within the firm, they could seek election as Senior Partner but only once two years had elapsed.</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.

CORPORATE GOVERNANCE CODE	REFERENCE
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 chair 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 chair, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate.	Eamonn McGrath is one of the INEs and chairs the Public Interest Committee. His report is set out in the section Report from the Chair of the Public Interest Committee. Stakeholders are able to contact the INEs via Catherine Kewish .
A.4.2: The chair 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 chair present at least annually to appraise the chair's performance and on such other occasions as are deemed appropriate.	All INEs meet with the Senior Partner and the Partnership Council at least annually and on other occasions as are deemed appropriate. Further details are contained in the section Report from the Chair of the Public Interest Committee.
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 chair, for circulation to the board, if they have any such concerns.	All Board meetings are minuted and any concerns expressed on matters will be accurately recorded. The process by which an INE can resign and circulate reasons for their resignation is set out in the INE contract.

APPENDIX C: CORPORATE GOVERNANCE CODE ADOPTION

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.

CORPORATE GOVERNANCE CODE

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:

- ▶ 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.

B.1.3: Except for smaller companies, at least half the board, excluding the chair, should comprise non-executive directors determined by the board to be independent. A smaller company should have at least two independent non-executive directors.

REFERENCE

Each individual INE identified in the report, being Simon Figgis, Jeff Randall, Eamonn McGrath, Jane Guyett, David Matthews and Russell King, is considered to be independent. None of the INEs has:

- ▶ 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 an LLP there is no significant shareholder
- ▶ Served on the board for more than nine years.

The composition of the Partnership Council and the Leadership Team is set out in Appendix I.

APPOINTMENTS TO THE BOARD

There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.

CORPORATE GOVERNANCE CODE

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 chair or an independent nonexecutive director should chair the committee, but the chair 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.

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.

REFERENCE

Nominations for Senior Partner and Managing Partner are approved by the Partnership Council and elections are held amongst the equity partners for the appointment of both positions. Partnership Council members are drawn from the body of equity partners and are independent from the Leadership Team. No Partnership Council member can have an executive or management role within the firm at the same time.

The Senior Partner is not involved in the appointment of a successor as this is decided on a vote by the equity partners.

A Nomination Committee, chaired by the Senior Partner and attended by all members of the Business Interest Oversight Board, a sub-committee of Partnership Council, oversees the appointment of INEs. The terms of reference applicable to nominations are contained within the LLP Agreement and related documents and also the Terms of Reference for the Nomination Committee.

The Partnership Council evaluates the experience, balance of skills and independence when considering appointments to the Partnership Council including drawing from all areas of the business. The Nomination Committee carries out the same evaluation when considering the appointment of INEs.

APPENDIX C: CORPORATE GOVERNANCE CODE ADOPTION

APPOINTMENTS TO THE BOARD

There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.

CORPORATE GOVERNANCE CODE

REFERENCE

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.

INEs are appointed for a period of three years, 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. See Appendix I for further details.

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 chair 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.

Details of the elections of the Senior Partner and Managing Partner are set out in the Members' Agreement and accompanying documents.

BDO's approach to equality, diversity and inclusion is outlined in its [Culture and Impact Report available on the BDO website](#). This report also details the firm's ambitions, and progress made, to increase the representation of women and people of BAME heritage at senior levels within the firm.

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.

COMMITMENT

All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.

CORPORATE GOVERNANCE CODE

REFERENCE

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 chair'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.

The job specification for the Senior Partner is set by the Partnership Council and formalised in a written job description.

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.

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.

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.

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.

INEs are required to confirm their independence quarterly and notify any other appointments accepted.

APPENDIX C: CORPORATE GOVERNANCE CODE ADOPTION

DEVELOPMENT

All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.

CORPORATE GOVERNANCE CODE

REFERENCE

B.4.1: The chair 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 is held for all new members of the Partnership Council led by the Senior Partner and drawing on the firm's experts as required.

B.4.2: The chair should regularly review and agree with each director their training and development needs.

Members of Partnership Council are appraised annually as part of the performance review process for all equity partners. Their role on Partnership Council is considered and reviewed as part of that annual process. The INEs are subject to 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.

CORPORATE GOVERNANCE CODE

REFERENCE

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.

The Terms of Reference for each committee sets out the matters which it will consider and the information it will receive. Brief details of this are set out in the Governance section. Any Board or individual INE can access independent professional advice at the firm's expense if this is required.

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 a Partnership Office. This office is available to all board members including the INEs.

APPENDIX C: CORPORATE GOVERNANCE CODE ADOPTION

EVALUATION

The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.

CORPORATE GOVERNANCE CODE

REFERENCE

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.

Current KPIs relating to the board are included in the section on Governance and Appendix I.

B.6.2: Evaluation of the board 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.

Members of the LT participated in an externally facilitated review of the executive team in early 2020 to build on good practice and further improve board performance.

B.6.3: The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chair, taking into account the views of executive directors.

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.

RE-ELECTION

All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. Details of re-election are set out in the section Governance Structure.

FINANCIAL AND BUSINESS REPORTING

The board should present a fair, balanced and understandable assessment of the company's position and prospects. Our annual report is available on the [BDO website](#).

CORPORATE GOVERNANCE CODE

REFERENCE

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.

Our annual reports are available on the [BDO website](#). The 2021/22 annual report will be available later in November.

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.

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 the section Our Culture and Our People and the Top Risks in Appendix F.

C.1.3: In annual and half-yearly 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.

Our annual reports are available on the [BDO website](#). The 2021/22 annual report will be available later in November.

APPENDIX C: CORPORATE GOVERNANCE CODE ADOPTION

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.

CORPORATE GOVERNANCE CODE

REFERENCE

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.

Details of our risk assessment and top risks are set out in Appendix F.

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.

Our annual report is available on the [BDO website](#).

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.

The Quality and Risk Management Committee monitors our risk management and internal control systems. Details of the review of the risk management and internal controls system is set out in the section Internal Quality Control Systems and Top Risks.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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.

CORPORATE GOVERNANCE CODE

REFERENCE

C.3.2: The main role and responsibilities of the audit committee should be set out in written terms of reference and should include:

- ▶ 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, reappointment 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

The terms of reference of the Audit Committee include those items listed. The Audit Committee reports to the Partnership Council and Business Interest Oversight Board periodically on how it has discharged its responsibilities. During the financial year, the review of internal financial controls and the review of internal control and risk management systems was undertaken by the Quality and Risk Management Committee, however, as the internal audit function reported directly to this Committee for that period.

APPENDIX C: CORPORATE GOVERNANCE CODE ADOPTION

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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.

CORPORATE GOVERNANCE CODE	REFERENCE
<ul style="list-style-type: none"> ▶ 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 ▶ 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>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>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>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 terms of reference for the Audit Committee are published on the BDO website.</p> <p>The Audit Committee provides advice to the Leadership Team and, as appropriate, the Partnership Council that the annual report and accounts taken as a whole are fair balanced and understandable and provides sufficient information, to assess the company's position and performance, business model and strategy.</p> <p>The firm operates an external whistleblowing process managed by the Head of Quality and Risk Management.</p>

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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.

CORPORATE GOVERNANCE CODE	REFERENCE
<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>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>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 Audit Committee monitors and reviews the effectiveness of internal audit activities supported by the Quality and Risk Management Team.</p> <p>The Audit Committee is responsible for appointing the auditors.</p> <p>We do not at present include an Audit Committee report within the annual report.</p>

APPENDIX D: LOCAL AUDIT TRANSPARENCY REPORT DISCLOSURES

In accordance with the Local Auditors (Transparency) Regulations 2020 we set out our compliance with these regulations here:

REQUIREMENT	Report section reference
1. A description of the legal structure, governance and ownership of the transparency reporting local auditor.	Appendix H: Legal Structure and Ownership Appendix I: Leadership, Oversight and Governance
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.	Appendix H: 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.	Appendix K: Internal Quality Control Systems Appendix A: Compliance Statements
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.	Section on Ethics and Independence Appendix J: 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 working on local audits 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.	Appendix A: Compliance Statements
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.	Appendix Q: Major Local Audits
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.	Appendix A: Compliance Statements
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 N: Financial Information
10. Information about the basis for the remuneration of partners.	Appendix K: Internal Quality Control Systems

APPENDIX E: EU AUDIT REGULATION DISCLOSURES

We cross-reference to where and how BDO LLP complies with the requirements of Article 13.2 of the EU Audit Regulation.

PROVISION OF ARTICLE 13.2	Report section reference
(a) a description of the legal structure and ownership of the audit firm	Appendix H: Legal Structure and Ownership
(b) where the statutory auditor or the audit firm is a member of a network:	
(i) a description of the network and the legal and structural arrangements in the network	Appendix H: Legal Structure and Ownership
(ii) the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network	Appendix O: EU/EEA Member Firms
(iii) the countries in which each statutory auditor operating as a sole practitioner or audit firm that is a member of the network is qualified as a statutory auditor or has his, her or its registered office, central administration or principal place of business	Appendix O: EU/EEA Members Firms
(iv) the total turnover achieved by the statutory auditors operating as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements	Appendix N: Financial Information
(c) a description of the governance structure of the audit firm	Section on Governance Structure
(d) a description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning	Appendix K: Internal Quality Control Systems
(e) an indication of when the last quality assurance review referred to in Article 26 was carried out	Section on Audit Quality
(f) a list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year	Appendix P: Public Interest Audited Entities
(g) a statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted	Appendix J: Ethics and Independence
(h) a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13 of Directive 2006/43/EC	Appendix K: Internal Quality Control Systems
(i) information concerning the basis for the partners' remuneration in audit firms	Appendix K: Internal Quality Control Systems
(j) a description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7)	Appendix J: Ethics and Independence
(k) where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2012/34/EU, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories:	
(i) revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity	Appendix N: Financial Information
(ii) revenues from the statutory audit of annual and consolidated financial statements of other entities	Appendix N: Financial Information
(iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm and	Appendix N: Financial Information
(iv) revenues from non-audit services to other entities.	Appendix N: Financial Information

APPENDIX F: 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.

As required by the Audit Firm Governance Code (E.3.1), in respect of the year ended 1 July 2022, we have performed a robust assessment of the top risks the firm is facing, including those that would threaten the firm's business model, future performance, solvency or liquidity. The full range of the firm's services and operational activities is considered when performing this evaluation.

The table below summarises the Top Risks as determined by the QRMC and LT that were effective as of 1 July 2022.



RISK	RISK TREND	DESCRIPTION	KEY MITIGATING ACTIVITIES
Failure to deliver quality work	Unchanged	<p>Major service failure resulting in litigation and/or regulatory action, with the potential to impact the reputation of the firm.</p> <p>Failure to deliver the right quality of service to meet stakeholder expectations.</p> <p>Poor quality work (including poor audit quality) resulting in complaints, claims and/or regulatory action, with the potential to impact the reputation of the firm.</p>	<ul style="list-style-type: none"> ▶ Comprehensive quality control systems, methodologies, and guidance. ▶ Dedicated 'Second Line' functions including technical support services. ▶ Significant technical and commercial training to enhance the skills of our people and to ensure they remain up to date. ▶ People performance systems to ensure individuals are, and remain, competent. ▶ Controls to ensure that partners and staff with the right specialist knowledge and skills are assigned to engagements. ▶ Comprehensive Audit Quality Plan to address regulators' recommendations, findings from internal and external inspections and other identified deficiencies. ▶ Internal inspections to review the quality of work and clear action plans to address the findings from internal and external reviews. ▶ Established Risk Reporting procedures for claims, complaints, or potential concerns about our work. ▶ Maintaining adequate professional indemnity insurance (PII).

APPENDIX F: TOP RISKS

RISK	RISK TREND	DESCRIPTION	KEY MITIGATING ACTIVITIES
Ineffective governance of growth and change	New	<p>Ineffective governance and/or strategic decision making resulting in failure to manage our growth and the consequences of growth in a dynamic environment.</p> <p>Failure to invest in and embed infrastructure to fully support growth.</p> <p>Risk that we become too set in our ways / suffer from loss aversion / we are too slow and / or we fail to deliver the changes we require.</p> <p>Failure to adapt effectively to audit market reform (Market growth opportunities and other regulatory changes).</p>	<ul style="list-style-type: none"> ▶ Firm governance structure periodically reviewed with formal terms of reference for all governance bodies. ▶ Responsible Growth Strategy documented and KPIs established to monitor. ▶ Leadership Team oversight of management of growth, with a priority of ensuring high quality. ▶ A strategy and performance review system that incorporates the importance of challenge. ▶ Business transformation and change management regularly discussed by the Leadership Team and with BDO Global. ▶ Leadership Team and management approval of firm priorities and key projects. ▶ Growth Plans for each service and support business unit. ▶ Monitoring of utilisation and other measures. ▶ Dedicated resources to assist with the implementation of change programmes.

APPENDIX F: TOP RISKS

RISK	RISK TREND	DESCRIPTION	KEY MITIGATING ACTIVITIES
Regulation	Unchanged	<p>Risk of significant regulatory sanctions, eg restrictions on operations or loss of license to trade.</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 recognise changing regulation and/or to invest in enhancing quality to meet new requirements.</p> <p>The FRC evolving and transitioning to ARGA leading to uncertainty in the regulatory regime.</p> <p>Increasing focus on firm-wide internal controls (second line of defence) and the need to enhance the maturity of our control infrastructure, including implementation of ISQM (UK) 1 by 15 December 2022.</p> <p>Increased focus from regulators on economic crime and data privacy.</p> <p>Failure to adequately plan for the costs and resources to address robust challenge from our regulators and increasing regulatory information requirements.</p>	<ul style="list-style-type: none"> ▶ Partner involvement with professional institutes and regulatory bodies (Identifying change and influencing where possible and appropriate). ▶ Maintaining an appropriate level of interaction and relationships with regulatory authorities. ▶ Regular review of anticipated regulatory changes and assessment of their impact. ▶ Comprehensive quality control systems, methodologies and guidance. ▶ Mandatory risk training including Economic Crime, Ethics and Data Protection. ▶ Dedicated 'Second Line' functions including technical support services. ▶ Improvements to the system of quality management arising from the implementation of ISQM (UK) 1.

APPENDIX F: TOP RISKS

RISK	RISK TREND	DESCRIPTION	KEY MITIGATING ACTIVITIES
Information security (including cyber security)	Reduced	<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>	<ul style="list-style-type: none"> ▶ IT policies and processes, including access controls and appropriate disaster recovery and business continuity plans linked to BDO Global information security risk mitigation programme. ▶ Use of appropriate software tools to help protect against cyber threats. ▶ Extensive data protection policies and processes. ▶ Control of sensitive data by limiting access. ▶ Implementation of tools such as secure portals to reduce the risk in information exchange with our clients, audited entities and third parties. ▶ Ongoing training and awareness activities to alert partners and staff to cyber and other risks of data loss and the behaviours necessary to minimise such risks and targeted training/alerts to specific teams (eg Finance). ▶ Clear desk and clear screen sweeps in offices. ▶ Monitoring by LT, QRMC and management on an ongoing basis. ▶ ISO27001 Information Security Management System accreditation.

RISK	RISK TREND	DESCRIPTION	KEY MITIGATING ACTIVITIES
Failure to attract, retain and develop our people and look after their wellbeing	Unchanged	<p>Failure to recruit, retain and develop skilled and experienced people leading to service failure, inefficiency, loss of our people, stress and illness, demotivation of our people and increased recruitment and other costs.</p> <p>Failure to protect and support the physical and mental health and wellbeing of our people.</p>	<ul style="list-style-type: none"> ▶ HR policies and procedures including agile working policies. ▶ Technical and commercial training, development and on the job coaching. ▶ Structured career discussions, performance reviews and feedback to help the development of partners and employees. ▶ BDO's People Proposition. ▶ Quality Cornerstones to guide professional behaviour. ▶ Strong and robustly implemented health & safety and travel policies. ▶ Leadership focus on mental health and wellbeing, supported by a dedicated Wellbeing team. ▶ Monitoring of key metrics and results from structured programmes to gather feedback from our people.

APPENDIX F: TOP RISKS

RISK	RISK TREND	DESCRIPTION	KEY MITIGATING ACTIVITIES
BDO Global risk and reputation	Unchanged	<p>Significant litigation, service failure or inappropriate conduct by a BDO firm resulting in a loss of reputation to BDO as a whole.</p> <p>Failure of BDO Global to develop an effective quality and risk management function and to implement sufficient adequate quality controls (in particular in respect of audit) resulting in criticism by regulators and loss of reputation.</p> <p>Failure of BDO Global to adequately monitor member firms and address identified deficiencies in a timely manner.</p> <p>Failure of BDO Global or a BDO firm to protect confidential client or personal data and/or failure to prevent and recover from cyber-attacks resulting in a loss of reputation to BDO as a whole.</p> <p>Risk that BDO (Global and firms) fails to identify, recognise, plan and deliver the strategic and operational changes required.</p>	<ul style="list-style-type: none"> ▶ Methodologies and supporting tools applied globally, including our global audit methodology and electronic Audit Process Tool (APT). ▶ BDO member firm accreditation. ▶ International quality inspection programme. ▶ Strong collaboration between member firms. ▶ BDO LLP participation in and influencing of Global initiatives. ▶ Crisis Management Committee equipped with plans and tools to rapidly respond to a significant BDO Global risk event.

