

AUDIT • TAX • ADVISORY



# MHA Transparency Report

Year ended 31 March 2024

## New Horizons

Now, for tomorrow



An independent member of  
**bakertilly**  
INTERNATIONAL

# We are MHA.

Independent member  
of Baker Tilly International  
and provider of audit, tax,  
consulting and  
advisory services.



**1,820**

Staff



**136**

Partners



**23**

Offices nationwide



**£205m**

Annualised revenue



All figures above are as at 31 July 2024

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# Leadership Messages



**Managing Partner  
and Group Chairman**  
Rakesh Shaunak

**I am pleased to introduce this year's Transparency Report, which provides details of our legal structure and ownership, governance structure, internal quality control and quality assurance and independence practices.**

It is an opportunity for us to provide relevant, dependable and useful information to the users of financial information and communicate a balanced self-assessment of the challenges we face in relation to audit quality and the effectiveness of our actions to overcome them.

My introduction will concentrate on the Firm's financial year to 31 March 2024. However, where significant events have occurred in the four months to 31 July 2024, I have also mentioned them.

## **Growth & success**

The success of the Firm is the result of the strategic plan put into place by the Management Board since 2020 and the hard work and dedication of all our people. In 2023 and 2024 we have continued our controlled planned growth and the strategic addition of new geographic locations. During the year, we have added new offices in Scotland and Wales. More recently, we have added two new offices in Ireland and merged with our network firm, MHA Moore and Smalley.

<b>Date of merger</b>	<b>Location of offices</b>
July 2023	Cardiff
October 2023	Aberdeen
February 2024	Edinburgh
April 2024	Kendal, Lancaster, Liverpool, Manchester, Nottingham, Preston
July 2024	Cork, Dublin

I would like to welcome all these new offices, partners and people to MHA.

## Audit quality

In my role as Group Chairman, supported by the Management Board, I have the overall responsibility for audit quality and our quality management systems.

Against the backdrop of the corporate growth referred to above, I recognise that our audit quality is not where we want it to be. In particular, the cold-file reviews referred to in the comprehensive Audit Quality section, continue to show too many audits where improvements were required. This mirrors the results of the external audit quality inspections (FRC and ICAEW) in 2023 and 2024.

On 9 July this year, the FRC issued a Severe Reprimand against the Firm and fined us £120,250 for inadequate audit work in 2018 and 2019 on an audit client with debt listed on the London Stock Exchange. A former MHA partner and director were also sanctioned and fined. The FRC recognised MHA's exceptional level of cooperation, however, and reduced the initial fine by almost 40%.

Recognising the need to improve audit quality, we have taken not only significant steps but major investments in people, resource and capability over the past year to address the problem.

These include:

- a complete change to the structure of our audit technical department
- several senior partner appointments and increased audit quality team numbers
- restructuring the ethics, audit compliance and other regulatory roles
- introducing independent audit oversight structures

I will explain each of these changes below under the headings of Structure, People, Roles and Oversight.

## Structure

The Audit Quality Board (AQB) is the overall body responsible for audit quality within the Firm, reporting into the Management Board. Members of the AQB include myself, Andrew Moyser, Simon Knibbs, Matthew Howells, Toby Stephenson, Alex Kelly, Kate Arnott, Massimo Laudato and Chris Greenhalgh and the independent non-executives (INEs).

Below that is a new body, the Audit Council (AC), which is effectively the executive body of the AQB. Part of its remit is to consider and draft the Firm's audit strategy for consideration and approval by the AQB and Management Board, as required by the FRC.

Individual members of the AC will oversee the following "pillars" within the Technical Team as follows:

### Matthew Howells

Audit Quality & Change Management  
Methodology & Learning and Development  
Technical Support and Guidance

### Massimo Laudato

Technical Audit Delivery  
Sector Methodology

### Chris Greenhalgh

Risk, Regulatory & Compliance

## People

The Technical Team has been strengthened significantly this year with the recruitment of thirteen new members including the Head of Technical, a Technical Partner, an Audit Quality Director, an Audit Technical Director, a Transformation and Change Director, five Technical Senior Managers and four Technical Managers.

During the financial year, Matthew Howells joined the Firm as Head of Technical and Cristina Ilaó as Audit Quality Director. Cristina has years of experience leading quality reviews for complex audits of FTSE 100 companies and Public Interest Entities (PIEs). She is supported by a small team of Senior Managers.

Chris Greenhalgh (Partner - Manchester office) joined in June 2024. His wealth of experience in risk, regulation, and compliance comes from his 10 years in regulatory compliance with the ICAEW.

## Roles

The following changes took place after 31 March 2024:

- 1 Chris Greenhalgh became Practice Assurance Compliance Principal (PACP) and Money Laundering Reporting Officer (MLRO).
- 2 Simon Knibbs became Audit Compliance Partner (ACP).
- 3 Kate Arnott became the Firm's Ethics Partner.

In relinquishing his PACP and ACP roles, Andrew Moyser (Head of Audit) will have more time to concentrate on his leadership role as Head of Audit and Assurance, as well as being Chair of the Audit Council and Audit Quality Board.