APPENDIX F: TOP RISKS

RISK	RISK TREND	DESCRIPTION	KEY MITIGATING ACTIVITIES
Changing external environment and business models for professional services firms	Unchanged	<p>Risk that significant external geopolitical events have a major direct adverse impact on our business and/or economic conditions.</p> <p>Risk that professional service firms such as ours fail to attract and develop new business due to:</p> <ul style="list-style-type: none"> ▶ Competitors innovating faster than us ▶ New disruptive technology transforming markets (including platforms for providing professional services becoming IT-driven) and the cost of providing services ▶ New skills and expertise being required to deliver services ▶ Existing methodologies, processes and IT becoming obsolete ▶ Our property portfolio becomes inflexible/obsolete ▶ Failure to manage operational and financial operation of audit and advisory to achieve public interest objectives. 	<ul style="list-style-type: none"> ▶ Forward horizon scanning by the Leadership Team and management. ▶ Dedicated IT resources for innovation, digital products, automation, and artificial intelligence, with monitoring to prevent / address systems obsolescence. ▶ Dedicated resources to assist with the implementation of change programmes. ▶ Property portfolio strategy and monitoring. ▶ Crisis Management and Business Continuity planning and testing. ▶ Continuous monitoring of our cash position and financial resilience.
Resource management	Unchanged	<p>Taking on or continuing work where we lack the capacity, competence or capability to deliver (lack of resources).</p> <p>Failure to manage resources optimally leading to inability to service work and/or decreased service quality.</p> <p>Failure to adjust our pricing to account for market conditions, changing demand for our services and increasing costs.</p> <p>Over-reliance on key individuals.</p> <p>Placing undue stress on our partners and staff, potentially leading to stress and illness and decreased service quality.</p>	<ul style="list-style-type: none"> ▶ Selectivity and scrutiny in our acceptance and continuance processes ▶ Ongoing review of project pricing and profitability ▶ Regular reviews of management accounts and KPIs to identify signs of over-stretched resources and to respond. Reviewing monthly reports of utilisation by individual ▶ Dedicated recruitment and people development teams in the HR function to support the firm in meeting resource demands ▶ Flexible resourcing models and cross-skilling across teams ▶ Continued expansion of the support provided by the Shared Service Centre and through offshoring ▶ Technological innovation, substituting technology to reduce demands on people.

APPENDIX F: TOP RISKS

RISK	RISK TREND	DESCRIPTION	KEY MITIGATING ACTIVITIES
Failing to instil a culture appropriate to an audit and advisory firm of our scale and recognising we are a regulated firm	Increased	Our behaviour is under continuous scrutiny and perceived or actual failings can result in damage to reputation.	<ul style="list-style-type: none"> ▶ Overall firm governance and reporting. ▶ Focus on values, culture and quality, independence and ethics within the strategic framework. ▶ Development and implementation of a 'Culture plan'. ▶ Publication of annual Culture Report. ▶ Ongoing monitoring including listening programme and exit surveys. ▶ Whistleblowing and grievance policies.

RISK	RISK TREND	DESCRIPTION	KEY MITIGATING ACTIVITIES
Environmental, Social and Governance (ESG)	New	<p>ESG strategy (or lack of strategy) and/or performance leading to a negative impact on our reputation and brand and our attractiveness as an employer.</p> <p>Failure to transition to Net Zero within an acceptable timescale.</p> <p>Working with entities with a poor ESG track record.</p>	<ul style="list-style-type: none"> ▶ ESG Board formed to advise the Leadership Team. ▶ Signatory to the UN Global Compact. ▶ Commitment to becoming a Net Zero business by 2050. ▶ Annual Carbon Report and Streamlined Energy and Carbon Reporting (SECR) report. ▶ Monitoring of internal and external environmental activity. ▶ ISO:14001 Environmental Management System Accreditation. ▶ Annual Modern Slavery Act statement and mandatory training for all staff. ▶ Liaising with BDO Global with respect to the wider network's sustainability agenda. ▶ ESG considerations built into client and engagement acceptance and continuance policies and procedures. ▶ Escalation of approval of potential clients or engagements with higher risk ESG characteristics.

APPENDIX F: TOP RISKS

RISK	RISK TREND	DESCRIPTION	KEY MITIGATING ACTIVITIES
Failure of our IT infrastructure	Decreased	Major IT failure or major data loss results in our inability to carry out business as usual. This may be due to our internal controls or due to the failure of a third-party IT provider (including cloud services).	<ul style="list-style-type: none"> ▶ IT policies and processes, including access controls, patching and vulnerability management, and appropriate disaster recovery and business continuity plans. ▶ Relationships with outsourced providers managed and maintained, with regular performance reviews and contractually agreed service levels. ▶ Incident, change and problem management processes. ▶ Monitoring of use of infrastructure resources and projections of future capacity requirements. ▶ Monthly internal reviews of incidents and service levels.
Client and Audited Entities acceptance and continuance, and scope of work	Increased	<p>Failure to identify engagement risks, social responsibility risks, or other commercial risks associated with a potential client or project.</p> <p>Failure to identify audit independence threats or other conflicts of interest.</p> <p>Working with the wrong client could damage our reputation and lead to litigation and/or regulatory investigation. Failure to conduct adequate adverse media research and/or evaluate it properly.</p> <p>Failure to identify risks and comply with economic crime laws and regulations (including anti-money laundering regulations).</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>	<ul style="list-style-type: none"> ▶ Client and engagement acceptance and continuance policies, procedures and training. ▶ UK and international conflict checking processes. ▶ Processes operationalised through software with key controls integrated. ▶ Liability limitation provisions (where appropriate) within client contracts. ▶ Escalation of approval of potential clients or engagements with higher risk characteristics or reputational concerns. ▶ Dedicated 'Second Line' functions including technical support services. ▶ Maintaining adequate professional indemnity insurance (PII). ▶ Annual Quality & Risk assessment for all partners.

APPENDIX F: TOP RISKS

RISK	RISK TREND	DESCRIPTION	KEY MITIGATING ACTIVITIES
Internal fraud / insider threat	New	<p>Fraudulent or malicious actions on the part of insiders, including but not limited to:</p> <ul style="list-style-type: none"> ▶ Finance fraud (payments / payroll) and/or financial misreporting for personal gain ▶ Insider trading ▶ Client money fraud ▶ Forgery of sign-offs (eg audit opinions) ▶ Unauthorised disclosure of confidential information (eg Panama papers) ▶ Theft of property including confidential information/IP ▶ 'Planting' of a rogue person inside the firm by an organised crime group or other malicious actor ▶ Fraudulent acts due to partners/staff being under pressure from clients or others. 	<ul style="list-style-type: none"> ▶ Screening and vetting of our people. ▶ Financial controls - segregation, authorisations, reconciliations. ▶ Client money and asset policies and procedures including reconciliations and annual firm-wide client money review. ▶ Information security controls and monitoring. ▶ Physical security and IT asset registers. ▶ Anti-Bribery policy, gifts and entertainment register, and MLRO approval of refunds. ▶ Whistleblowing policies, including creating and maintaining awareness. ▶ Market Abuse Policy (including insider dealing and insider lists). ▶ Monitoring by management and Internal Audit.

APPENDIX F: TOP RISKS

Subsequent to the financial year end, in September 2022 the QRMC and LT reviewed the Top Risks as part of the annual risk assessment process. Two new risks were added:

RISK	RISK TREND	DESCRIPTION	KEY MITIGATING ACTIVITIES
Commercial management	New	<p>Failure to manage our business holistically across client relationships, people and other resources, including:</p> <ul style="list-style-type: none"> ▶ Failure to adjust our pricing to account for market conditions, changing demand for our services and increasing costs ▶ Opportunity risks arising from inadequate or ineffective marketing and business development activity ▶ Poor client relationship management ▶ Inefficient service delivery lead to low recovery. 	<ul style="list-style-type: none"> ▶ Growth Plans for each service and support business unit. ▶ Application of internal commercial principles when setting and reviewing project pricing. ▶ Timesheets, with business leaders in streams having access to utilisation and fee recovery metrics. ▶ Continued expansion of the support provided by the BDO Shared Service Centre and through offshoring. ▶ Technological innovation to increase efficiency and effectiveness and reduce cost. ▶ Marketing, Sales and Clients policies and procedures. ▶ Client listening programme.
Financial and working capital management	New	<p>Risks arising from:</p> <ul style="list-style-type: none"> ▶ Inadequate management of budgeting, billing and cash flow ▶ Volatility in financial markets and/or counterparties ▶ Inadequate value for money from suppliers. 	<ul style="list-style-type: none"> ▶ Finance policies and procedures. ▶ Timesheets, with business leaders in streams having access to utilisation and fee recovery metrics. ▶ Monthly management accounts packs and financial metrics across service streams and support business units. ▶ Delegation schedules and signing authorities including expenses approvals, built into finance systems. ▶ Monthly reconciliations over all expected cycles. ▶ Credit control monitoring. ▶ Procurement policies and procedures. ▶ Supplier due diligence procedures. ▶ Procurement team support with supplier contract terms. ▶ Continuous monitoring of our cash position and financial resilience.

APPENDIX G: OUR APPROACH TO ESG

Environmental, Social and Governance (ESG) is an important means for us to demonstrate how we are having a positive societal impact.

Positive and sustainable ESG performance is imperative to demonstrate the firm's impact on people and the planet.



MATTHEW WHITE
SENIOR PARTNER

NICOLA LALLY
COMMUNICATIONS PARTNER

In 2021, we established an ESG Board, co-chaired by the Senior Partner and the Communications Partner.

As part of the firm's governance, it is an advisory group to the Leadership Team, horizon-scanning for major risks and opportunities and to encourage greater co-ordination between existing E, S and G activities. The ESG Board is made up of members representing different areas that impact, and will be impacted by ESG: Quality and Ethics, Clients/Markets, Operations, Communications and Global. Welcoming the voice of different generations and perspectives, the ESG Board has included one Employee Voice – a current audit trainee – to provide insight, ideas and challenge on the 'S' of ESG.

The Board has recruited a further Employee Voice representative from October 2022 to provide challenge and test thinking on the 'E' agenda.

OUR OPERATIONAL IMPACT

In FY21/22, the ESG Board commissioned a Materiality Assessment designed to identify the ESG topics that matter most to the firm and its stakeholders. This assessment is being used by the ESG Board as a strategic tool to inform what the firm should prioritise as part of its ESG strategy.

In the meantime, the firm continues to evolve its E, S and G activities:

ENVIRONMENTAL

We continue to be carbon neutral and have received both ISO 14001 and ISO 50001 accreditation. In December 2021, we made a commitment to go Net Zero by 2050 or sooner. We commissioned a sustainability consultancy to develop a Net Zero Transition Plan designed to establish the firm's detailed plan and timeframes. This plan will be published in FY22/23.

SOCIAL

Our cultural priorities focus on three major social agendas: Wellbeing, ED&I (which BDO refers to as 'Be Yourself') and Citizenship.

This year, we achieved our first gender ambition of 20% female partners, and subsequently set a new ambition of 30% female partners by 2030. This is delivered via the BE INSPIRED action plan on gender balance and is monitored as part of BDO's signatory of Women In Finance Charter.

This year, we also set the ambition of having 10% Black, Asian and Minority Ethnic partners by 2026, 10% of whom would identify as of Black heritage. This is delivered via our Race Action Plan, and we are a signatory of the Business in the Community's Race at Work Charter.

We publish our detailed Modern Slavery Act Statement each year and we have a dedicated working group (comprising decision-makers from Quality and Risk, Operations, Procurement, and Communications and ESG) to tackle modern slavery, reporting directly to our Operations Board.

GOVERNANCE

We conducted a comprehensive review of the firm's governance this year; you can read more about this in the Governance Structure on page 14.

OUR ESG SERVICES

We are also able to use our professional skills to support businesses in their own ESG requirements and transformations.

Across both the UK and globally, we provide ESG-related advice and assurance across our core service offerings, based on companies' needs from governance, risk management and internal audit to climate change reporting, third-party assurance and responsible taxation.

We have been working with advisory and tax clients on a variety of sustainability projects, including the development of the circular economy, forest protection technology and renewable power programmes. We also work with NGOs and donors to ensure transparency in how funding flows through charitable organisations, and work with global climate change bodies on their systems, controls and procedures.

We carefully consider what work we don't do. We have introduced ESG considerations into our client and audited entity acceptance and continuance decisions. On our [website](#), we have published the principles we adhere to when offering companies and individuals tax advice.

Into 2023, we are ramping up investment into recruiting new specialists to further enhance how we can advise clients and audited entities on how to incorporate ESG into their business models.

Further details on our risk approach to ESG can be found in Appendix F (Top Risks). Details of the progress that we are making on E, S and G is reported in our 2022 Culture and Impact Report, and our environmental progress is captured in our annual Environmental Report. Both of these reports will be published in November 2022 on [our website](#).

APPENDIX H: LEGAL STRUCTURE AND OWNERSHIP

BDO LLP is a limited liability partnership, incorporated in the UK and is owned by its members (who are often referred to as partners).

On 1 July 2022 there were 318 members up from 269 members on the same date in 2021. 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. 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.

Through the financial year, BDO LLP operated through four different streams being Audit & Assurance, Tax, Advisory and Business Services & Outsourcing. Further details on the individual services provided by stream can be found on our [website](#).

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 COO (also Global Head of Advisory), the Global Heads of Audit & Assurance, Tax (also Global Head of People), Business Development & Marketing, IT, Risk, Quality & Governance (also Secretary of BDO International Limited) and the regional CEOs of EMEA, the Americas (also Global Head of Business Services & Outsourcing) and Asia Pacific. The Global Leadership Team is supported by the Global Office at Brussels Worldwide Services BV. Brussels Worldwide Services BV, a Belgian limited liability company, provides services to assist in the coordination of the BDO network. Each of BDO International Limited, Brussels Worldwide Services BV and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions.

Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients. BDO is the brand name for the BDO network and for each of the BDO member firms.

The global aggregated turnover for BDO member firms (including their exclusive Alliances) in 164 countries for the year ended 30 September 2021 was US\$11.8bn.

Partner and staff numbers at 30 September 2021 were around 95,400 working out of 1,713 offices worldwide. Appendix O sets out the name, operating country of statutory auditors within the EU; the combined turnover achieved by those firms is set out in Appendix N.

It should be noted that BDO firms in the Network have different year ends. The combined turnover figure mentioned above is a combination of the statutory audit turnovers of EU/EEA member firms for their financial years preceding 29 September 2021. Due to changes in the way BDO's Global Office compiles information from member firms, the latest information for financial years after this time will only be available from November 2022.



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 firms 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 I: LEADERSHIP, OVERSIGHT AND GOVERNANCE

The executive members of the Leadership Team at 1 July 2022 were:



PAUL ENGLAND
MANAGING PARTNER

Paul was elected as Managing Partner, starting his first four-year term in October 2016. He was re-elected to serve a second four-year term commencing October 2020. Paul and his Leadership Team are responsible for the overall strategic direction of the firm, its financial performance and business model. Paul has served on the Leadership Team since 5 July 2008. Paul is also a member of BDO International's Global Board which sets and monitors strategy for the International network.



SIMON GALLAGHER
HEAD OF ADVISORY

Simon leads the Advisory Services Stream having joined following the merger with Moore Stephens in February 2019. Before joining BDO, Simon was Managing Partner of Moore Stephens LLP. Simon has over 20 years' professional experience of insurance both within and outside the accounting profession, including the role of head of corporate accounting and control at a major insurance group. Simon is also a member of the firm's Operations Board.



ANDY BUTTERWORTH
CHIEF OPERATING OFFICER
AND HEAD OF TAX

Andy works alongside the Managing Partner and Finance Partner in the operational running of the firm. He also chairs our Operations Board and is responsible for Practice Management Department (PMD) budgets and performance. Andy has served on the Leadership Team since October 2016.



SCOTT KNIGHT
HEAD OF BUSINESS
ASSURANCE

Scott has responsibility for the development and delivery of Audit and Assurance strategy, investment priorities, including sales and people plans, risk and quality, technical knowledge, sharing best practice, business model and financial performance. He is a Business Assurance Partner and was appointed to serve on the Leadership Team on 1 April 2014. Scott is a member of the firm's Operations Board. Scott is also a member of the firm's Audit Board, following its constitution in January 2022.



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. Chris also chairs the firm's Unifying Culture (U) Board.



JON RANDALL
HEAD OF TRANSFORMATION
(to 1 July 2022)

Jon served on the Leadership Team since he joined BDO following the merger with Moore

Stephens in February 2019 until his retirement on 1 July 2022. Jon led the team working on the integration of Moore Stephens and BDO before focussing on BDO's transformation agenda. He was also a member of the firm's Operations Board. Jon was formerly the Chief Operating Officer at Moore Stephens and prior to that at RSM (Baker Tilly) where he also undertook roles as London Regional Managing Partner and National Head of Tax.



GERVASE MACGREGOR
LT LEAD FOR RISK AND
REPUTATION

Gervase is responsible for setting the firm-wide risk framework and policies, provision of

education and ensuring adherence. He is responsible for all claims and regulatory matters involving the firm. He is also the firm's MLRO and MLCP. He is a forensic services partner and has served on the Leadership Team since 5 July 2008.



WENDY WALTON
LEADERSHIP TEAM
(to 1 July 2022)

Wendy joined the Leadership Team on 1 October 2016 and had specific responsibility for

our Partner Engagement Strategy and Partner Development, until her retirement on 1 July 2022. Prior to her retirement, Wendy had been with BDO for 35 years, joining as an A level trainee in 1987. She was promoted to partner in 2000 and Global Head of Private Client Services in 2006.

APPENDIX I: LEADERSHIP, OVERSIGHT AND GOVERNANCE

INDEPENDENT NON-EXECUTIVES



SIMON FIGGIS
INDEPENDENT
NON-EXECUTIVE
(to 31 December 2021)

Simon is a former partner of KPMG, where he was

Head of Business Assurance Quality and Risk Management, overseeing quality in 19 countries across Europe and the Middle East. Until July 2019, Simon was a member of the Executive Committee of the Army Board, where he chaired the Audit and Risk Committee. He is a trustee of the Marine Society and Sea Cadets. Simon is also a trustee of a multi-academy trust, Creative Education Trust, responsible for 17 schools.