## Oversight

In the year we have enhanced the governance structure of the Firm by adopting the principles of the Audit Firm Governance Code (AFGC) and engaging three independent non-executives (INEs).

Two of the INEs (Mark Goodey and Dianne Azoor Hughes) were with us last year as external members of the AQB. They are now joined by Tim Davies. The Biographies of all three are included on pages 25 and 26.

In January 2024, we established an Oversight Committee and Public Interest Committee both chaired by an INE. These governance committees, which include all three INEs and members of senior management, have confirmed their terms of reference, and established a programme of reviews covering People, Values and Behaviour, Operations and Resilience across the whole Firm - not just Audit. While it is early days for us having INEs involved in our business, we have already benefitted from the experience of having external members on our AQB for some time. We welcome the challenge and perspective that the INE's bring to our business and believe that they will provide valuable oversight, challenge and guidance as we strive to meet our quality objectives.

## Audit, Ethics and Risk

Our Head of Audit and Assurance, Andrew Moyser, and our newly appointed Firm's Ethics Partner, Kate Arnott, have written the next two Leadership Messages. Kate has been a member of the Management Board for three years and has previously acted as a Regional Ethics Partner, as well as being a senior audit partner.

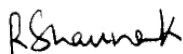
The section on Risk Management and Mitigation (by Martin Herron, our Chief Risk Officer) includes reporting of our key business risks and mitigation measures.

## New Horizons

The "new horizons" referred to on the cover of this Transparency Report reflect the growth of the Firm, both geographically across the UK and Ireland, and the size of the Firm both in terms of turnover and partner/staff numbers. It also reflects our new regulatory challenge to comply with the AFGC and to enhance our audit quality.

This is not an easy task. However, I am confident that we have the people, the structure (internal and governance) and the determination to make this happen.

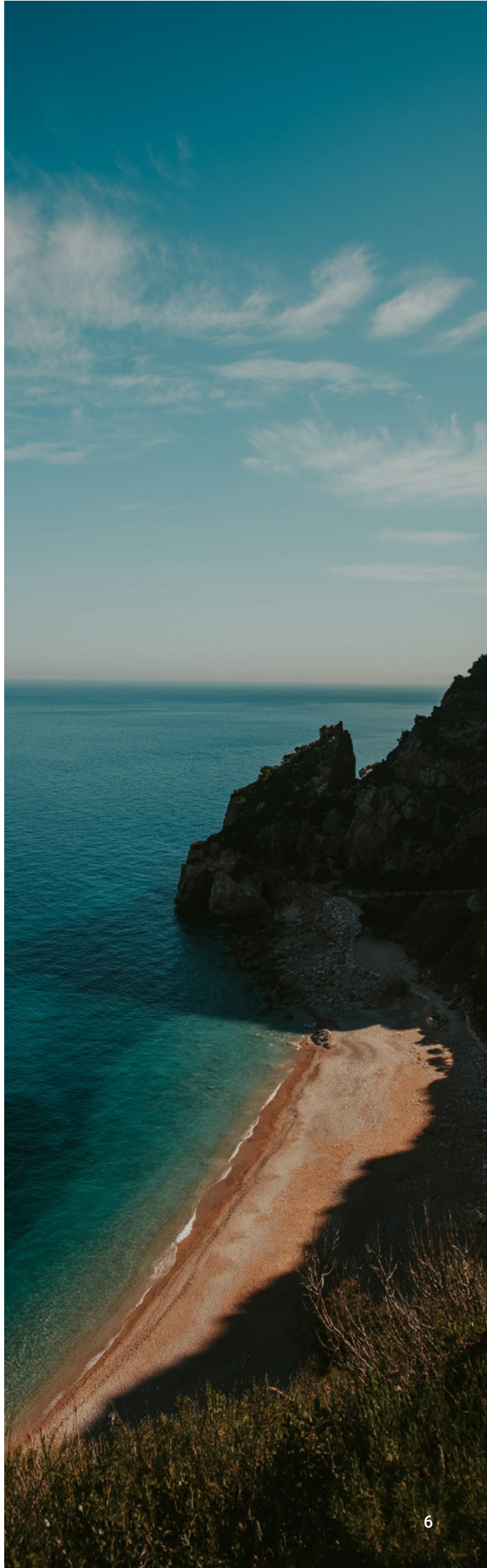
This leaves me only to thank all the people at MHA for their hard work and dedication, and our clients (both existing and new) for putting their confidence in us.



### Rakesh Shaunak

Managing Partner and Group Chairman

31 July 2024





## Head of Audit and Assurance

Andrew Moyser

**In a world marked by volatility and change, the auditing landscape is evolving rapidly. It is crucial that we improve our audit quality and maintain consistency in processes in these times to ensure trust and confidence in our audits. Consistency in quality is not just a statement; it is the foundation upon which trust in our work is built.**

### Commitment to Audit Quality

Previously, I emphasised the importance of audit quality in providing confidence to users of financial statements. This commitment to quality remains paramount, and we must continue to enhance it while ensuring consistency in our auditing processes across the whole Firm. Consistency in our delivery is an integral element of audit quality, and it is what our clients depend on.