Simon was appointed as an INE on 1 October 2013 and following more than eight years with the firm, he stood down from the role on 31 December 2021. Simon was a non-executive member of the Leadership Team and chaired the Public Interest Committee following its formation in 2014. He was also a member of the Quality and Risk Management Committee.



JANE GUYETT
INDEPENDENT
NON-EXECUTIVE

Jane, who was awarded a CBE for her services to the economy in 2020, has extensive experience

in highly-regulated sectors, notably financial services and investment banking, including as Chief Operating Officer for Bank of America Securities.

She has a broad portfolio of non-executive roles including at Royal London Group, UK Government Investments and London Stock Exchange Group companies: London Clearing House and Banque Centrale de Compensation.

Jane was appointed as an INE on 3 January 2022. She is a member of the Audit Committee, the Business Interest Oversight Board and the Public Interest Committee.



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 and consumer goods and human resources. Russell holds a non-executive post at FTSE firm, Ricardo.

Russell was appointed as an INE on 1 July 2017. He is a member of the Business Interest Oversight Board and the Public Interest Committee. He was a non-executive member of the Leadership Team until 31 December 2021.



APPENDIX I: LEADERSHIP, OVERSIGHT AND GOVERNANCE

INDEPENDENT NON-EXECUTIVES



DAVID MATTHEWS
INDEPENDENT
NON-EXECUTIVE

David was the President and Chair of the Institute of Chartered Accountants

in England and Wales (ICAEW) in 2020/21. Previously, he spent almost 40 years at KPMG, including as an audit partner responsible for some of the KPMG's largest global audited entities and latterly as a member of its UK Executive Committee and Board.

David was appointed as an INE on 31 January 2022. He is a member of the Audit Board and the Public Interest Committee.

He is also a Justice of the Peace, a Trustee of Cumberland Lodge and a member of the Court of the Worshipful Company of Chartered Accountants in England and Wales.



EAMONN MCGRATH
INDEPENDENT
NON-EXECUTIVE

Eamonn spent more than 30 years as a PLC audit partner at EY and was also on the firm's

Board in a senior policy and regulatory role. He holds non-executive positions at property consulting firm Henry Riley LLP and Cranmer Court Tenants as well as the charity Inter Mediate.

Eamonn was appointed as an INE on 3 January 2022. He is a member of the Audit Board and chairs the Public Interest Committee. He also attends the Quality and Risk Management Committee meetings as an observer.



JEFF RANDALL
INDEPENDENT
NON-EXECUTIVE
(to 1 July 2022)

Jeff, a former business journalist, is an iNED at Fundsmith, the

fund management company, and a member of CVC Rugby's advisory board. He is also a visiting fellow at Oxford University's business school and an honorary professor at Nottingham University's school of economics. Jeff was a director of Babcock International (2014-20), where he chaired the remuneration committee for six years. Before retiring in 2014 from a 35-year career in financial journalism, Jeff was a business presenter on Sky News and editor-at-large for the Daily Telegraph.

Jeff was appointed as an INE on 1 July 2017 and following five years with the firm, he stood down from the role on 1 July 2022. Jeff was a non-executive member of the Leadership Team until 31 December 2021, a member of the Public Interest Committee and latterly, the Audit Board and the Business Interest Oversight Board.



APPENDIX I: LEADERSHIP, OVERSIGHT AND GOVERNANCE

BOARDS AND COMMITTEES

BODY	FY21/22 COMPOSITION		TERMS OF REFERENCE
	NAME	TITLE	
Audit Board	Scott Knight	Head of Audit	The terms of reference available on the BDO website. The Audit Board appointed Andrea Bishop, an Audit Partner, to join the board from September 2022. An additional Audit Partner was 'in attendance' for the January, March and May 2022 meetings before Andrea was appointed.
	David Matthews	INE (member from 31 January 2022)	
	Eamonn McGrath	INE (member from 3 January 2022)	
	Jeff Randall	INE (member until 1 July 2022)	
	Matthew White (Chair)	Senior Partner	

BODY	FY21/22 COMPOSITION		TERMS OF REFERENCE
	NAME	TITLE	
Audit Committee	Nick Carter-Pegg (Chair)	Audit Partner and Head of Professional Services Group	The terms of reference available on the BDO website.
	Jane Guyett	INE (member from 3 January 2022)	
	Jeff Harris	Corporate Finance Partner	
	Tim West	Audit Partner	
	Matthew White	Senior Partner	
	In attendance (per ToR):		
	Stuart Collins	Finance Partner	
	Simon Figgis	INE (member until 31 December 2021)	
	Iain Lowson	Head of Quality and Risk Management	
	Pauline McGee	Head of Internal Audit	

APPENDIX I: LEADERSHIP, OVERSIGHT AND GOVERNANCE

BOARDS AND COMMITTEES

BODY	FY21/22 COMPOSITION		TERMS OF REFERENCE
	NAME	TITLE	
Business Interest Oversight Board (BIOB)	Jo Gilbey	Tax Partner	The terms of reference available on the BDO website.
	Jane Guyett	INE (member from 3 January 2022)	
	David Isherwood	Ethics Partner	
	Russell King	INE	
	Jeff Randall	INE (member until 1 July 2022)	
	Andrew Viner	Audit Partner & Global Head of Media	
	Matthew White (Chair)	Senior Partner	

BODY	FY21/22 COMPOSITION		TERMS OF REFERENCE
	NAME	TITLE	
Leadership Team	Andy Butterworth	Chief Operating Officer and Head of Tax	The terms of reference available on the BDO website. From July 2021 to December 2021, the INEs were non-executive members of the Leadership Team and there were three formal LT meetings with INEs in attendance.
	Paul Eagland (Chair)	Managing Partner	
	Simon Gallagher	Head of Advisory	
	Chris Grove	Head of Transaction Services	
	Scott Knight	Head of Audit	
	Gervase MacGregor	LT Lead for Risk and Reputation	
	Jon Randall	Head of Transformation (member until 1 July 2022)	
	Wendy Walton	Head of Partner Engagement and Development (member until 1 July 2022)	
	Simon Figgis	INE (Non Executive member until 31 December 2021)	
	Russell King	INE (Non Executive member until 31 December 2021)	
	Jeff Randall	INE (Non Executive member until 31 December 2021)	

APPENDIX I: LEADERSHIP, OVERSIGHT AND GOVERNANCE

BOARDS AND COMMITTEES

BODY	FY21/22 COMPOSITION		TERMS OF REFERENCE
	NAME	TITLE	
Partnership Council	Suk Aulak	Business Services and Outsourcing Partner	The terms of reference available on the BDO website
	Nick Carter-Pegg	Audit Partner and Head of Professional Services Group	
	Jo Gilbey	Tax Partner	
	Jeff Harris	Corporate Finance Partner	
	Iain Henderson	Audit Partner	
	Geraint Jones	Audit Partner	
	Sarah Moss	Tax Partner	
	David Pooler	Tax partner (member until 28 February 2022)	
	Sarah Rayment	Business Restructuring Partner	
	Julien Rye	Senior Assurance Partner	
	Michael Simms	Audit Partner and Head of Transport	
	Tony Spillett	Tax Partner and Head of Technology	
	Andrew Viner	Audit Partner & Global Head of Media	
Tim West	Audit Partner		
Matthew White (Chair)	Senior Partner		

BODY	FY21/22 COMPOSITION		TERMS OF REFERENCE
	NAME	TITLE	
Public Interest Committee	Simon Figgis	INE (member until 31 December 2021)	The terms of reference available on the BDO website
	Jane Guyett	INE (member from 3 January 2022)	
	Russell King	INE	
	David Matthews	INE (member from 31 January 2022)	
	Eamonn McGrath (Chair)	INE (member from 3 January 2022)	
	Jeff Randall	INE (member until 1 July 2022)	

APPENDIX I: LEADERSHIP, OVERSIGHT AND GOVERNANCE

BOARDS AND COMMITTEES

BODY	FY21/22 COMPOSITION		TERMS OF REFERENCE
	NAME	TITLE	
Quality & Risk Management Committee	Chris Chapple	Tax Partner	The terms of reference available on the BDO website
	Kaley Crossthwaite	Forensic Accounting and Valuation Services Partner	
	Ryan Ferguson	Audit Partner and Head of Audit Quality Directorate	
	Simon Figgis	INE (member until 31 December 2021)	
	Angela Foyle	Financial Services Partner	
	Kevin Haywood-Crouch	Forensic Services Partner	
	Nicole Kissun	Head of Technical Standards Group	
	Iain Lawson (Chair)	Head of Quality and Risk Management	
	Eamonn McGrath	INE (observer from 3 January 2022)	
	Mark Shaw	Head of Business Restructuring	
Matthew Tait	Business Restructuring Partner		

BODY	FY21/22 COMPOSITION		TERMS OF REFERENCE
	NAME	TITLE	
Remuneration Committee	Jo Gilbey	Tax Partner	Responsible for recommending to Partnership Council the profit share for the Senior Partner*, Managing Partner and members of the Leadership Team * The Senior Partner is not present for the Remuneration Committee discussion in relation to his own profit share proposal.
	David Pooler	Tax Partner (member until 28 February 2022)	
	Sarah Rayment	Business Restructuring Partner	
	Tony Spillett	Tax Partner and Head of Technology	
	Andrew Viner	Audit Partner & Global Head of Media	
	Matthew White	Senior Partner	

APPENDIX I: LEADERSHIP, OVERSIGHT AND GOVERNANCE

BOARDS AND COMMITTEES

BODY	FY21/22 COMPOSITION		TERMS OF REFERENCE
	NAME	TITLE	
Nomination Committee	Matthew White	Senior Partner	Responsible for leading the process for appointments and re-appointments of Independent Non Executives (INEs) <u>The Terms of Reference will be available on the BDO website</u> once they have been formally approved by the Committee later this year.
	Jo Gilbey	Tax Partner	
	Andrew Viner	Audit Partner & Global Head of Media	

APPENDIX I: LEADERSHIP, OVERSIGHT AND GOVERNANCE

LEADERSHIP AND GOVERNANCE MEETING ATTENDANCE IN THE PERIOD 3 JULY 2021 TO 1 JULY 2022

NAME	TITLE/ROLE	AUDIT BOARD	AUDIT COMMITTEE	BUSINESS INTEREST OVERSIGHT BOARD	LEADERSHIP TEAM	NOMINATION COMMITTEE	PARTNERSHIP COUNCIL	PUBLIC INTEREST COMMITTEE	QUALITY AND RISK MANAGEMENT COMMITTEE	REMUNERATION COMMITTEE
		Number of meetings held in FY22	4	4	3	14	2	8	6	13
Paul Eagland	Managing Partner	N/A	N/A	3 in attendance	14	N/A	8 in attendance	6 in attendance	1 in attendance	3 in attendance
Matthew White	Senior Partner	4	4	3	6 in attendance	2	8	5 in attendance	N/A	3
Suk Aulak	Business Services and Outsourcing Partner	N/A	N/A	N/A	N/A	N/A	8	N/A	N/A	N/A
Andy Butterworth	Chief Operating Officer and Head of Tax	N/A	N/A	N/A	14	N/A	N/A	N/A	1 in attendance	N/A
Nick Carter-Pegg	Audit Partner and Head of Professional Services Group	N/A	4	1 in attendance	N/A	N/A	7	N/A	N/A	N/A
Chris Chapple	Tax Partner	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11	N/A
Stuart Collins	Finance Partner	N/A	3 in attendance	N/A	N/A	N/A	N/A	N/A	1 in attendance	N/A
Kaley Crossthwaite	Forensic Accounting and Valuation Services Partner	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6	N/A
Ryan Ferguson	Audit Partner and Head of Audit Quality Directorate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10	N/A
Simon Figgis	INE (until 31 December 2021)	N/A	1 in attendance	N/A	2	N/A	1 in attendance	3	6 in attendance	N/A
Angela Foyle	Financial Services Partner	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8	N/A
Simon Gallagher	Head of Advisory	N/A	N/A	2 in attendance	11	N/A	7 in attendance	N/A	1 in attendance	N/A

'In attendance' means that the attendee is not a member of that committee or board but were attending as an additional attendee as set out in the Terms of Reference.

APPENDIX I: LEADERSHIP, OVERSIGHT AND GOVERNANCE

LEADERSHIP AND GOVERNANCE MEETING ATTENDANCE IN THE PERIOD 3 JULY 2021 TO 1 JULY 2022

NAME	TITLE/ROLE	AUDIT BOARD	AUDIT COMMITTEE	BUSINESS INTEREST OVERSIGHT BOARD	LEADERSHIP TEAM	NOMINATION COMMITTEE	PARTNERSHIP COUNCIL	PUBLIC INTEREST COMMITTEE	QUALITY AND RISK MANAGEMENT COMMITTEE	REMUNERATION COMMITTEE
		Number of meetings held in FY22	4	4	3	14	2	8	6	13
Jo Gilbey	Tax Partner	N/A	N/A	3	N/A	2	8	N/A	N/A	3
Chris Grove	Head of Transaction Services	N/A	N/A	N/A	12	N/A	N/A	N/A	N/A	N/A
Jane Guyett	INE (from 3 January 2022)	N/A	2	3	N/A	N/A	1 in attendance	3	N/A	N/A
Jeff Harris	Corporate Finance Partner	N/A	4	N/A	N/A	N/A	8	N/A	N/A	N/A
Kevin Haywood-Crouch	Forensic Services Partner	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12	N/A
Iain Henderson	Audit Partner	N/A	N/A	N/A	N/A	N/A	8	N/A	N/A	N/A
David Isherwood	Ethics Partner	N/A	N/A	2	N/A	N/A	N/A	5 in attendance	3 in attendance	N/A
Geraint Jones	Audit Partner	N/A	N/A	N/A	N/A	N/A	8	N/A	N/A	N/A
Russell King	INE	N/A	N/A	2	3	N/A	1 in attendance	5	1 in attendance	N/A
Nicole Kissun	Head of Technical Standards Group	N/A	N/A	N/A	N/A	N/A	N/A	N/A	13	N/A
Scott Knight	Head of Audit	4	N/A	N/A	14	N/A	N/A	N/A	N/A	N/A
Iain Lowson	Head of Quality and Risk Management	N/A	4 in attendance	N/A	N/A	N/A	N/A	4 in attendance	13	N/A
Gervase MacGregor	LT Lead for Risk and Reputation	N/A	N/A	N/A	11	N/A	N/A	N/A	2 in attendance	N/A
David Matthews	INE (from 31 January 2022)	4	N/A	N/A	N/A	N/A	1 in attendance	2	N/A	N/A
Pauline McGee	Head of Internal Audit	N/A	4 in attendance	N/A	N/A	N/A	N/A	N/A	4 in attendance	N/A
Eamonn McGrath	INE (from 3 January 2022)	4	N/A	N/A	N/A	N/A	1 in attendance	3	7 in attendance	N/A
Sarah Moss	Tax Partner	N/A	N/A	N/A	N/A	N/A	8	N/A	N/A	N/A

'In attendance' means that the attendee is not a member of that committee or board but were attending as an additional attendee as set out in the Terms of Reference.

APPENDIX I: LEADERSHIP, OVERSIGHT AND GOVERNANCE

LEADERSHIP AND GOVERNANCE MEETING ATTENDANCE IN THE PERIOD 3 JULY 2021 TO 1 JULY 2022

NAME	TITLE/ROLE	AUDIT BOARD	AUDIT COMMITTEE	BUSINESS INTEREST OVERSIGHT BOARD	LEADERSHIP TEAM	NOMINATION COMMITTEE	PARTNERSHIP COUNCIL	PUBLIC INTEREST COMMITTEE	QUALITY AND RISK MANAGEMENT COMMITTEE	REMUNERATION COMMITTEE
		Number of meetings held in FY22	4	4	3	14	2	8	6	13
David Pooler	Tax Partner (until 28 February 2022)	N/A	N/A	N/A	N/A	N/A	6	N/A	N/A	3 in attendance
Jeff Randall	INE (until 1 July 2022)	1	N/A	2	3	N/A	1 in attendance	6	1 in attendance	N/A
Jon Randall	Head of Transformation (until 1 July 2022)	N/A	N/A	N/A	11	N/A	N/A	N/A	N/A	N/A
Sarah Rayment	Business Restructuring Partner	N/A	N/A	N/A	N/A	N/A	8	N/A	N/A	3
Julien Rye	Senior Assurance Partner	N/A	N/A	N/A	N/A	N/A	7	N/A	N/A	N/A
Mark Shaw	Head of Business Restructuring	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11	N/A
Michael Simms	Audit Partner and Head of Transport	N/A	N/A	N/A	N/A	N/A	8	N/A	N/A	N/A
Tony Spillett	Tax Partner and Head of Technology	N/A	N/A	N/A	N/A	N/A	8	N/A	N/A	3
Matthew Tait	Business Restructuring Partner	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9	N/A
Andrew Viner	Audit Partner & Global Head of Media	N/A	N/A	3	N/A	2	7	N/A	N/A	3
Wendy Walton	Head of Partner Engagement and Development (until 1 July 2022)	N/A	N/A	N/A	12	N/A	N/A	N/A	N/A	N/A
Tim West	Audit Partner	N/A	4	N/A	N/A	N/A	7	N/A	N/A	N/A

Governance KPIs include meeting attendance statistics with particular importance attached to INE participation, and the publication of terms of reference for each key governance body. Following changes to the governance structure, a review of governance KPIs is underway with a wider set of measures due to be published in next year's Transparency Report.

'In attendance' means that the attendee is not a member of that committee or board but were attending as an additional attendee as set out in the Terms of Reference.