### Growth and Expansion

Over the past year, the audit landscape has presented numerous opportunities, and our Firm has experienced significant growth through mergers and acquisitions. With this expansion, our key focus is to standardise controls, procedures and policies across all offices, ensuring a seamless and unified approach.

The growth of the Firm has occurred because of two factors:

- 1 Mergers and acquisitions; and
- 2 Strategic, controlled growth plans in both the Public Interest Entities (PIEs) and non-PIE markets.

### 1 Mergers and Acquisitions

Mergers and acquisitions have significantly contributed to our growth by expanding our market presence and service offerings. Each acquisition undergoes rigorous due diligence to ensure seamless integration and mutual benefits. We target firms with strong reputations, quality and complementary services, enhancing our capabilities and providing our clients with broader solutions. Cultural alignment and operational synergy are prioritised to maintain service quality and smooth transitions. This strategy strengthens our commitment to excellence and solidifies our reputation as a trusted audit partner.

### 2 Strategic Controlled Growth

Our strategic, controlled growth plans ensure sustainable expansion in the PIE and non-PIE markets. We carefully evaluate new engagements for strategic fit, risk profile, and resource availability to maintain our high standards. By targeting markets with high potential and investing in our people and technology, we can deliver exceptional audit services. This measured approach allows us to build strong client relationships, adapt to market changes, and ensure stable, long-term growth. Our focus is on scalable, sustainable growth that aligns with our core values and mission.

### Right People in the Right Roles

Last year, I highlighted the importance of having the right people in the right roles. This challenge persists, but our commitment to our staff, our most valuable asset, has never been stronger. Investment in training and development is a priority, fostering continuous learning and upskilling. Our growth provides exciting career paths for existing staff while also attracting new talent. Despite a competitive job market, our Firm stands out with our Investors in People Gold accreditation, flexible working arrangements, wellbeing initiatives, and clear growth plans.

To further our commitment to the right people in the right roles, I have recently passed the Audit Compliance Partner role over to Simon Knibbs. This transition allows me to concentrate on driving the audit culture, strategy, and quality agenda across our enlarged Firm post-mergers. This strategic move ensures we have the right leadership focus on both compliance and the broader strategic vision for our Firm's audit function.

### **Enhancing Audit Quality**

Improving audit quality remains at the forefront of our efforts. This year, we have significantly invested in our audit quality team as well as our operational audit staff and our audit training programme. Our adoption of the AFGC from 1 January 2024, underscores our commitment to the highest standards of audit quality and governance and reflects our philosophy of continuous improvement and dedication to transparency and public interest.

We have been diligently establishing numerous audit quality indicators and are committed to monitoring and measuring our progress over the coming year. Embracing new technologies, we are excited about our new Global Focus technology, a cloud-based audit toolkit delivered by Baker Tilly International, and look forward to its positive impact across our offices.

### **Cultural Integrity and Core Values**

As we continue to evolve, it is essential that our culture and core values remain at the heart of everything we do. Our dedication to these principles and induction programme to new offices ensures we stay true to our mission and provide the highest quality service to our clients.

### **Challenges and the road ahead**

However, I must acknowledge that our recent internal and external quality reviews have shown areas needing improvement. These results are a testament to the complexity and evolving nature of audit standards and the challenges of growth. It is important to understand that the actions we have taken to address these findings require time to manifest in improved results. Implementing robust quality control measures and enhancing our audit processes are ongoing efforts that do not always yield immediate results.

Our commitment to quality is unwavering, and we are confident that the steps we are taking will lead to significant improvements. The investments in training, technology, and a strengthened audit quality team are strategic moves that will, over time, enhance the quality of our audits. Transparency in acknowledging our current shortcomings and the proactive steps we are taking to address them is part of our pledge to continuous improvement and accountability.

Through dedication, strategic growth, and an unwavering commitment to quality, we are well-positioned to navigate the challenges and opportunities ahead. Our focus remains on delivering exceptional audit services and maintaining the trust and confidence of all stakeholders. The road to excellence is a continuous journey, and we are committed to making consistent progress every step of the way.







## **Firm's Ethics Partner**

### **Kate Arnott**

**As the Firm's Ethics Partner, I am pleased to report on the activities undertaken in the year by the Firm's Ethics Team in ensuring that MHA complies with the ICAEW Code of Ethics and the FRC ethical requirements and that the highest ethical standards are reflected within the Firm's values and behaviours.**

In taking over as Firm's Ethics Partner from Simon Knibbs on 1 May 2024, I can draw on my experience of many years as a Regional Ethics Partner. Being a member of the Firm's Management Board provides a clear and direct reporting line and I will easily be able to ensure that ethics continues to be at the forefront in all decisions taken, embedded in all governance and client matters.

The past twelve months have been a period of rapid growth of the Firm, with the merger of eleven new offices and a continued investment in audit technology. The Ethics Team, via Simon and more recently myself, have been significantly involved in completing due diligence work and overseeing the integration of our new offices. This has provided us with the confidence that our new joiners share the ethical values of MHA, act with complete integrity and maintain the highest quality standards. The work being undertaken by those offices fits well with our Firm's ethical ethos.