APPENDIX I: LEADERSHIP, OVERSIGHT AND GOVERNANCE

GOVERNANCE POLICY AND PROCEDURES



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 (LT) other than as Managing Partner.

Upon election, the Managing Partner appoints the partners who serve on the LT who are then approved by the Partnership Council. The INEs were Non-Executive members of the LT but, following the governance restructure during the course of this year, the INEs now sit on the oversight Boards and the Quality and Risk Management Committee. The Managing Partner may make subsequent changes to membership of the LT with the consent of the Partnership Council.

The LT is responsible for the development and implementation of strategy and for the management of the firm. Formal meetings were held monthly moving to bi-monthly from January 2021 and are chaired by the Managing Partner. The Managing Partner has a duty to keep the Partnership Council and/or the other oversight bodies (namely, the Business Interest Oversight Board, the Audit Board and the Public Interest Committee) as applicable, apprised of any matters of substance that affect the strategic direction of the firm and to refer key management decisions to the applicable oversight body for discussion and, where appropriate, for referral to the partners. Paul Eagland was re-elected as Managing Partner for a second term from 1 October 2020.

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 our governance as well as acting as a senior representative for, and ambassador of, the firm. The Senior Partner chairs the Partnership Council, the Business Interest Oversight Board and the Audit Board and takes responsibility for managing all the agendas for all these bodies by reference to their respective Terms of Reference.

The Senior Partner is Matthew White and he was appointed to the position with effect from 1 October 2018 and, earlier this year, he was re-elected for a second term commencing on 1 October 2022.

OVERSIGHT BODIES

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 via a sub-committee, the Nomination Committee.

The Partnership Council delegates responsibility for certain matters to the Business Interest Oversight Board, in particular oversight of management decisions relating to the firm's culture, financial strategy and people proposition.

The Audit Board oversees the firm's Audit practice.

APPENDIX I: LEADERSHIP, OVERSIGHT AND GOVERNANCE

GOVERNANCE POLICY AND PROCEDURES

INDEPENDENT NON-EXECUTIVES (INES)

Candidates for INE roles are proposed and approved by the Partnership Council (acting through the Nominations Committee). The Partnership Council reviews the effectiveness and independence of the INEs. In doing this they receive feedback from the business periodically as to the impact and contribution made by the INEs and this is communicated to them by the Managing Partner and Senior Partner.

The Partnership Council implicitly reviews the effectiveness of the INEs via their contribution at the oversight Board meetings which they attend and, in particular, their input into the Public Interest Committee.

The INEs are invited to attend two meetings of the Partnership Council each year without executive members of the LT 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 LT. 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.

At present, the INEs are contracted to BDO for an initial three-year term, which is then reviewed by the Partnership Council. An additional three-year term can then be offered. At the end of the full six-year period, further rolling one-year terms may be agreed but nine years remains the maximum tenure for any INE.


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
- ▶ Share knowledge from industry and regulatory experience
- ▶ Apply independent judgement to matters of particular concern.

In assessing the INE's impact on the firm's independence as auditors we consider the following criteria:

- ▶ Attendance at oversight body meetings and QRMC
- ▶ Inclusion in Acceptance and Continuance Panels for contentious, high-risk engagements or areas of potential significant conflicts of interest
- ▶ Office visits and meetings with partners and staff, feeding back to the PIC on cultural and other aspects.

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



INE	TOTAL REMUNERATION PER ANNUM
Eamonn McGrath (joined 3 January 2022)	£90,000
Russell King	£85,000
Jeff Randall (retired 1 July 2022)	£85,000
Jane Guyett (joined 3 January 2022)	£85,000
David Matthews (joined 31 January 2022)	£85,000

Russell King served for a full 12 months during FY22. Joining and/or retirement dates for the other INEs are noted in the table here. All salaries quoted here are effective from 1 October 2020 or the date of appointment (whichever was later).

APPENDIX J : ETHICS AND INDEPENDENCE

Ethics and independence are of fundamental importance to our culture and success.

As a professional services firm, we are required to adhere to a number of UK and international ethical and independence standards, such as the ICAEW Code of Ethics, the FRC's Revised Ethical Standard and the IESBA International Code of Ethics for Professional Accountants.



Integrity, objectivity and independence are at the core of our culture and our business. Our policies and procedures are in line with, or exceed, regulatory requirements including those relating to local public sector audits.

We have continued to invest in growing our Ethics Team. This growth in our team not only reflects the growth of our business but also the increase in monitoring activities, as a result of being appointed as auditor for several new, larger and more complex entities.

FINANCIAL INTERESTS AND RELATIONSHIPS

In order to comply with relevant ethical standards, we have policies in place that prohibit the firm, its partners and persons closely associated with them and its employees and their immediate family members from holding a financial interest in an audited entity or a significant affiliate of an audited entity.

As part of the enhancing controls in this area, the firm is in the process of implementing a new financial interest compliance platform. Additionally, the firm covered persons (as defined by the FRC in their Glossary of Terms (Auditing and Ethics) December 2019) and persons closely associated with them may only enter into business relationships with any of the firm's audited entities or their affiliates where they:

- ▶ Involve the purchase of goods and services from the entity 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 an audited entity are relatively rare but in order to protect objectivity, approval procedures are in place before any such situation can be established.

If partners or employees are asked to provide services to any entity where they have a family relationship or personal relationship, then they are required to notify the Audit Engagement Partner for an audit engagement or the Project Partner in the case of a non-audit engagement and obtain their approval prior to any engagement.

We monitor adherence to our policies through the annual declaration process which seeks confirmation from partners and employees that our policies surrounding financial, business, employment and personal relationships have been complied with, including those working on local public sector audits.

All exceptions are reviewed and investigated by the Quality and Risk Management (QRM) team and/or the Ethics team. In addition, the QRM team perform audits of financial interests held by our partners and employees. Partner's interests are audited on a three-yearly basis with 2% of our employees being subject to financial audits each year.

Where our monitoring procedures identify breaches, these are rectified as soon as possible, and the individual is subject to our sanctions policy. Following each instance, a detailed review of the circumstances in each case is undertaken by the Ethics team.



APPENDIX J : ETHICS AND INDEPENDENCE

LONG ASSOCIATION

Our policies are in accordance with the FRC's revised Ethical Standard (Revised December 2019) notably:

ROLE	ENTITY TYPE	ROTATION
Audit Partner	Listed or Public Interest Entity (PIE)	Five years except in exceptional circumstances, where rotation can be extended to occur beyond this and up to 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
Engagement Quality Control Reviewer	Listed or Public Interest Entity (PIE)	Seven years
Key Audit Partner	Local public sector audits	Five years
Audit Partner	Non-listed audit entities	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
Other Partners and senior staff	PIEs	Gradual rotation to preserve audit quality

Rotation data is held on our firm's Audit Monitoring Database (AMD), which is reviewed periodically by the Responsible Individual and details confirmed or updated.

NON-AUDIT SERVICES (NAS)

Following the release of the Revised Ethical Standard 2019, the provision of all non-audit services, except for those on the permitted list as per paragraph 5.40 of the Standard, are prohibited for audited entities which meet the definition of a Public Interest Entity (PIE) or Other Entity of Public Interest (OEPI). Any non-audit service provided to PIEs or OEPIs have to be centrally approved by the Ethics team, in addition to the relevant audit partner. Non-audit services proposed for all other types of audited entities must first be approved by the respective audit partner who, will undertake a threats and safeguards assessment, in consultation with the Ethics team where appropriate.

Services and fees are approved via the firm's client take-on system and are also subject to targeted monitoring on a monthly basis, through the review of reports obtained from the firm's billing system. All non-audit services are assessed against the objective, reasonable and informed third-party test. There are consultation requirements for non-audit services fees vs audit fees depending on the type of audited entity where non-audit fees are expected to exceed audit fees.

BRIBES, GIFTS AND HOSPITALITY

In accordance with The Bribery Act 2010, partners, employees or anyone who performs services for or on behalf of the firm are not permitted to agree to anything that an objective reasonable informed 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, employees and persons closely associated with them may only accept a gift, favour, or other personal benefit from clients, audited entities (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 employees that the firm's policies surrounding gifts and hospitality have been complied with. All exceptions identified through this process are reviewed and investigated by the QRM Team and, where these relate to audited entities, the Ethics team.

The firm has a gifts, hospitality and sponsorship register that is monitored by the QRM team.

In addition to this, the Ethics team conducts monthly checks on the firm's expenses system to identify any undisclosed hospitality in relation to PIE and OEPI audited entities to ensure any gifts and hospitality to or from an audited entity is recorded in the Independence Workbook for that entity and the Audit Engagement Partner has concluded that the firm and the team's independence is not impacted.

CLIENT AND AUDITED ENTITIES ACCEPTANCE

The firm's acceptance procedures are completed for all new clients, audited entities and projects. In respect of all non-audit services provided to audited entities, procedures require approval by the audit Responsible Individual (RI) to ensure that the audit RI (or their delegate) is informed about any proposed engagement and that he or she considers the implications for the auditor's objectivity and independence before the engagement is accepted.

Further details on client take-on are given in the Internal Quality Control Systems Appendix K. The provision and approval of non-audit services is specifically reviewed at an engagement level as part of our independent inspections programme conducted on a selection of audit files.

APPENDIX J : ETHICS AND INDEPENDENCE



CONFLICTS OF INTEREST

The principle of objectivity imposes an obligation on all professional accountants not to compromise their professional or business judgement because of bias, conflict of interest or the undue influence of others. A threat can arise when two or more entities have conflicting interests in a matter and the services being provided relate to that matter. The Engagement Partner is responsible for the identification of potential conflicts of interest.

Checks are carried out through a computerised search of our client and engagement database, to identify relationships which could give rise to a potential conflict of interest. There is a facility to perform conflict checks confidentially where required. The Quality and Risk Management Team (QRMT) provides direction, oversight and a point of escalation to ensure that conflict checking is performed consistently and robustly.

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.

Where potential conflicts of interest are identified, we either decline to accept an engagement or we put in place robust arrangements to make sure that the conflicts of interest are appropriately managed. Where appropriate, we seek informed consent from all parties and if required ensure that teams are separate and appropriate information barriers are in place. 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.

By disclosing any information, our people will not be treated any differently. We will make every effort 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 we deem 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 QRM who reports on incidents to the LT and PIC.

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.

People who wish to make a report can do so through an [external independent whistleblowing service](#) or by phoning 0800 048 8361.

All concerns will be taken seriously, investigated and escalated as appropriate.

PUBLIC INTEREST ENTITIES AND OTHER ENTITIES OF PUBLIC INTEREST

In response to recognising the increased Public Interest in relation to PIEs and OEPIs the firm has a number of additional mandatory consultations and controls in relation to these entities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVES (INES)

As directed by the FRC's Glossary to the Ethical Standard, the firm's INEs are not considered to be covered persons. Nevertheless, to identify whether there are any conflicts of interest between the firm and the INEs, the Ethics team undertakes quarterly monitoring on the INEs' personal and financial relationships against the firm's clients and audited entities. Where a conflict is identified, appropriate safeguards are applied.

APPENDIX K: INTERNAL QUALITY CONTROL SYSTEMS

1. 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.

Our Leadership Team (LT) has overall responsibility for the quality of work across the firm including the quality of our audit work in the Audit stream. Within this, it has responsibility for the design of a system of internal monitoring to ensure that audit quality is maintained and improved.

The LT has delegated the design and implementation of this system of internal quality control to the Audit Executive (AE), but the work of the AE is subject to review and approval by the LT prior to implementation.

The Head of Audit sits on the LT and the Head of Audit Quality and Head of Quality and Risk Management attend for agenda items regarding quality.

Audit quality is a standing item on the agenda of every LT meeting and the Head of Audit provides a monthly update on audit quality issues to the LT.

The Audit stream 'tone at the top' is set by the Head of Audit, supported by the Audit Executive (AE). The Head of Quality and Risk Management (QRM) supported by the Ethics Partner reinforces the appropriate 'tone at the top' by instilling professional and ethical values and the Head of Audit and the Head of Audit Quality have regular communications with audit partners on audit quality issues.

The national Audit stream is supported by the Audit Quality Directorate (AQD), led by the Head of Audit Quality who is also the Audit Compliance Partner. The AQD comprises the Technical Standards Group (TSG) and Audit Quality Improvement Team (AQIT).

TSG

Led by: Head of Technical

Responsible for:

- ▶ Development and maintenance of high quality auditing methodologies and Technical Support Documents and communicating developments to the practice
- ▶ Consultations with local office partners and other professionals seeking technical advice on auditing matters
- ▶ Audit reporting policies, materials and pre-issuance reviews
- ▶ Financial reporting consultations and pre-issuance reviews
- ▶ Overseeing our audit and financial reporting continuing professional education programme.

AQIT

Led by: Head of Audit Quality Improvement

Responsible for:

- ▶ Monitoring audit quality indicators
- ▶ Inflight audit quality reviews
- ▶ First year audit transition support
- ▶ Centres of Excellence including, initially, the Revenue Centre of Excellence
- ▶ Internal and external audit quality assurance inspections
- ▶ EQCR allocation, training, policies and supervision
- ▶ Root cause analysis and improvement.



APPENDIX K: INTERNAL QUALITY CONTROL SYSTEMS

2. ACCEPTANCE AND CONTINUANCE OF RELATIONSHIPS WITH AUDIT ENTITIES AND SPECIFIC ENGAGEMENTS

Robust audit entity acceptance procedures play a pivotal role in our ability to deliver a professional and quality service.

Prior to the acceptance of any new audit engagement, or the continuance of an existing audit engagement, certain procedures to assess the risks associated with that engagement must be carried out.

These include:

- ▶ Consideration of the entity's business including its geographical spread and the industry it operates in
- ▶ Evaluation of information concerning the entity, 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 audited entity, its key personnel, beneficial owners and other related parties
- ▶ Considering the adequacy of the governance arrangements and the system of internal controls of the entity
- ▶ Assessing the risks of money laundering, other economic crimes and any risks relating to sanctions in relation to the audited entity
- ▶ 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 capability and capacity to deliver the engagement, including the consideration of specialist skills and resources and any international requirements
- ▶ Consideration of the fee and commercial aspects of the engagement to ensure they are commercially viable and do not give rise to any independence concerns
- ▶ Consideration of the ESG aspects of the prospective or existing audit engagement
- ▶ Review of the filings of the company, including prior year financial statements.

The acceptance and continuation of all engagements requires an approval process that is appropriate to the perceived risk:

- ▶ Information in respect of approval controls for prospective audit tender opportunities, and audited entity portfolio review procedures in place during the period that form part of audited entity continuance assessments, are set out in the Audit Quality section of this report

- ▶ Additionally, acceptance or continuance of engagements defined as 'high risk' under the firm's policy require a Client Acceptance and Continuance Panel (CACP), or where a Responsible Individual considers a CACP is required in their professional judgment. When a CACP is convened it will constitute at least two members of the LT or Stream Lead Partners and one or more of the Head of Quality and Risk Management, the Head of the QRM team, the Money Laundering Reporting Officer (MLRO), Ethics Partner (or any reasonable substitute in the case of their absence). The panel will comprise at least three members. In addition, where there is a money laundering concern, either the MLRO (or an appropriate deputy from the Economic Crime Group) should always be present. There may be cases where the nature of the elevated risk or other factors such as the profile of the entity, or the wider impact of any decision to decline the work, means that an independent perspective would be valuable to the discussion. In such cases, an INE will be invited to be part of the panel. In particular, an INE may assist in considering the perspective of an objective, reasonable and informed third party.



APPENDIX K: INTERNAL QUALITY CONTROL SYSTEMS

3. HUMAN RESOURCES AND DEVELOPMENT

Human resources are a critical factor in our ability to provide professional services. In order to ensure that we have sufficient personnel with the capabilities, competence, and ethical behaviours necessary to provide high 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 procedures covering the end-to-end cycle of the recruitment process
- ▶ Grades and levels: explanation and theoretical timeline, career pathways
- ▶ Workforce planning and succession management
- ▶ Continuous performance improvements in the annual and interim appraisal process
- ▶ Engagement surveys
- ▶ Development and build out the Learning and Development plan.

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.

Non-compliance with policies and professional standards are addressed through additional training, performance improvement plans, delays in promotion or through dismissal for serious instances of non-compliance.



CLEAR JOB DESCRIPTIONS: TASKS, RESPONSIBILITIES AND EXPECTATIONS

A good job description is the basis for most personnel matters: recruitment, selection, coaching and mentoring, career development and 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 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 role
- ▶ 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.



APPENDIX K: INTERNAL QUALITY CONTROL SYSTEMS

RECRUITMENT PROCEDURES: COVERING THE END-TO-END CYCLE OF THE RECRUITMENT PROCESS

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

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

We seek to ensure that our recruitment process is diligent and focused on the behaviours required for a role. We provide focused support for new joiners through induction programmes and via our people manager network.

To ensure we recruit the best talent, we divide recruitment into three categories – early in career (EIC) recruitment, experienced hire recruitment and partner recruitment.

EIC

Across the firm, and in Audit, in the last five years EIC recruitment has increased. The Audit practice wants to ensure it trains and retains the next generation of audit managers by ensuring it recruits enough EIC candidates who can progress into manager level positions in due course.

Experienced hires

We have continued to expand the number of experienced hires recruited to ensure that the Audit practice has the right mix of skills and experience to deliver consistently high quality audits across all its offices. We are mindful that an increase in attrition would have an impact on the Audit practice. As a result, people's personal career aspirations are supported with a variety of initiatives such as the opportunity to complete secondments, take career breaks or undertake community work.

Partner hires

A separate process exists for lateral partner hires to ensure that we recruit partners that have the depth of specialisms required as the Audit business continues to grow.

Not only has the Audit stream invested heavily in practising audit partners, but it has also invested in its Audit Quality Directorate, a key internal function in our system of quality management that supports auditors on various aspects of our AQD.

GRADES AND LEVELS: EXPLANATION AND THEORETICAL TIMELINE, CAREER PATHWAYS

Competency management requires '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 our culture
- ▶ Strives to tie the individual's career needs and aspirations to our needs
- ▶ Structures the HR processes and administration of:
 - New employees (recruitment and selection procedures)
 - Existing employees (remuneration, appraisals, training and development); and
 - Exiting employees (exit policy).

We provide a clear set of grades and levels with appropriate competencies explanation and an indicative timing guideline. Compensation by grade is benchmarked to market. It is reviewed periodically to ensure market competitiveness.

Employee career development is addressed on both a national and regional basis. Employees are considered for promotion where a business and personal case is clearly articulated.

Partner compensation is reviewed regularly and includes consideration of the partner's role and of the findings from internal and external inspections of audit engagements alongside a suite of AQIs.

WORKFORCE PLANNING AND SUCCESSION MANAGEMENT

We recognise that ultimately it is the quality and commitment of our partners and employees 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 assess future personnel requirements in order to service the audited entity and provide sufficient capacity to enable our partners and staff to develop the business. These plans are monitored on a quarterly basis.

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

A current profile of employees' technical proficiency is obtained by personal knowledge and by reviewing evaluations of their performance by those more senior based on previous engagements. This profile is used to assess the suitability of the employee for a specific subsequent assignment.

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

Succession management enables us to:

- ▶ Protect our present strengths and build for our future, ensuring sustainability and continuous strong leadership
- ▶ Reduce the risk of having leadership gaps for critical positions (either because of lack of talent or unprepared key successors)
- ▶ Engage the leadership in supporting the development of high quality leaders and, in return, motivate, retain and engage key talents
- ▶ Anticipate and align resources with future needs and strategies and create a flexible business by responding faster to new leadership needs
- ▶ Counter the increasing difficulty and costs of recruiting employees externally.

Succession management enables the employee to:

- ▶ Obtain opportunities to grow and develop skills necessary for future roles and meet career development aspirations
- ▶ Remain committed, motivated and engaged
- ▶ Remain with the firm.

APPENDIX K: INTERNAL QUALITY CONTROL SYSTEMS



CONTINUOUS PERFORMANCE IMPROVEMENTS IN THE ANNUAL AND INTERIM APPRAISAL PROCESS

All our partners and employees are subject to formal performance appraisal, review and assessment 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 the work in respect of an engagement.

Project appraisals are completed on an assignment by assignment basis at certain levels and also at regular intervals at all levels.

The factors appraised (which may vary by level) include professional and technical competence (including challenge of management), personal and management skills, delivery against quality objectives and project management skills.

ENGAGEMENT SURVEYS

Engagement surveys covering a range of specific areas of focus including resourcing, are undertaken in order to obtain an insight into the priorities for the stream. We further supplement the surveys by undertaking Listening Events with all grades. The results of the surveys are shared with business leaders.

These Audit stream surveys are in addition to the regular engagement surveys delivered by the firm which monitor, more widely, employee engagement.

DEVELOPMENT AND BUILD OUT OF THE TRAINING AND DEVELOPMENT PLAN

Our learning and development strategy ensures our ability to remain competitive and to motivate our people.

It includes both the technical expertise and skills to ensure the continued delivery of consistently high quality audit work, providing our people with the essential attributes of audit professionals to ensure they always act with integrity, objectivity, professional scepticism and have the confidence to always act in the right way.

We provide our people with a clear career path and complementary development plan.

Our people'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 four basic attributes that all our people possess:

- ▶ A strong sense and clear understanding of what it means to act in the public interest
- ▶ Technical competence in a chosen field of expertise
- ▶ Pride in self, the firm and the profession
- ▶ Strong personal skills which are focused on delivering quality audit work.

These are mandatory requirements for partnership.

APPENDIX K: INTERNAL QUALITY CONTROL SYSTEMS

4. ENGAGEMENT PERFORMANCE

COMMON METHODOLOGY

Clear and accessible audit methodologies and related tools to support engagement teams are an important part of delivering a consistently high quality audit on a consistent basis.

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

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

The BDO Audit Methodology is supplemented and enhanced by UK specific requirements, policies, procedures and guidance intended to ensure that the methodology applied by BDO LLP audit teams complies with the UK auditing, accounting and regulatory requirements.

Over the last 18 months, we have invested in infrastructure and resource to ensure that the BDO Audit Methodology, as it applies in the UK, reflects current expectations of a wide cross-section of users of our audit opinions and is consistently applied.

This methodology has been designed to ensure that the risk of material misstatement of the financial statements, based on a detailed, thorough understanding of the audited entities, is at the heart of our audits as required by ISA (UK) 315 revised. It has also been updated to embed the use of the audit tools in our audit approach.



AUDIT TOOLS

BDO International's in-house audit software, Audit Process Tool (APT), is used to document our work. It is designed in a way to accommodate significant layering of content onto the general 'library' of material on which all audit workspaces are built. APT can generate sector specific audit workspaces which contain content facilitating the audit for the sector concerned. It also allows for new, emerging or evolving material developed for areas including, for example, ESG reporting as well as materials developed for the impact of global events like the COVID-19 pandemic or the conflict in Ukraine.

'BDO Advantage' is our data analytics audit software. It works by combining smart technology with our knowledge and understanding of entities' business to deliver information for in-depth interpretation of key data for use in the audit. This includes graphics that aid the exploration and understanding of data and make it easier to spot patterns and trends to identify anomalies.

Auditing journal adjustments are a key part of the audit and are often difficult to cover. BDO Advantage uses financial analysis to help the audit team identify the journals that are risky or unusual and support the process for auditing them. In developing BDO Advantage, the firm has issued a further four analysers in addition to the journals' analyser: Customer Analyser; Supplier Analyser; Bank Analyser and Payroll Analyser.

SPECIALISTS AND EXPERTS

As required by the auditing standards, the BDO Audit Methodology puts significant emphasis on the use of the right people, with the right skills, knowledge and experience. Standing beside our audit teams, there is a pool of experts and specialists to provide support in a broad range of areas to help teams to address complex issues in their audits.

This range of support extends from taxation specialists to complex valuations experts, from financial reporting reviewers to forensic audit support teams, from technical helplines to quality review partners.

Certain levels of support are mandated through policy and procedure embedded in the BDO Audit Methodology which may be in the form of mandatory consultation or through second review mechanisms. In other non-mandated, cases, the support available can extend from basic consultation through to collective discussion and conclusion in a technical panel through to involvement of specialists in the event certain events or conditions exist within an audited entity.



PROJECT MANAGEMENT

An important driver of audit quality is strong project management and deficiencies in project management are a common causal factor when audit quality falls short of our expectations. Whilst pilots have been run for formal project management training and audit milestone projects implemented, audit quality indicators highlight there is further work to be done in this area. The Audit Culture Committee, as part of its remit, is currently developing an action plan to drive improvement in project management in conjunction with the Elite Squad team, EQCR and milestone programmes.

APPENDIX K: INTERNAL QUALITY CONTROL SYSTEMS

SUPERVISION AND REVIEW

We require all professional work to be supervised by our employees 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 our 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 the evidence obtained, supports the conclusions reached.

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.

CONSULTATION

Whilst our culture encourages consultation and collaboration at all levels, we have documented policies and processes for Responsible Individuals (RIs) and teams to consult with in-house specialist teams on quality and risk, financial reporting and auditing matters.

Consultations with members of the Technical Standards Group are mandatory for certain prescribed matters, such as extended audit reports and prior period adjustments, and are encouraged whenever a technically complex, contentious or judgemental issue is identified. All consultations are subject to requirements for documentation and RI approval.

Where a matter is highly judgemental and differences of professional opinion arise, a Technical Panel can be called by the RI or an AQD Partner. Such a panel is formed of several experienced audit partners and other relevant experts to deliberate and agree the firm's position on the matter. The conclusion and its rationale are formally documented.

ENGAGEMENT QUALITY CONTROL REVIEWER (EQCR)

An engagement quality control review is performed for audits of public listed entities and certain other high-risk engagements. The EQCR will be familiar with the auditing and reporting practices used during the engagement and be knowledgeable and familiar with the audited entity's industry but is not part of the audit engagement team and hence will not be actively involved in making ongoing decisions relating to the engagement nor directly involved in performing the engagement. They will be an experienced Responsible Individual (RI) and not unduly influenced by the views of a particular engagement partner.

Engagement quality control reviewers are selected from a list of approved reviewers, as determined by the Head of QRM, the Head of AQIT and the Head of Audit Quality. The firm has a dedicated partner responsible for the selection and training of EQCRs.

EQCR roles are allocated centrally by the AQD partner in charge of the EQCR programme who ensures that the reviewer is objective of the audit entity and team, and appropriately skilled and experienced to bring effective and constructive challenge. EQCRs are accredited in three tiers, which are then used to inform the allocation process, particularly to larger or more complex audits. For further details on length of appointment refer to the Ethics and Independence Appendix J.

APPENDIX K: INTERNAL QUALITY CONTROL SYSTEMS

TRAINING

BDO advocates and uses the 70:20:10 learning model¹:

70%

of learning should be experiential or through on the job learning

20%

of learning should be social or learning from others eg, through mentoring, your peers and coaching and,

10%

from formal learning events such as facilitated workshops

The technical training of audit employees and partners is conducted by the firm's TSG with oversight from the AE. The training programme is split between our Early in Careers (EiC) training and our Continued Professional Development (CPD) programme for qualified employees and partners.

In July 2020, the firm expanded its CPD programme to include the first Audit stream Summer School. The 2021 Summer School programme focused on the four key pillars of the Audit Quality Plan: Audit of Revenue, Challenge of Management, Detecting Material Fraud and Going Concern and Viability. In addition to the Summer School the AE expanded the training curriculum to include a full day training on the Audit of Revenue and Controls.



The key training delivered to the Audit stream in FY21/22 includes the following:

- ▶ **Audit Summer School:** Broadcasting from a central 'studio' in London, the L&D Hub broadcast sessions over three days to 17 different locations, most of which were UK based, but certain international locations participated too, enabling our Overseas Delivery Centres ('ODC') to participate in the learning. The three-day summer school event was run four times in total, to ensure relevant members of the stream could attend and benefit from the learnings and face-to-face interactions and peer learning.
- ▶ **Technology Risk Assurance (TRA) Summer School:** We have recently rolled out a specific programme for our TRA specialists within the Audit practice. TRA's primary role is to deliver tech-enabled approaches, working alongside the wider Audit stream to understand the key IT systems used by audited entities, to process financial data. TRA Summer School involved approximately 140 professionals, deployed across two main IT audit skills sets, being IT controls and data analytics.

- ▶ **Audit technical training** is also provided by the TSG Technical Training Team and comprises the Early in Careers curriculum, as well as specific technical modules for both audit and accounting matters for our qualified employees. The firm adopts a blended approach to formal learning events, using, for example face-to-face sessions, webinars, videos and podcasts.
- ▶ **Skill development training:** The Audit stream has run several core competencies, skill-based courses for several years. These courses, focused on developing wider soft skills, were primarily aimed at our newly qualified employees, as well as recently promoted managers and involved a two-day residential training and networking event across the national stream. During the year to June 2022, in which face to face courses only resumed part way through the period, the L&D Hub had 273 qualified employees attending 'Developing Self & Others', as well as 49 and 52 Managers and Senior Managers attending 'Managing our Business and our People' and 'Contribution through Character', respectively. Our intention in the following year is to increase the number of soft skill modules offered to our auditors and to cover all grades in the stream.

Our CPD programme aims to bring alive key technical challenges and their application in practice including the practical impact of COVID-19 to reporting and the challenges that arise in the course of auditing entities.

We continue to make use of our internal social media platform, Yammer, for knowledge sharing and hints and tips to get the most out of our technology and audit approach.

All our people working on local public sector assignments receive specialist local audit work training on an annual basis to ensure they remain competent to work in this specialist area.

As a result of COVID-19 all training was converted to online platforms enabling those delivering our training to interact with the attendees and engage them in high quality training. Feedback received from our people has been positive in respect of the new platforms, especially in that it provided greater flexibility.

1. SOURCE: Centre for Creative Leadership, Morgan McCall, Michael M. Lombardo and Robert S. Eichinger

APPENDIX K: INTERNAL QUALITY CONTROL SYSTEMS

5. MONITORING AND DOCUMENTATION OF THE SYSTEM OF QUALITY CONTROL

Our policies and procedures concerning monitoring activities are designed to ensure that our internal quality control system is operating effectively and is being complied with in practice.

Audit quality monitoring is a fundamental part of the firm's processes and a key element to help us identify how we can continuously improve our policies, procedures and controls to enhance the quality of our work.

We take quality failures very seriously, but we also celebrate good quality behaviours and outcomes. Financial penalties and non-financial measures can be imposed on engagement leaders with adverse quality findings. Similarly, engagement leaders with exceptional quality results, will have their reward positively impacted. The focus on quality similarly extends to our people more widely with audit quality being a primary consideration in performance reviews and resultant reward and recognition.

INTERNAL QUALITY MONITORING PROGRAMME AT AN ENGAGEMENT LEVEL

In addition to the various external quality reviews, we carry out our own internal monitoring programme to assess the quality of audits being performed. Audit Quality Assurance Reviews (AQAR) provide a key monitoring tool for audit quality. This is designed by the AE and approved by the QRMC and the LT. Its purpose is to monitor compliance with our 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.

Each RI is reviewed at least every two years and we ensure that circa 60% of RIs are reviewed in any one year. Additionally, RIs holding financial services audit licences are reviewed annually. Audits are selected for review on a risk basis.

The sample of audits selected for review is weighted to ensure that an appropriate number of public interest entities are included. The AQAR reviews of FRC in-scope audits are designed around the FRC focus areas as well as the significant audit quality risk areas in our AQP: the audit of revenue, going concern, challenge of management and detecting material fraud. These reviews are completed by the firm's central AQAR team and are overseen by the AQAR partner.

Audits not within the FRC's remit (non-FRC in-scope) are peer reviewed by individuals in the Audit stream under the supervision of a review team leader (an audit partner) and are moderated by the AQAR partner. The central AQAR team provide all review team members with training and guidance for performing the AQAR reviews. During 2021 and the first six months of 2022, all AQAR reviews continued to be performed remotely due to COVID-19 restrictions.

ROOT CAUSE ANALYSIS

A key process to help us identify areas for improvement is performing root cause analysis (RCA) on positive and adverse quality outputs. RCA is performed in several scenarios including:

- ▶ Internal AQAR reviews where the audit was considered to require significant improvements (grade 4)
- ▶ All external regulator reviews where the audit was considered to require improvements or significant improvements (grades 3 and 4)
- ▶ RCAs are performed on all external regulator reviews performed by the FRC and certain external reviews performed by other regulators where the audit was considered to be good or with limited improvements required (grades 1 and 2) to enable us to understand further good practice behaviours or other causal factors that were not present on those with improvements required
- ▶ Targeted thematic reviews on wider stream or sector findings where common points have been identified.

During the period covered by this Transparency Report, the RCA involved a series of in-depth meetings with the relevant engagement teams to probe the underlying causal factors, using RCA software and methodology developed by an external provider.

The RCA team comprised a dedicated resource responsible for overseeing and developing the RCA process, together with specifically trained members of the central team. External specialist RCA support was also used for targeted RCA.

As explained in the Audit Quality section, significant change is being implemented in the RCA programme.

APPENDIX K: INTERNAL QUALITY CONTROL SYSTEMS

AUDIT QUALITY INDICATORS (AQIS)

Audit Quality Indicators are in place to track how audit engagements are being project managed and delivered, alongside other measures of quality such as practice review scores, regulatory scores, and training compliance.

The AQIs allow the firm to draw on key themes and implement remedial actions. We are on a journey and a significant focus has been placed on developing more meaningful measures that will help us to assess indicators to promptly react to potential quality challenges on a timely basis. For further details refer to Appendix L.

INTERNAL QUALITY MONITORING OF THE SYSTEM OF QUALITY MANAGEMENT (SOQM)

The firm has established a SoQM to support consistent delivery of quality engagements and undertakes monitoring of its System of Quality Management through the period. Such monitoring includes assessment of policies and procedures, compliance reviews, ethics and independence matters, AQIs, engagement with regulators and the results of internal and external inspection reviews together with associated root cause analysis where relevant.

The firm has evaluated the System of Quality Management against the requirements of ISQC (UK) 1 and identified deficiencies and opportunities for improvement to the System of Quality Management for which prompt corrective actions are being taken or have or will be taken as detailed on pages 42-43.



GLOBAL QUALITY MONITORING AND ACCREDITATION PROGRAMMES

The objectives of the BDO Global Quality Monitoring programme are to:

- ▶ Ensure that each BDO member firm is compliant with BDO Global requirements
- ▶ Enhance the consistency of the systems of quality management of BDO member firms
- ▶ Provide aggregated information on network quality to the Global Board and Global Leadership Team, as well as to international regulators
- ▶ Follow up on firms implemented remedial actions and confirm quality improvements.

The Quality Review programme is an important element of the Quality Monitoring programme by serving not only as an indicator of quality with respect to member firms' internal control systems and audit engagements, but also as an indicator of the speed and the extent to which quality is being enhanced across the network. The frequency and extent of each review depends on the results of previous reviews, feedback received, and a risk assessment undertaken by the Global Office. BDO LLP was not reviewed this year.

All member firms must comply with BDO's accreditation programme which lays out the minimum acceptable requirements that must be met for each of the following quality areas:

- ▶ Audit quality
- ▶ Independence
- ▶ Professional indemnity insurance
- ▶ Information security and privacy.