The Ethics Team has continued to build on the strong foundations laid down in earlier years, and this robust

ethical culture has facilitated the initial office integrations. We are now focussed on ensuring consistency across all our offices. The Ethics Team has needed to be very proactive, planning ahead for the changes resulting from both the Firm's growth and the breadth of our expanded client base but we are well equipped to deal with this.

To provide clarity, we have reviewed the structure of our Ethics Team and, moving forwards, we will no longer have Regional Ethics Partners. Instead we have formed an Ethics Council (formerly the Ethics Committee), drawing the members from those partners experienced in their previous roles as Regional Ethics Partners.

This Council oversees compliance with our ethical policies and procedures, ensuring that every member of our Firm adheres to our code of conduct. This includes continuous training and development to keep our staff informed about the latest ethical standards and best practices.

We have continued to expand the team in line with our continued growth as a firm and the Council continues to provide constructive challenges to all staff in relation to ethical safeguards and to assist in the various ethical considerations and challenges facing our Firm.

As I look back over the past twelve months, I am pleased with the progress made since the implementation of International Standard of Quality Management (ISQM1) in all areas of ethical concern. We have addressed the requirements relating to ethics but are looking for continuous improvement moving forwards. Our recent reviews and ongoing monitoring have provided evidence of commitment to the required standards, and we will continue to check that, alongside improvements in quality, our staff understand the ethical requirements and are implementing the Firm's policies consistently.

The Ethics Council has met four times in the year and addressed urgent items outside of these meetings as required. There has been significant discussion and consultation on new or contentious issues, ensuring that due consideration is applied before any policy decisions are taken. It is this team approach of consultation that has provided robust solutions to ethical issues as they arise. All ethical breaches identified during the year were discussed at the Ethics Council meeting with the relevant Council member investigating the root cause with the local office partners. Once cause is established the Council decide on the appropriate corrective action to ensure these issues do not recur.

We have made changes to the Firm's Ethics Manual in the year to clarify policies and to address any required changes. Any urgent issues are communicated to all staff at the earliest opportunity and amendments to the Ethics Manual are addressed in the Firm's six-monthly updates. The weekly 30-minute training provision for audit staff: 'It's not Rocket Science' has provided an excellent forum for the Firm's Ethics Partner to cover ethical issues in an interactive session.

Our focus for the coming year is the consolidation, and continual improvement, of the Firm's ethical procedures throughout all the offices. The implementation of the Firm's required standards will remain the key focus, to ensure the sharing of best practice and a consistent ethical culture across the Firm.

We will also be considering the impact of the changes reflected in the revised FRC Ethical Standard 2024. I am pleased, on first review, to note that most issues raised in the 2024 Ethical Standard are already reflected and embedded in our current ethics policies and procedures.

As we look to the future we remain committed to upholding the highest ethical standards and to the core values of integrity, respect and excellence. In a period of rapid change and increasing complexity, we take the trust placed in us by our clients, regulators and the public very seriously. The business landscape will continue to evolve presenting new challenges and opportunities and we are mindful that we require continued robust systems, dedicated professionals, and unwavering commitment to enable us to navigate these changes successfully.





## Chair of the Oversight and Public Interest Committees

### Mark Goodey

## Report of the Chair of the Oversight and Public Interest Committees

### Introduction

As the Chair of the Oversight Committee (OC) and Public Interest Committee (PIC), I am pleased to present this report and to provide details of the actions undertaken, and to be undertaken, by the INEs. The OC and PIC were established in January 2024 as part of the Firm's implementation of the AFGC.

### Committee Composition

The PIC comprises three independent non-executives (INEs) and two partners:

Mark Goodey – INE.

Dianne Azoor Hughes – INE.

Tim Davies – INE.

Bianca Silva – Partner

Atul Kariya – Partner

The OC comprises the members of the PIC and Managing Partner and Group Chairman of MHA, Rakesh Shaunak.

### Role and Responsibilities

In accordance with the AFGC, one of our main roles is helping to enhance confidence in the public interest aspects of the Firm's activities focussed towards enhancing audit quality, securing and maintaining reputation and delivering long term financial resilience. This is partly achieved through having full visibility of the entirety of the business.

We will assess the impact of Firm strategy, culture, senior appointments, financial performance and position, operational policies and procedures including client management processes, and global network initiatives on the Firm and the audit practice in particular.

As INEs, we do not hold voting rights nor are we responsible for the Firm's strategy or financial performance. Our role is to provide challenge and independent counsel to the Firm from a public interest perspective. The PIC's primary focus is to enhance stakeholder confidence in the public interest aspects of the Firm's activities.

### Meeting Schedule and Communication

The OC met once in the period to March 2024 and will meet at least four times a year, with additional meetings as necessary. At this meeting the OC reviewed the terms of reference and membership for each of the OC and PIC and set the agendas for future meetings of each committee. The OC and PIC also started receiving information on key areas of oversight as set out below. In addition to the formal meetings, the INE's meet as a group between these meetings and with key personnel as appropriate.

Information gathered from PIC meetings will contribute to the agenda of the OC, and we will engage with various leaders within the Firm including the Managing Partner, Chief Risk Officer, Firm's Ethics Partner, Head of Audit and Head of Technical.

The relationship between the OC, the PIC and the Audit Quality Board (AQB) is described in the Governance section later in this report.

### Key Areas of Oversight

**Audit Quality:** The Head of Audit and Chair of the Audit Quality Board (AQB) provide updates on audit quality, regulatory developments, and actions arising from internal and external reviews and compliance breaches.

**Ethics:** The Firm's Ethics Partner updates us on key policies and procedures related to ethics, risk management, breaches, regulatory, and reputational matters, including external and internal developments.

**Risk and Quality Matters:** The Chief Risk Officer provides updates on quality-related policies and procedures, including the latest developments and their effectiveness within the Firm.

**Whistleblowing:** We conduct a review of whistleblowing reports to ensure transparency and address any concerns promptly.

**Financial Crime:** Annually, we receive and review reports from the Firm's Money Laundering Reporting Officer (MLRO).

**People:** We meet with the Head of HR to review and provide recommendations on the Firm's people policies, employee survey results, and employee relations data.

## Specific Focus Areas

- **Audit Practice:** We receive updates on the Strategic Audit Quality Plan and on significant policy changes, culture change initiatives, and metrics relating to recruitment, retention, learning and development, reward, and resourcing.
- **Audit Firm Governance Code (AFGC):** We receive an annual report from the Management Board detailing the Firm's compliance with the AFGC and its Code of Conduct.

## Authority and Investigations

The PIC investigates any activity within its terms of reference. We can seek information from any partner or employee to conduct our work effectively. Our responsibilities include:

- Considering matters affecting the public interest, including those related to the Baker Tilly network.
- Having a dedicated section in the Transparency Report, and reviewing, and making constructive and critical comments, the report as a whole, prior to being published.
- Attending periodic meetings with regulatory authorities and representatives of shareholders of public interest entities.
- Contributing to the succession planning process of the Firm's INEs, including their onboarding, induction, and ongoing training and development.

## Governance and Operational Effectiveness

To support the Firm in meeting its strategic goals, the Firm has structured its internal governance frameworks to facilitate efficient decision-making and operational effectiveness. The Firm's growth and evolution has necessitated a review of key roles and responsibilities. The new governance and technical structure introduced this year will enable scrutiny at all levels and will improve quality at each stage. The role of the OC and PIC will be to review and challenge the operational effectiveness of this governance structure with a particular focus on public interest issues.

## Activities and Focus

Our initial focus has been on the implementation of the AFGC framework and obtaining comprehensive reports from the Firm's Head of Audit, Chief Risk Officer, Head of Ethics, and Head of People.

We have reviewed the Firm's processes around their testing, evaluation of findings and reporting on their compliance with International Standard on Quality Management 1 (ISQM1). We have challenged the Firm's management on how the findings from the 2023 evaluation will be addressed, and how the systems and processes in the firms that have joined MHA in the current period will be assessed to ensure the enlarged Firm is fully compliant by the 2024 testing date.

We have reviewed correspondence between the Firm and the Financial Reporting Council (FRC) and reports received from external inspections. As INEs we have met with the FRC inspection team to gain their first-hand perspectives on the Firm and areas they regard as important. We have challenged the Firm in their completion of root cause analyses on findings that have been communicated and in their implementation of appropriate action plans to enhance systems and processes to appropriately communicate and train audit and other practitioners in the Firm

As the Firm continues to enhance its infrastructure around the provision of audit services in the Public Interest Entity audit space our role will be to provide the appropriate challenge and support to the Firm as it invests in this important market segment. We have seen that to date the Firm has welcomed this challenge albeit close monitoring of AQR results is needed during a period of transition.

We have reviewed the Audit Quality Plan and receive regular reports from the Audit Quality Board on progress and actions taken. We have received presentations on audit methodology and planned changes to technology that will improve audit efficiency for the teams. We have challenged the Firm to move faster in implementing its various quality initiatives.

We have also received the following:

- Presentation on audit resourcing and partner licensing
- Presentation on the tax service line processes
- Presentation on Firms risks
- Presentations on financial resilience including management accounts, reports from regional chief operating officers (“COOs”), financial forecasts, long term funding and insurance cover
- Presentation on Partner remuneration process including quality objectives
- Output from Partner and staff surveys

### Future Plans

In this short first period since its formation, the focus of the OC and PIC has been to assimilate knowledge about the Firm and to receive information from management. Our future plans include further strengthening our engagement with stakeholders, enhancing our oversight functions, and ensuring continuous improvement in audit quality, ethics, risk management, and people policies. We aim to foster a culture of transparency and accountability, contributing to the Firm’s long-term success and public trust.

We plan to meet more MHA partners and staff members across the various offices so that we can understand their perceptions of the Firm’s culture. We also plan to meet with a number of Audit Committee Chairs of PIE engagements to discuss MHA’s audit service.