Compliance with the accreditation criteria is assessed via the Global Compliance Reporting System, which member firms must use to submit required evidence on an annual basis.

Alongside the review and accreditation programme, the Global Office has driven a number of key quality initiatives in the year including a focus on portfolio reviews, the deployment of the latest version of the Audit Process Tool (APT) assurance software, review of Engagement Quality Reviewer (EQR) policies and procedures, and compliance with BDO's ISQM 1 policies manual.

APPENDIX L: AUDIT QUALITY INDICATORS

It would be overly simplistic to use these metrics alone as a proxy for audit quality.

Nevertheless, we do consider that, with the right context, they are helpful indicators as to direction of travel.

We are confident that they have the potential to improve audit quality, identify higher correlation to audit quality and to help develop appropriate corrective actions.

In addition to the review undertaken in October 2021 to assess the appropriateness of existing AQIs historically monitored and to evaluate new or revised AQIs, with the implementation of ISQM (UK) 1, we are considering if any additional AQIs are needed to monitor the achievement of the quality objectives in the System of Quality Management.

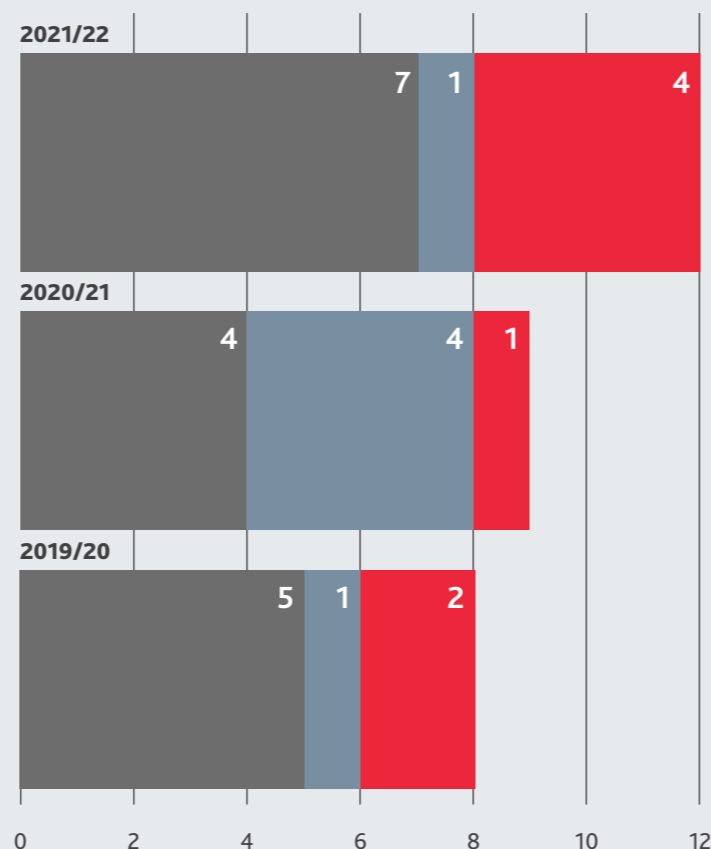
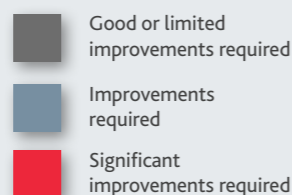
We set out the current identified metrics here:

METRICS ON EXTERNAL INSPECTIONS

RESULTS OF THE FRC'S AUDIT QUALITY REVIEW

The most recently completed review by the FRC's Audit Quality Review team for the 2021/22 cycle that was published in July 2022, was in respect of engagements with year ends ranging from June 2020 to March 2021.

The full report can be downloaded from the [FRC website](#). BDO is subject to annual reviews by the FRC's Audit Quality Review in line with the recommendations made by the Competition Commission.



RESULTS OF THE FRC'S REVIEW OF MAJOR LOCAL AUDITS

The performance of audit firms conducting Major Local Audits is monitored by the FRC. The results of their monitoring can be downloaded from the [FRC website](#). Further detail in relation to the BDO LLP results is also provided in the Audit Quality section on page 18.

RESULTS OF THE QUALITY ASSURANCE DEPARTMENT (QAD) OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ENGLAND AND WALES (ICAEW)

The QAD of the ICAEW undertakes bi-annual inspections of entities outside of the FRC's scope. We are currently awaiting the results of the latest review carried out by QAD in June 2022.

METRICS ON EXTERNAL INVESTIGATIONS

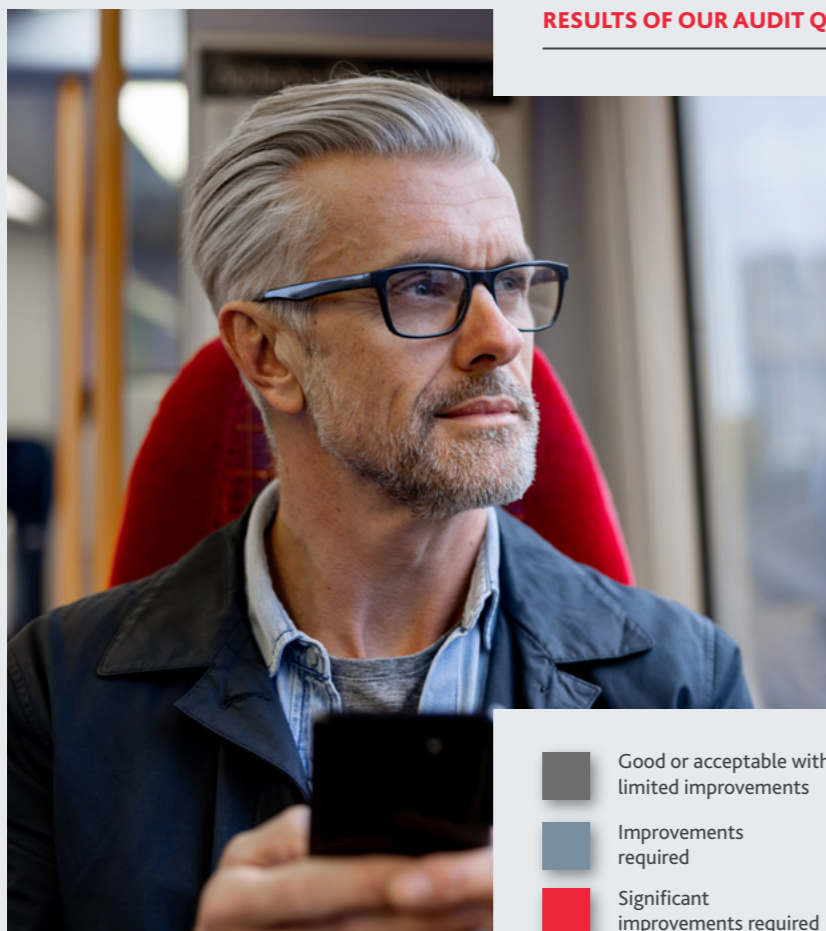
Number of cases in the last 12 months in which the FRC has found against the firm or one of its members following enforcement proceedings:

- ▶ There have been no findings against the firm in the period

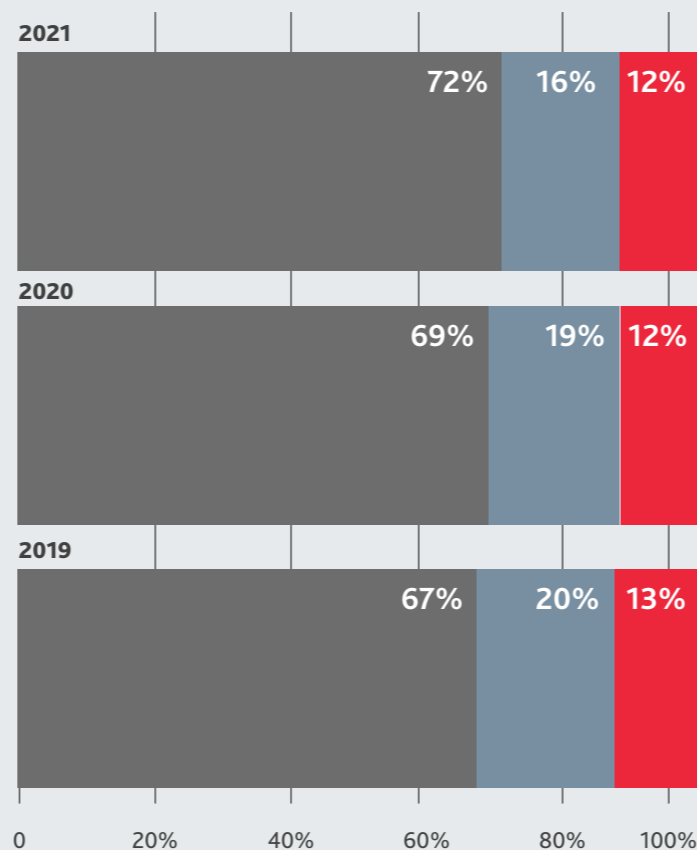
Disciplinary committee of any other regulatory body has found against the firm or one of its members:

- ▶ We have no such findings against the firm

APPENDIX L: AUDIT QUALITY INDICATORS



RESULTS OF OUR AUDIT QUALITY ASSURANCE REVIEWS (AQAR)



- Good or acceptable with limited improvements
- Improvements required
- Significant improvements required

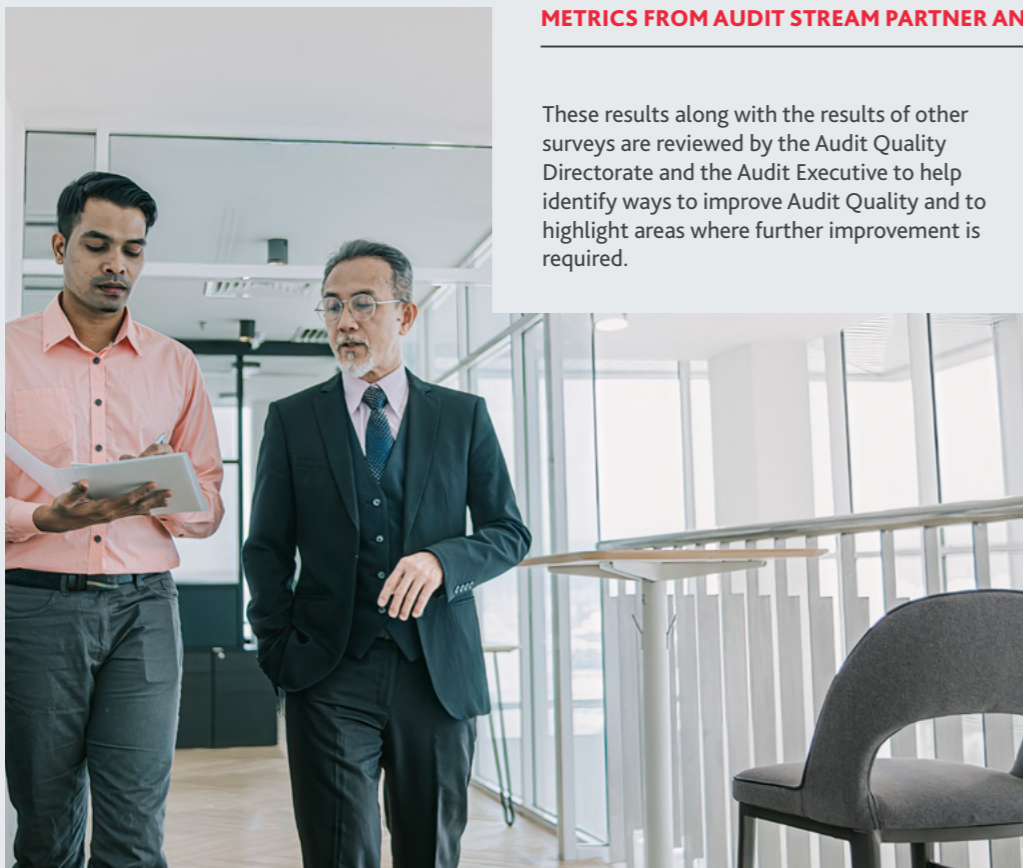
The grading categories used in this graph are:

- ▶ **Good:** This grade covers audits where there are no identified key findings and other findings are limited in number.
- ▶ **Acceptable with limited improvements required:** This grade covers audits where any key findings are limited both in significance and in number.
- ▶ **Improvements required:** Generally, an audit is graded 'improvements required' where there are a number of key findings relating to a flawed audit approach leading to weaknesses in the audit evidence obtained, there are omissions/errors in the documentation of the audit evidence and/or the significant judgements reached in significant risk areas, or where there are some concerns in relation to the appropriateness of one or more significant audit judgements, the impact of which is unlikely to be material.
- ▶ **Significant improvements required:** Audits are graded 'significant improvements required' where the audit procedures planned or audit evidence obtained did not provide reasonable assurance that no undetected material misstatements, individually or collectively, in the financial statements were present; or there are significant concerns in relation to the appropriateness of one or more significant audit judgements, the impact of which is likely to be material.

Annualised percentage of Responsible Individuals subject to our AQAR 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; and FS RIs are reviewed annually.

APPENDIX L: AUDIT QUALITY INDICATORS



METRICS FROM AUDIT STREAM PARTNER AND EMPLOYEE SURVEYS

These results along with the results of other surveys are reviewed by the Audit Quality Directorate and the Audit Executive to help identify ways to improve Audit Quality and to highlight areas where further improvement is required.

	2022	2021	EXPLANATORY NOTES
I believe I am personally responsible for the delivery of quality on an engagement	97%	100%	<ul style="list-style-type: none"> ▶ 2022 survey result is based on combining 'Strongly Agree' and 'Agree' responses. ▶ 2021 survey result was based on yes/no responses agreeing with the statement, 'Delivering quality work is a priority for me.'
I have sufficient time and resource to do my job	21% Yes, 41% Sometimes	40% Yes	<ul style="list-style-type: none"> ▶ 2021 survey is based on yes/no responses agreeing with the statement. Please note that the data is not comparable on a 'like for like basis' year on year.
The leaders I work with demonstrate a commitment to performing high quality work through their actions	95%	95%	<ul style="list-style-type: none"> ▶ 2022 survey result is based on combining 'Strongly Agree' and 'Agree' responses. ▶ 2021 survey result was based on yes/no responses agreeing with the statement 'The leaders I work with are committed to providing high quality audits.'
BDO is committed to the consistent execution of quality engagements in serving our clients, investors and capital markets	95%	95%	<ul style="list-style-type: none"> ▶ 2022 survey result is based on combining 'Strongly Agree' and 'Agree' responses. ▶ 2021 survey result was based on yes/no responses agreeing with the statement 'The leaders I work with are committed to improving audit quality.'
The learning, coaching and development I receive from my firm has prepared me for the work I do	85%	84%	<ul style="list-style-type: none"> ▶ 2022 survey result is based on combining 'Strongly Agree' and 'Agree' responses. ▶ 2021 survey result was based on yes/no responses agreeing with the statement 'The learning and development I receive from BDO has prepared me for the work I do.'

APPENDIX L: AUDIT QUALITY INDICATORS

METRICS ON INVESTMENT

Total **additional investment** approved in central audit quality investment programme as at financial year end (please refer to the Audit Quality section for further details).

2022	2021
£8m	£3m

The extent of **training** undertaken per person in the Audit practice

- ▶ Our CPD programme covers technical competence, core competencies and personal development. Partners and qualified staff complete approximately 50 hours of mandatory training per annum, additional training is available to support our technical and core competencies
- ▶ Early in Career trainees receive ten days of in-house technical training in their first year with an additional 11 days of mandatory training to be completed at any point in their first three years. Alongside this they receive paid study leave to complete their professional qualifications.

Investment in **research and development** on audit

- ▶ We invest in BDO Advantage, our global audit methodology & tools and training our people. We are re-looking at how investment is analysed particularly as it relates to audit quality and quality related functions. We will be able to provide further metric analysis in future.



METRICS ON INVESTOR LIAISON

Qualitative description of investor liaison:

- ▶ We remain keen to develop communication with the investor community.

APPENDIX M: EXTERNAL INSPECTIONS AND INVESTIGATIONS

BDO LLP is subject to a comprehensive regulatory monitoring regime in respect of the firm's audit registration in the UK and is also subject to monitoring visits from some overseas regulatory bodies.

EXTERNAL INSPECTIONS

We operate in a highly regulated industry and hence we are subject to monitoring by several UK and overseas regulatory bodies on a regular basis as a requirement for some of our registrations.

A. UK REGULATORS

1. Financial Reporting Council (FRC)

BDO is subject to annual reviews by the FRC's Audit Quality Review team, which primarily review the firm's PIE audit engagements. The results of these reviews can be found on page 18 in the Audit Quality Section.

On a cyclical basis, the FRC's Audit Market Supervision division also performs a review of certain aspects of the firm's policies and procedures supporting quality.

This year, the firm-wide work focused primarily on evaluating the firm's actions to implement the FRC's revised Ethical Standard; policies and procedures for the EQCR partners, auditor consultations and audit documentation; audit methodology relating to the fair value of financial instruments; and internal quality monitoring arrangements.

2. Institute of Chartered Accountants of England and Wales' (ICAEW) Quality Assurance Department (QAD)

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants of England and Wales (ICAEW) undertakes bi-annual inspection audits of entities outside of the FRC's scope. The firm is currently awaiting the results of the latest review carried out by QAD in June 2022.

Details of previous reviews of ICAEW QAD



Satisfactory / generally acceptable ■
 Improvements required ■
 Significant improvements required ■
 (None of the engagements reviewed required significant improvements.)