### Summary

MHA’s implementation of the AFGC framework is at an early stage of its journey. The transition period has been challenging, but the Firm has responded positively and has not underestimated the work needed. The INEs will challenge, support and encourage the Firm on its journey to improve audit quality and serving the public interest.

This report highlights our commitment to transparency, accountability, and continuous improvement. We look forward to continuing our work and making meaningful contributions to the Firm’s governance and public interest objectives.



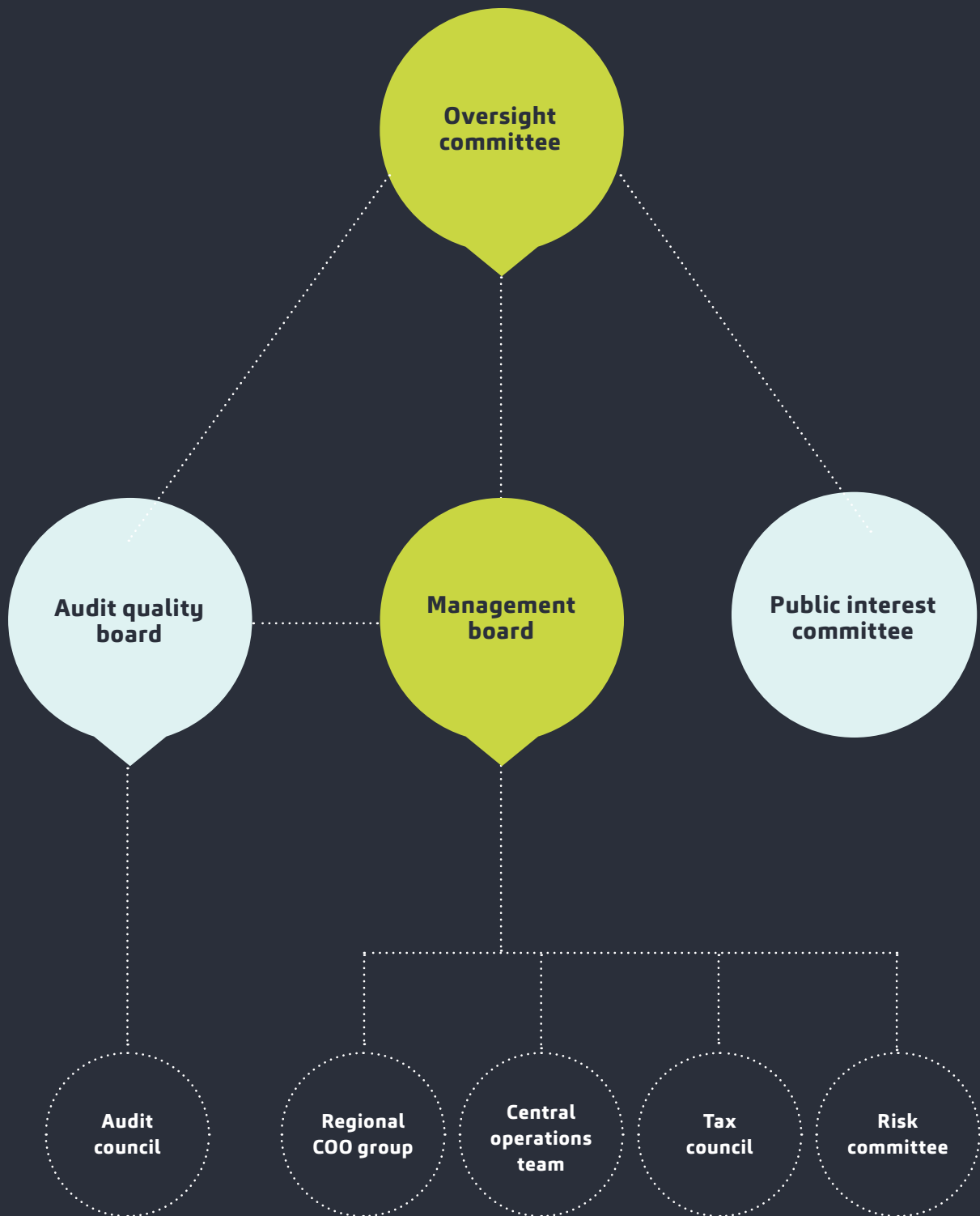
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## Governance

We have spent considerable time making changes to our governance structure during the last year to ensure strategic internal decision making is subject to robust independent challenge to facilitate compliance with the 2022 Audit Firm Governance Code (AFGC) which we adopted effective 1 January 2024.

The new internal governance framework depicted below aims to support the Firm in meeting its strategic goals and promote the long-term sustainability of the Firm.

## Governance structure



## Independent non-executives (INEs)

Firstly, it is important to outline that as part of the Firm's commitment to operate under the latest best practice it has introduced INEs to its Oversight Committee (OC) pursuant to the adoption AFGC.

We believe that this level of independence from the leadership of the Firm best serves the public interest by helping to ensure audit quality.

### INE appointment, time commitment and remuneration

The Firm engaged with external head-hunters in sourcing our three INEs and all appointments were subject to a pre-appointment meeting with the Financial Reporting Council (FRC).

INEs are appointed for an initial term of three years and are eligible for re-appointment subject to a maximum period of service of up to nine years. On appointment, the INEs completed a formal and tailored induction.

The expectation is that each INE will spend a minimum of 30 days per annum (this could be up to 50 days for the Chair) on matters pertaining to their role. Before accepting appointment, INEs are asked to carefully consider their ability to commit time to their role and declare, on an ongoing basis, any other commitments they have that could impact this.

In addition to the OC itself, the three INEs are also positioned on the following sub committees:

- Public Interest Committee (PIC)- one as Chair and two as members; and
- Audit Quality Board (AQB)

The remuneration of the INEs is reviewed annually by the Management Board without any INEs present and are remunerated according to their roles.

### Roles and responsibilities

On the OC, the INEs primary remit is restricted to our public interest responsibilities, approach to quality (particularly, but not exclusively, in audit), and the Firm's reputation and risk management.

They have specific responsibilities as set out by the AFGC, including oversight of the Firm's policies and processes for:

- Promoting audit quality
- Helping the Firm secure its reputation more broadly, including in its non-audit businesses
- Reducing the risk of Firm failure

The following key elements of the INEs' role on the OC are considered important in achieving this:

- to be able to demonstrate excellence to key institutions
- to challenge the Firm's recognition of its public interest responsibilities and its attitude towards quality
- to challenge the Firm's approach to risk management and governance
- to challenge the Firm's proposition as a leading provider in its chosen markets
- to be involved in strategic aspects of people policies, performance and procedures
- liaise and engage with the FRC as appropriate.

In order that they may discharge these duties, the INEs on the OC:

- are invited to attend all OC meetings, where they will hear regular updates as to the Firm's progress against the Managing Partner's strategic plan
- are invited to attend all-partner meetings and receive all-partner communications
- meet with the Management Board members regularly
- meet regularly with the Head of Audit, Firm's Ethics Partner, Firms Chief Risk Officer, Head of People and Culture through the Public Interest Committee (PIC)
- have access to minutes of OC and subcommittee meetings
- have access to details of whistleblowing reports through membership of the PIC
- have a dialogue about matters covered by the AFGC with listed company shareholders and listed companies as appropriate
- meet with other senior stakeholders and partners to develop and maintain a strong understanding of the Firm's business
- have access to, and support from, the OC Secretary
- receive Ethics and AML training as deemed appropriate
- have access to other relevant information, resource, and records as appropriate

With regard to the INEs role on the AQB, they have responsibility for overseeing the implementation of, and making recommendations relating to, the Audit Quality strategy in respect of maintaining and improving the Firm's levels and consistency of audit quality in accordance with relevant professional standards, and to champion the public-interest nature of the audit practice.



### **To discharge these duties, the INEs:**

- attend AQB meetings
- are provided with an Audit Investment Plan which details how the strategy will be achieved and provided with the mechanisms to monitor this
- are provided with defined Audit Quality Indicators as they are agreed
- meet periodically with the PIC regarding the above assessments and any related recommendations for maintaining and improving audit quality
- have access to other relevant information, resource, and records as appropriate
- receive Ethics and AML training as deemed appropriate

### **Independence and outside interests**

It is accepted and acknowledged that our INEs have business interests other than those of the Firm and have declared any conflicts that are apparent at present. If they become aware of any potential conflicts of interest, these are required to be disclosed to the OC Chair, OC Secretary and the Firm's Ethics Partner as soon as apparent.

Their financial interests and other roles are verified quarterly in addition to the completion of our Annual Declaration process.

They may not hold investments in any of the Firm's audit clients and this is confirmed during the pre-appointment process, and on an ongoing basis.

### **Performance evaluation**

The performance of INEs as individuals, and of the whole board collectively, is evaluated annually. INEs are asked to be part of the process to evaluate the effectiveness of the relationship between senior management and the board/s they sit on, and the effectiveness of the board itself.

Biographies of the INEs are included further in this report.

### **Fundamental disagreements**

Our INEs have a right of access to relevant information and people to the extent permitted by law or regulation, and a right to report a fundamental disagreement regarding the Firm to its owners. If there is a fundamental disagreement between an INE and members of the Firm's Management Board and/or its OC;

- The INE shall set out the nature and status of the disagreement, in writing, to the Managing Partner and the Chair of the OC (copied to the members of the OC, including the other party in disagreement), together with any other details such as a need for further information, the respective positions of the parties and any preferred criteria for resolving the disagreement.

- The Managing Partner (or the Chair of the OC if the Managing Partner is one of the parties in disagreement) shall respond to the INE in writing by setting out the proposed timescale and method for resolving the disagreement.
- At the conclusion of the proposed time, the INE and the other party in disagreement shall indicate whether or not the disagreement has been resolved.
- If the disagreement has not been resolved, both the INE and the other party in disagreement must indicate whether a further intercession by the Managing Partner (or the Chair of the OC if the Managing Partner is one of the parties in disagreement) is desired.
- If no such indication is made and the disagreement persists, the INE or the Firm may terminate the INE appointment. The termination or resignation of an INE will be reported publicly. In the event that the disagreement is between the Managing Partner and an INE who is also the Chair of the OC, then the INE should raise the matter with the Public Interest Committee (PIC) who shall follow the same process to resolve the disagreement as outlined above.