BDO has also been reviewed under the ICAEW Practice Assurance Scheme during the year. The review comprised the firm's risk arrangements, risk reporting and handling of client complaints, aspects of our anti-money

laundering procedures, client money compliance arrangements, customer satisfaction activities and quality control procedures covering Solicitors Regulation Authority Accounts Rules, Service Charge Accounts and International Institutions and Donor Assurance. The report is currently being finalised with the ICAEW but findings mainly related to enhancing certain anti-money laundering and client due diligence procedures for which actions are being implemented. Good practice was identified in respect of quality control arrangements for the areas subject to review and procedures to monitor customer satisfaction and monitor complaints.

3. Local audit monitoring and NHS England

Public sector bodies in the UK have differing audit requirements and arrangements, depending upon the country and the type of body. 'Local audits' (or 'local public audits') are audits of English bodies conducted in accordance with the Local Audit and Accountability Act 2014. BDO is subject to review of its Major Local audits by the FRC.

During FY21/22 we had two Major Local Audits reviewed by the FRC's Audit Quality Review (AQR) team under the Local Audit and Accountability Act 2014. One of the audits inspected related to a 31 March 2020 year end that was previously unavailable for selection due to the timing of the auditor's report date.

Further detail on the results is included in the Audit Quality Section in this report and the results of their monitoring can be downloaded from the [FRC website](#).

Prior to 1 July 2022, NHS Improvement was the regulator of NHS Foundation Trusts (which are not within the scope of the Local Audit and Accountability Act 2014). Following the merger with NHS England on 1 July 2022, NHS Improvement ceased to exist, and NHS England became the regulator of NHS Foundation Trusts. During the year, NHS Improvement commissioned the QAD to review the work of a sample of NHS Foundation Trusts. One BDO audit of an NHS foundation trust was reviewed by the QAD in the financial year with no significant issues arising from the review.

4. Other UK regulatory bodies with whom BDO has interactions

We regularly engage with regulators of our audited entities including the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) on emerging audit matters and on matters specific to individual audited entities where relevant. Under arrangements with the relevant regulatory bodies, the FRC undertakes the review of relevant audits performed by BDO of the financial statements of certain entities registered in the Crown Dependencies. In their 2021/22 inspection, no such audits were reviewed.

APPENDIX M: EXTERNAL INSPECTIONS AND INVESTIGATIONS

B. OVERSEAS REGULATORY BODIES

During the year, BDO LLP was also reviewed by the US Public Company Accounting Oversight Board (PCAOB) as part of its oversight of non-US audit firms that audit or play a substantial role in the audit of US issuers and foreign issuers. The PCAOB reviews BDO every three years. The last review was conducted in 2021. The final inspection report has not yet been issued by the PCAOB but will be available to view when it is published on the PCAOB website.

BDO LLP and/or certain of its responsible individuals have audit registrations with regulators in the following territories:

- ▶ Canada (Canadian Public Accountability Board)
- ▶ Guernsey (Guernsey Registry)
- ▶ Ireland (Irish Auditing and Accounting Supervisory Authority)
- ▶ Jersey (Jersey Financial Services Commission)
- ▶ Luxembourg (the Commission de Surveillance du Secteur Financier)
- ▶ The Netherlands (the Netherlands Authority for the Financial Markets)
- ▶ New Zealand (New Zealand Companies Office)
- ▶ Norway (Finanstilsynet)
- ▶ South Africa (the Johannesburg Stock Exchange)
- ▶ The Isle of Man (Isle of Man Financial Services Authority) and
- ▶ United States of America (Public Company Accounting Oversight Board).

BDO LLP has policies and procedures in place to comply with the policies and regulations of the above regulatory authorities including their monitoring activities where relevant.

INVESTIGATIONS

FRC INVESTIGATIONS

The FRC is the 'competent authority' for audit in the UK. The FRC deals with cases that appear to raise important issues affecting the public interest in the UK and investigates whether there is evidence of misconduct (under the Accountancy Scheme) or breach of a relevant requirement (under the Audit Enforcement Procedure) by an accountant or accountancy firm. There have been no cases found against the firm by the Enforcement division of the FRC during the financial year.

During the year in question, the FRC announced in October 2021 that it had commenced an investigation in relation to the audit conducted by BDO LLP of the consolidated financial statements of NMCN plc for the year ended 31 December 2019. The decision was made at a meeting of the FRC's Conduct Committee on 14 September 2021.

The investigation is being conducted by the FRC's Enforcement Division under the Audit Enforcement Procedure.

FRC CASE EXAMINATION AND ENQUIRIES ('CEE')

The Constructive Engagement process, handled by the CEE team, seeks to resolve cases where the FRC considers that any audit quality concerns identified are able to be appropriately and satisfactorily addressed without full enforcement action. During the year we have responded to enquiries from the CEE team and put in place a number of actions including providing additional guidance, training and reminders to the Audit stream and updating policies in specific areas. We also have open enquiries and are committed to working constructively with the CEE team. Further details of the constructive engagement process, Accountancy Scheme and Audit Enforcement Procedures can be found at www.frc.org.uk.

ICAEW

During the financial year there were no audit cases found against the firm by the ICAEW. Where we have enquiries from the ICAEW we are committed to working constructively with them to resolve these. Further details of the ICAEW's disciplinary process can be found at www.icaew.co.uk.

COMPLAINTS AGAINST THE FIRM

If audited entities wish to make a complaint about our services, they may contact either the engagement partner or the firm's Senior Partner, Matthew White (matthew.white@bdo.co.uk). We promptly and carefully review any complaints or allegations received. The ICAEW may also be contacted directly.



APPENDIX N: FINANCIAL INFORMATION



STATUTORY AUDIT	REV 21/22 £M	REV 20/21 £M
PIEs & Entities within a PIE Group	43	36
Other Entities than above	281	240
Total Audit Fees	324	276

PERMITTED NAS	REV 21/22 £M	REV 20/21 £M
Audited entities	73	91

NAS	REV 21/22 £M	REV 20/21 £M
Other Entities	411	363

Note: All disclosures are unaudited.

- 01.** Audit comprises statutory audit work and directly related services.
- 02.** The turnover representing the audit of public bodies is £3.1m (PY £4.3m).
- 03.** The combined turnover from statutory audits of the BDO EU/EEA audit firms, based on the information received from relevant BDO member firms was €638m *

* Please note that BDO firms have different year ends. Therefore, the total number provided is a combination of the statutory audit turnovers of EU/EEA member firms for their 2021 financial years. For each firm using a currency other than the EUR, the average exchange rate for the period they reported has been used. The figures from the UK are not included due to Brexit.

APPENDIX O: EU/EEA MEMBER FIRMS

A LIST OF BDO MEMBER FIRMS DULY ADMITTED TO THE BDO NETWORK AS AT 1 APRIL 2022

The following list of member firms is disclosed in accordance with Article 13.2 (b)(ii)-(iv) of the EU Audit Regulation.



COUNTRY	TERRITORY	COMPANY NAME
AUSTRIA	Austria	BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Financial Advisory Services GmbH Wirtschaftsprüfungsgesellschaft
	Austria	BDO Kärnten GmbH Wirtschaftsprüfungsgesellschaft
	Austria	BDO Oberösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Austria Holding Wirtschaftsprüfung GmbH
	Austria	BDO Steiermark GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Niederösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Audit GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Wien GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Austria GmbH & Dkfm. Herbert F. Maier OG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Corporate Finance GmbH
	Austria	BDO Salzburg GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Burgenland GmbH Steuerberatungsgesellschaft
	Austria	BDO Consulting GmbH
	Austria	BDO Health Care Consultancy GmbH
	Austria	BDO Kommunalberatung GmbH
	Austria	BDO Murtal GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

APPENDIX O: EU/EEA MEMBER FIRMS

A LIST OF BDO MEMBER FIRMS DULY ADMITTED TO THE BDO NETWORK AS AT 1 APRIL 2022

COUNTRY	TERRITORY	COMPANY NAME
BELGIUM	Belgium	BDO E.S.V.-BDO G.I.E.
	Belgium	BDO Accountants Burg. Ven. CVBA
	Belgium	BDO Bedrijfsrevisoren Burg. Ven. CVBA
	Belgium	BDO Belastingconsulenten Burg. Ven. CVBA
	Belgium	BDO Corporate Finance Burg. Ven. CVBA
	Belgium	BDO Interim Management
	Belgium	BDO Investments Burg. Ven. CVBA
	Belgium	BDO Juridische Adviseurs Burg. Ven. CVBA
	Belgium	BDO Management Advisory Burg. Ven. CVBA
	Belgium	BDO Management Soc.Civ. CVBA
	Belgium	BDO OBV-BVBA
	Belgium	BDO Public Sector Academy VZW (BDO PS Academy)
	Belgium	BDO Risk & Assurance Services Burg. Ven. CVBA
	Belgium	BDO Services Soc. Civ. SCRL
	Belgium	BDO Academy Burg Ven CVBA
	Belgium	BDO Adforum CVBA
	Belgium	BDO Cockpit NV



APPENDIX O: EU/EEA MEMBER FIRMS

A LIST OF BDO MEMBER FIRMS DULY ADMITTED TO THE BDO NETWORK AS AT 1 APRIL 2022



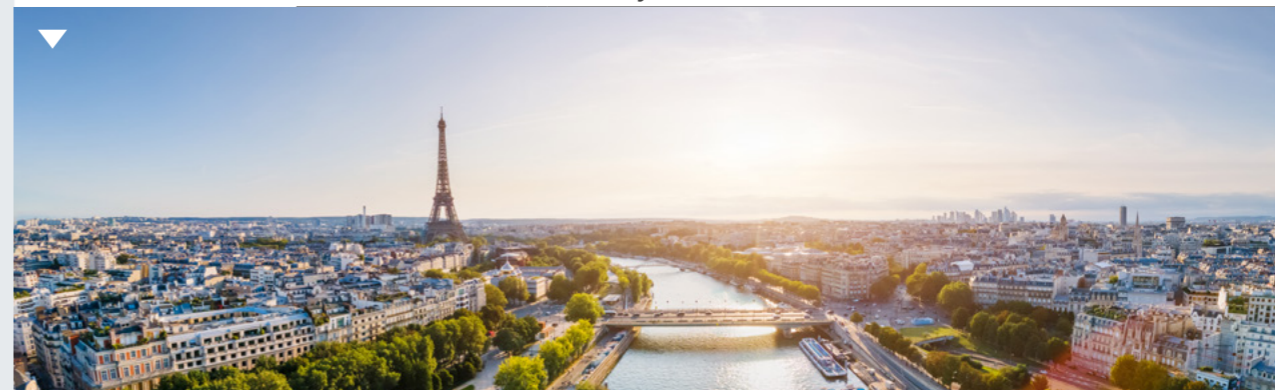
COUNTRY	TERRITORY	COMPANY NAME
BULGARIA	Bulgaria	BDO Bulgaria Ltd.
CROATIA	Croatia	BDO Croatia d.o.o.
	Croatia	BDO Grupa d.o.o.
	Croatia	BDO Savjetovanje d.o.o.
CYPRUS	Cyprus	BDO Limited
	Cyprus	BDO Fund Services Ltd
CZECH REPUBLIC	Czech Republic	BDO Group s.r.o.
	Czech Republic	BDO Consulting s.r.o.
	Czech Republic	BDO Czech Republic s.r.o.
	Czech Republic	BDO ZNALEX s.r.o.
	Czech Republic	BDO Audit s.r.o.
	Czech Republic	BDO Legal s.r.o.
DENMARK	Denmark	BDO Statsautoriseret Revisionsaktieselskab
	Denmark	BDO Holding VI Statsautoriseret Revisionsaktieselskab
ESTONIA	Estonia	Aktsiaselts BDO Eesti
	Estonia	BDO Estonia Audit & Advisory OU
	Estonia	BDO Estonia Payroll & Accounting OÜ
FINLAND	Finland	BDO Oy
	Finland	BDO Consulting Oy
	Finland	BDO Auditor Oy

APPENDIX O: EU/EEA MEMBER FIRMS

A LIST OF BDO MEMBER FIRMS DULY ADMITTED TO THE BDO NETWORK AS AT 1 APRIL 2022

COUNTRY	TERRITORY	COMPANY NAME
FRANCE	France & French Guiana	BDO France
	France	BDO Paris Audit & Advisory
	France	BDO IDF
	France	BDO Méditerranée
	France	BDO Expertise Sociale & RH
	France	ELLIPCE
	France	BDO Atlantique
	France	BDO BSO
	France	BDO Rhone - Alpes
	France	BDO Real Estate
	France	BDO Audit des Activités Sociales
	France	BDO Advisory S.A.S.
	France	BDO Avocats S.A.S.
	France	BDO Fontenay le Comte
	France	BDO France CI
	France	BDO Innovation
	France	BDO La Roche sur Yon
	France	BDO Les Herbiers
	France	BDO Les Ulis
	France	BDO Nantes
	France	BDO Rennes
France	BDO RH	

COUNTRY	TERRITORY	COMPANY NAME
FRANCE	France	BDO Saint Gilles Croix de Vie
	France	BDO Interprofessionnel
	France	BDO FS
	France	BDO Risques Professionnels
	France	BDO Strategie et Performance
	France	BDO Paris Entreprise
	France	BDO Paris Expertise Comptable Nationale
	France	BDO Lyon Audit
	France	BDO Versailles Révision & Conseil
	France	BDO Paris Audit PME
	France	BDO Albertville
	France	BDO Cash Management
	French Guiana	BDO Guyane Antilles



APPENDIX O: EU/EEA MEMBER FIRMS

A LIST OF BDO MEMBER FIRMS DULY ADMITTED TO THE BDO NETWORK AS AT 1 APRIL 2022

COUNTRY	TERRITORY	COMPANY NAME
GERMANY	Germany	BDO AG Wirtschaftsprüfungsgesellschaft
	Germany	BDO Arbicon GmbH & Co. KG
	Germany	BDO DPI AG
	Germany	Dr. Daiber & Partner Stuttgart mbB Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (to be restructured and renamed to "BDO Dr. Daiber GmbH & Co. KG")
	Germany	HLB Dr. Daiber GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (to be renamed to "BDO Dr. Daiber Audit GmbH")
	Germany	BDO Digital GmbH (formerly BDO IT GmbH. Effective 01.08.2019)
	Germany	BDO Restructuring GmbH
	Germany	BOO DPI Mentoring GmbH & Co. KG
	Germany	BOO DPI Verwaltungs GmbH
	Germany	BDO Concunia GmbH Wirtschaftsprüfungsgesellschaft
GREECE	Greece	BDO CERTIFIED PUBLIC ACCOUNTANTS S.A.
	Greece	BDO Services S.A.



APPENDIX O: EU/EEA MEMBER FIRMS

A LIST OF BDO MEMBER FIRMS DULY ADMITTED TO THE BDO NETWORK AS AT 1 APRIL 2022



COUNTRY	TERRITORY	COMPANY NAME
HUNGARY	Hungary	BDO Magyarország Vagyonkezelő és Szolgáltató Kft. (BDO Hungary Management and Services Ltd.)
	Hungary	BDO Magyarország Könyvelő és Bérszámfejtő Kft. (BDO Hungary Accounting and Payroll Ltd.)
	Hungary	BDO Magyarország Könyvvizsgáló Kft. (BDO Hungary Audit Ltd)
	Hungary	BDO Magyarország Hotel és Ingatlan Szolgáltató Kft (BDO Hungary Hotel and Real Estate Services Ltd)
	Hungary	BDO Magyarország IT Megoldások Kft. (BDO Hungary IT Solutions Ltd)
	Hungary	BDO Magyarország Corporate Finance Kft. (BDO Hungary Corporate Finance Ltd.)
	Hungary	BDO Magyarország HR Személyzeti Tanácsadó Kft. (BDO Hungary HR Personnel Consulting Ltd.)
	Hungary	BDO Magyarország Stratégiai Üzletfejlesztési Tanácsadó Kft. (BDO Hungary Strategic Business Development Advisory Ltd.)
	Hungary	BDO Legal Jókay & Társai ügyvédi iroda
Hungary	BDO Magyarország Adótanácsadó Kft. (BDO Hungary Tax Advisory Ltd.)	
IRELAND	Ireland	BDO
ITALY	Italy/San Marino	BDO Italia S.p.A.
	Italy	BDO Tax S.r.l. STP
	Italy	BDO Law S.R.L. STA
LATVIA	Latvia	AS BDO Latvia
	Latvia	BDO Assurance, LLC
LIECHTENSTEIN	Liechtenstein	BDO (Liechtenstein) AG
	Liechtenstein	PFI Holding
	Liechtenstein	PFI Holding WP

APPENDIX O: EU/EEA MEMBER FIRMS

A LIST OF BDO MEMBER FIRMS DULY ADMITTED TO THE BDO NETWORK AS AT 1 APRIL 2022

COUNTRY	TERRITORY	COMPANY NAME
LITHUANIA	Lithuania	BDO Auditas ir Apskaita, UAB
LUXEMBOURG	Luxembourg	BDO Tax and Accounting
	Luxembourg	BDO Audit
MALTA	Malta	BDO Malta CPAs
	Malta	BDO Consult Limited
	Malta	BDO Services Limited
	Malta	BDO Fintech Advisory Limited
	Malta	BDO Technology Advisory Limited
NETHERLANDS	Netherlands	BDO Holding B.V.
	Netherlands	BDO Accountants & Belastingadviseurs B.V.
	Netherlands	BDO Audit & Assurance B.V.
	Netherlands	BDO Consultants B.V.
	Netherlands	BDO Corporate Finance B.V.
	Netherlands	BDO Interim & Recruitment B.V.
	Netherlands	BDO Investigations B.V.
	Netherlands	BDO Legal B.V.
	Netherlands	BDO Online Services B.V.
	Netherlands	BDO A&B Groep BV
	Netherlands	BDO Consultancy Groep BV
	Netherlands	BDO Facility Services BV
	Netherlands	BDO IT Consultants BV



APPENDIX O: EU/EEA MEMBER FIRMS

A LIST OF BDO MEMBER FIRMS DULY ADMITTED TO THE BDO NETWORK AS AT 1 APRIL 2022



COUNTRY	TERRITORY	COMPANY NAME
NORWAY	Norway/Iceland	BDO AS
	Iceland	BDO ehf. (Iceland)
	Norway	BDO Accounting AS
	Norway	BDO Advokater AS
POLAND	Poland	BDO Spółka z Ograniczoną Odpowiedzialnością Sp.k. (Formerly known as BDO Sp. z o.o.)
	Poland	BDO Legal Latala I Wspolnicy sp.k.
PORTUGAL	Portugal	BDO & Associados, SROC, Lda
	Portugal	BDO II Advisory, SA
	Portugal	BDO Consulting Lda
	Portugal	BDO Outsourcing, Serviços de Contabilidade e Organização Lda
ROMANIA	Romania	BDO Audit SRL
	Romania	BDO Business Advisory SRL
	Romania	BDO Business Restructuring SPRL
	Romania	BDO Tax SRL
	Romania	BDO Outsourcing Services SRL
	Romania	BDO Auditors & Accountants SRL
	Romania	BDO Auditors and Business Advisors SRL
	Romania	BDO Support Services SRL
		Tudor, Andrei si Asociatii

APPENDIX O: EU/EEA MEMBER FIRMS

A LIST OF BDO MEMBER FIRMS DULY ADMITTED TO THE BDO NETWORK AS AT 1 APRIL 2022

COUNTRY	TERRITORY	COMPANY NAME
SLOVAK REPUBLIC	Slovak Republic	BDO spol s.r.o.
	Slovak Republic	BDO Audit, spol. s r.o.
	Slovak Republic	BDO Tax, k. s.
	Slovak Republic	BDO Services spol s.r.o.
	Slovak Republic	BDO Legal s.r.o.
SLOVENIA	Slovenia	BDO Revizija d.o.o.
	Slovenia	BDO Svetovanje d.o.o.
	Slovenia	BDO Business Solutions Ltd.
SPAIN	Spain/Andorra	BDO Auditores, S.L.P
	Spain	BDO Abogados y Asesores Tributarios, S.L.P.
	Spain	BDO Finanzas Corporativas S.L.



APPENDIX O: EU/EEA MEMBER FIRMS

A LIST OF BDO MEMBER FIRMS DULY ADMITTED TO THE BDO NETWORK AS AT 1 APRIL 2022



COUNTRY	TERRITORY	COMPANY NAME
SWEDEN	Sweden	BDO AB
	Sweden	BDO Göteborg AB
	Sweden	BDO Göteborg KB
	Sweden	BDO Mälardalen AB
	Sweden	BDO Norr Intressenter AB (old names BDO Malmö AB; older name was BDO Revision AB)
	Sweden	BDO Stockholm AB
	Sweden	BDO Sweden AB
	Sweden	BDO Syd AB
	Sweden	BDO Syd KB
	Sweden	BDO Göteborg Intressenter AB (old name Första Långgatans revisionsaktiebolag)
	Sweden	BDO Mälardalen Intressenter AB
	Sweden	BDO Syd Intressenter AB
	Sweden	BDO Norr AB

APPENDIX P: PUBLIC INTEREST AUDITED ENTITIES

A list of UK public interest entities for the year ended 1 July 2022, as required by Article 13.2(f) of the EU Audit Regulation as retained in UK law, is set out here.

As set out in UK law, the definition of a PIE includes:

01. UK incorporated companies with transferable securities listed on a UK regulated market
02. UK Credit institutions (broadly banks and building societies)
03. UK Solvency II insurance undertakings authorised by EU member states.



- ▶ A2D Funding II plc
- ▶ A2D Funding plc
- ▶ A2Dominion Housing Group Limited
- ▶ ABRDN Private Equity Opportunities Trust plc
- ▶ Adriatic Metals plc
- ▶ Advanced Payment Solutions Limited
- ▶ AEW UK REIT plc
- ▶ Ageas Insurance Limited
- ▶ AJ Bell plc
- ▶ Albion Development Vct plc
- ▶ Albion Enterprise VCT plc
- ▶ Albion Technology & General VCT plc
- ▶ Albion Venture Capital Trust plc
- ▶ Alliance Trust plc
- ▶ Allied Minds plc
- ▶ Alpha Plus Holdings plc
- ▶ AltynGold plc
- ▶ Amati AIM VCT plc
- ▶ Amey Roads NI Financial plc
- ▶ Anglo-Eastern Plantations plc
- ▶ Annington Funding plc
- ▶ Arix Bioscience plc
- ▶ Augmentum Fintech plc
- ▶ AVI Japan Opportunity Trust plc
- ▶ Axis Bank UK Ltd
- ▶ Baillie Gifford European Growth Trust plc
- ▶ Bank of Africa United Kingdom plc
- ▶ Bar Mutual Indemnity Fund Limited
- ▶ Baring Emerging EMEA Opportunities plc
- ▶ Baronsmead Second Venture Trust plc
- ▶ Baronsmead Venture Trust plc
- ▶ BHSF Limited
- ▶ Blackfinch Spring VCT plc
- ▶ Braemar Shipping Services plc
- ▶ British Friendly Society Limited
- ▶ British Smaller Companies VCT 2 plc
- ▶ British Smaller Companies VCT plc
- ▶ Caffyns plc
- ▶ Calculus VCT plc
- ▶ Caledonia Investments plc
- ▶ Capital Gearing Trust plc
- ▶ Capital Hospitals (Holdings) Ltd
- ▶ Catalyst Housing Limited
- ▶ Central Nottinghamshire Hospitals (Holdings) Limited
- ▶ Cirencester Friendly Society Limited
- ▶ ClearBank Limited
- ▶ Cornish Mutual Assurance Company Ltd
- ▶ CQS Natural Resources Growth and Income plc
- ▶ Crown Place VCT plc
- ▶ CT Private Equity Trust plc
- ▶ CT UK Capital and Income Investment Trust plc
- ▶ De Montfort University Higher Education Corporation
- ▶ Dentists' Provident Society Limited
- ▶ Derby Healthcare plc
- ▶ Downing Four VCT plc
- ▶ Downing Renewables & Infrastructure Trust plc
- ▶ Downing Strategic Micro-cap Investment Trust plc
- ▶ Earl Shilton Building Society
- ▶ Ecofin Global Utilities and Infrastructure Trust plc
- ▶ Ecofin U.S. Renewables Infrastructure Trust plc
- ▶ Ecology Building Society
- ▶ EFG Private Bank Limited
- ▶ Empiric Student Property plc
- ▶ Endeavour Mining plc
- ▶ Endeavour Sch plc
- ▶ Equine and livestock insurance company Limited (the)
- ▶ Fairmead Insurance Limited
- ▶ FCE Bank plc
- ▶ Folgate Insurance Company Limited

APPENDIX P: PUBLIC INTEREST AUDITED ENTITIES

- ▶ Foxtons Group plc
- ▶ Futures Treasury plc
- ▶ Galliford Try Holdings plc
- ▶ Genfinance II plc
- ▶ Greencoat UK Wind plc
- ▶ Gresham House Energy Storage Fund plc
- ▶ Gresham House Renewable Energy VCT 1 plc
- ▶ Gresham House Renewable Energy VCT 2 plc
- ▶ Gresham Technologies plc
- ▶ Halfords Group plc
- ▶ Hargreave Hale AIM VCT plc
- ▶ Hastoe Capital plc
- ▶ Health Shield Friendly Society
- ▶ Healthcare Support (Newcastle) Finance plc
- ▶ Henderson EuroTrust plc
- ▶ Henderson International Income Trust plc
- ▶ Henderson Opportunities Trust plc
- ▶ Home REIT plc
- ▶ Housing 21
- ▶ Hyde Housing Association Limited
- ▶ HYVE Group plc
- ▶ ICICI Bank UK plc
- ▶ Impact Healthcare REIT plc
- ▶ Impax Environmental Markets plc
- ▶ Inland ZDP plc
- ▶ IntegraFin Holdings plc
- ▶ International Transport Intermediaries Club Limited
- ▶ JPMorgan China Growth & Income plc
- ▶ JPMorgan Emerging Markets Investment Trust plc
- ▶ JPMorgan Russian Securities plc
- ▶ JPMorgan US Smaller Companies Investment Trust plc
- ▶ Keele Residential Funding plc
- ▶ Kingdom Bank Limited
- ▶ Kings Arms Yard VCT plc
- ▶ Kroo Limited
- ▶ Lendinvest Secured Income plc
- ▶ Libra Treasury 2 plc
- ▶ Libra Treasury plc
- ▶ Life Settlement Assets plc
- ▶ LMS Capital plc
- ▶ Lookers plc
- ▶ LXi REIT plc
- ▶ Mansfield Building Society
- ▶ Market Harborough Building Society
- ▶ Martlet Homes Limited
- ▶ Melton Mowbray Building Society
- ▶ Meridian Hospital Company plc
- ▶ Metropolitan Funding plc
- ▶ MITIE Group plc
- ▶ Miton UK Microcap Trust plc
- ▶ Moat Homes Finance plc
- ▶ Mobeus Income & Growth 2 Vct plc
- ▶ Mobeus Income & Growth 4 VCT plc
- ▶ Mobeus Income & Growth VCT plc
- ▶ Molten Ventures VCT plc
- ▶ Momentum Multi-Asset Value Trust plc
- ▶ Monmouthshire Building Society
- ▶ Montanaro UK Smaller Companies Investment Trust plc
- ▶ Monument Bank Limited
- ▶ Mortimer BTL 2019-1 plc
- ▶ Murray International Trust plc
- ▶ Mustang Energy plc
- ▶ NATS (En Route) plc
- ▶ Newhospitals (St Helens and Knowsley) Holdings Limited
- ▶ Nippon Active Value Fund plc
- ▶ Norcross plc
- ▶ Notting Hill Genesis
- ▶ NRG Victory Reinsurance Limited
- ▶ Octagon Healthcare Fund plc
- ▶ Octopus AIM VCT 2 plc
- ▶ Octopus AIM VCT plc
- ▶ Octopus Apollo VCT plc
- ▶ Octopus Titan VCT plc
- ▶ Optivo Finance plc
- ▶ Oxbury Bank plc
- ▶ Oxford Instruments plc
- ▶ Pacific Assets Trust plc
- ▶ Pacific Horizon Investment Trust plc
- ▶ Palace Capital plc
- ▶ Pembroke VCT plc
- ▶ Pensana plc
- ▶ Philippine National Bank (Europe) plc
- ▶ ProVen Growth and Income VCT plc
- ▶ Proven VCT plc
- ▶ Radian Capital plc
- ▶ Recognise Bank Limited
- ▶ Record plc
- ▶ Reliance Bank Limited
- ▶ Renewi plc
- ▶ Residential Secure Income plc
- ▶ RHP Finance plc
- ▶ Robert Walters plc
- ▶ Saffron Building Society
- ▶ Schroder BSC Social Impact Trust plc
- ▶ Shepherds Friendly Society Limited
- ▶ Smart (J.) & Co. (Contractors) plc
- ▶ Smiths News plc
- ▶ SolGold plc
- ▶ Sovereign Health Care
- ▶ Starr International (Europe) Limited
- ▶ Steamship Mutual Underwriting Association Ltd
- ▶ Stonewater Funding plc
- ▶ Suecia Re & Marine insurance Company Limited
- ▶ Suffolk Building Society
- ▶ Supermarket Income REIT plc
- ▶ Teachers Building Society
- ▶ Ted Baker plc
- ▶ Temple Bar Investment Trust plc
- ▶ The Ancient Order of Foresters Friendly Society
- ▶ The Biotech Growth Trust plc
- ▶ The Britannia Steam Ship Insurance Association Limited
- ▶ The British Aviation Insurance Company Limited
- ▶ The Coventry and Rugby Hospital Company (Holdings) Limited
- ▶ The Diverse Income Trust plc
- ▶ The Global Smaller Companies Trust plc
- ▶ The Income & Growth VCT plc
- ▶ The Mercantile Investment Trust plc
- ▶ The Merchants Trust plc

APPENDIX P: PUBLIC INTEREST AUDITED ENTITIES

- ▶ The Model T Finance Company Limited
- ▶ The Original Holloway Friendly Society Limited
- ▶ The Scottish Lion Insurance Company Limited
- ▶ The Standard Club UK Limited
- ▶ The United Kingdom Mutual Steam Ship Assurance Association Limited
- ▶ The Walsall Hospital Company (Holdings) Limited
- ▶ Tipton & Coseley Building Society
- ▶ Together Housing Finance plc
- ▶ Town Centre Securities plc
- ▶ Tradex Insurance Company Limited
- ▶ Transform Schools (North Lanarkshire) Holdings Limited
- ▶ Transport Friendly Society Limited
- ▶ Treatt plc
- ▶ Triad Group plc
- ▶ Trifast plc
- ▶ Triple Point Energy Transition plc
- ▶ Triple Point Social Housing REIT plc
- ▶ Triple Point VCT 2011 plc
- ▶ Tritax Big Box REIT plc
- ▶ Unicorn Aim Vct plc
- ▶ Union Bank UK plc
- ▶ United Kingdom Freight, Demurrage & Defence Association
- ▶ United Kingdom Mutual War Risks Association Limited
- ▶ UP Global Sourcing Holdings plc
- ▶ Value and Indexed Property Income Services Limited
- ▶ VH Global Sustainable Energy Opportunities plc
- ▶ Westfield Contributory Health Scheme Limited
- ▶ Wincanton plc
- ▶ XPS Pensions Group plc
- ▶ Yarlington Treasury Service plc



A separate list of entities with securities admitted to trading on an EEA regulated market is provided as required by Article 13.2(f) of the EU Audit Regulation in respect of BDO LLP's third country auditor registrations.

- ▶ Disruptive Capital Acquisition Co Ltd
- ▶ Eurocastle Investment Limited
- ▶ IOG plc
- ▶ Juturna (European Loan Conduit No. 16) plc
- ▶ Renewi plc
- ▶ The Unique Pub Finance Company plc

APPENDIX Q: MAJOR LOCAL AUDITS

The organisations below are the only bodies:

01. Which constitute a 'major local audit' for the purposes of Regulation 12 of The Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014 (SI 2014/1627); and

02. For which BDO LLP issued an audit report on its financial statements during the year ended 1 July 2022.

- ▶ Barking, Havering and Redbridge University Hospitals NHS Trust
- ▶ Birmingham & Solihull CCG
- ▶ East and North Hertfordshire NHS Trust
- ▶ NHS East & North Hertfordshire CCG
- ▶ NHS East Sussex CCG
- ▶ NHS Herts Valleys CCG
- ▶ NHS North West London CCG



GLOSSARY OF TERMS

AB: Audit Board	BEIS: Department for Business, Energy and Industrial Strategy	ICAS: Institute of Chartered Accountants of Scotland	LT: Leadership Team	QAD: Quality Assurance Department (part of the ICAEW's Professional Standards Department)
AC: Audit Committee	BIOB: Business Interest Oversight Board	ICO: Information Commissioner's Office	MLA: Major Local Audit	QRM: Quality and Risk Management
ACCA: Association of Chartered Certified Accountants	BSI: British Standards Institution	IESBA: International Ethics Standards Board for Accountants	MLCP: Money Laundering Compliance Principal	QRMC: Quality and Risk Management Committee
AE: Audit Executive	CACP: Client Acceptance and Continuance Panel	INE: Independent Non-Executive	MLRO: Money Laundering Reporting Officer	QRMT: Quality and Risk Management Team
AFGC: Audit Firm Governance Code	CCAB: Consultative Committee of Accountancy Bodies	ISA (UK) 220: International Standard on Auditing (UK) 220	NAS: Non-Audit Services	QSC: Quality Steering Committee
AMD: Audit Monitoring Database	CEE: The FRC's Case Examination and Enquiries	ISA (UK) 315 revised: International Standard on Auditing (UK) 315 revised	NGO: Non Governmental Organisation	RAG: Red Amber Green
ANE: Audit Non-Executive	CISO: Chief Information Security Officer	ISO/IEC: International Organization for Standardization/International Electrotechnical Commission	OEPI: Other Entity of Public Interest	RCA: Root Cause Analysis
APT: Audit Process Tool	CPD: Continuous Professional Development	ISQC (UK) 1: International Standard on Quality Control (UK) 1	PC: Partnership Council	RI: Responsible Individual
AQAR: Audit Quality Assurance Reviews	EQCR: Engagement Quality Control Reviewer	ISQM (UK) 1: International Standard on Quality Management (UK) 1	PCAOB: The US Public Company Accounting Oversight Board	RQB: Recognised Qualifying Bodies
AQD: Audit Quality Directorate	EQR: Engagement Quality Reviewer	ISQM (UK) 2: International Standard on Quality Management (UK) 2	PI: Professional Indemnity	Stream: BDO's services are delivered through the Audit, Tax, Advisory and Business Services & Outsourcing streams
AQIs: Audit Quality Indicators	ESG: Environmental, Social and Governance	L&D: Learning and Development	PIE: Public Interest Entity	ToR: Terms of Reference
AQIT: Audit Quality Improvement Team	FCA: Financial Conduct Authority		PIC: Public Interest Committee	TRA: Technology Risk Assurance
AQP: Audit Quality Plan	FRC: Financial Reporting Council		PM: Practice Management Department	TSG: Technical Standards Group
AQR: Audit Quality Review	GCRS: Global Compliance Reporting System		PRA: Prudential Regulation Authority	
AQSC: Audit Quality Steering Committee	ICAEW: Institute of Chartered Accountants in England and Wales		PSD: The ICAEW's Professional Standards Department	
BAME: Black, Asian and Minority Ethnic				

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