### **Oversight Committee (OC)**

The primary focus of the OC is to oversee the stewardship, accountability and leadership of the Firm and to provide clear sighted counsel on its strategic direction and the alignment to principles. In carrying out its role the OC will seek to balance the interests of the various stakeholders to whom it is responsible in order for the Firm to have a successful and sustainable future.

The OC comprises of all three independent non-executives (INEs), the Managing Partner and two other Partners of the Firm who have been selected by the Firm's Management Board from the nominations received from the partnership.

### **Members:**

- Mark Goodey - INE (Chair)
- Dianne Azoor Hughes - INE
- Tim Davies - INE
- Rakesh Shaunak - Managing Partner and Group Chairman
- Bianca Silva - Partner
- Atul Kariya – Partner

Only the elected Partners and Managing Partner are full voting members of the OC.

The OC is required to meet a minimum of four times a year (See Appendix for statistics of meeting attendance). Further meetings may be called if required and the quorum for meetings is two thirds of voting members. Notice of each meeting, including an agenda is disseminated to each member of the OC with sufficient time to enable consideration of the issues. Only members of the OC have the right to attend meetings. Other guests (both internal and external to the Firm) may attend by invitation.

### **Roles and responsibilities**

The OC has the following roles and responsibilities:

- To review and challenge the draft plan and priorities (the "Strategic Plan") before these are presented to the Partners as a whole.
- To discuss any material variations they propose to make to the Strategic Plan before these are presented to the Partners as a whole.
- In the event of or in anticipation to any material departure from the Strategic Plan, the OC shall meet to discuss the circumstances of such departure to raise questions and provide independent challenge to any resultant actions proposed.
- Review the minutes and reports from the Management Board, the Risk Committee (RiCo), the Public Interest Committee (PIC) meetings, as well as review the management accounts of the Firm
- Satisfy itself annually, that the risk management policies, level of professional indemnity insurance (PII) cover and other material business policies proposed in relation to those matters which are fundamental to the protection of the Firm, are appropriate.
- Satisfy itself annually, that there are adequate provisions to enable the assessment of progress in implementing the Strategic Plan and review whether they continue to be appropriate in respect of unforeseen events.
- Undertake an annual budget review.
- Satisfy itself that the remuneration policy has been followed.
- Review the management accounts of the Firm pursuant to clause 25 of the AFGC
- Confirm annually to the Partners as a whole that it has compared the progress of the Firm with the Strategic Plan.

### **Other roles and responsibilities as required:**

- Approve an increase or decrease in the total number of Partners or employees by 20% or more in any one Accounting Period.
- Approve any capital or investment expenditure or disposals of £10,000,000 or more.

- Approve the opening or closure of an office, commencement or disposal of a Service Line, or business combination or disposal, which would change respectively the planned gross revenue by 10% or more.
- Approve entering into property leases where the aggregate commitment up to the first available date pursuant to an option in favour of the LLP is £2,500,000 or more.
- Approve the provision by the LLP of a guarantee, indemnity or other commitment of £2,500,000 or more (other than by a Partner in the ordinary course of acting as an officeholder in an insolvency proceeding).
- Approve any new or amended borrowing or financing arrangement in excess of £10,000,000.
- Approve any proposals made by the Management Board to vary any of the provisions relating to financial settlements for outgoing Partners.
- Approve the criteria for the removal of Partners and the process to be followed.
- Hearing appeals from outgoing Partners.

### **Legal advice**

The OC is entitled, at the cost and expense of the Firm to take such legal advice as they think fit on behalf of the Firm from the internal legal team and/or external legal advisers, with regard to any matter relating to the Firm, its business, a Partner or outgoing Partner. Any such advice so obtained by the OC shall be confidential and shall enjoy legal privilege.

### **Public Interest Committee (PIC)**

The primary focus of the PIC is to enhance stakeholder confidence in the public interest aspects of the Firm's activities. As such, the PIC oversees the Firm's policies and procedures for promoting quality, ensuring the protection of the Firm's reputation, and reduce the risk of Firm failure.

In addition, the PIC is responsible for engaging, together with the Firm's Management Board, in dialogue with our regulator's, external stakeholders and representatives of shareholders of public interest entities.

As a sub-committee of the OC all three independent non-executives (INEs) are also positioned on the PIC with two other Partners of the Firm who have been selected by the Firm's Management Board from the nominations received from the partnership.

### **Members:**

- Mark Goodey - INE (Chair)
- Dianne Azoor Hughes - INE
- Tim Davies - INE
- Bianca Silva – Partner
- Atul Kariya – Partner

In addition to the PIC members, each meeting the following individuals are invited to attend:

- The Managing Partner
- Chief Risk Officer
- Firm's Ethics Partner
- Head of Audit

The Firm's Finance Director, Head of People, Head of IT or any other Head of department or service line may be invited to attend all or part of any meeting.

The PIC is required to meet a minimum of twice a year (See Appendix for statistics of meeting attendance). Further meetings may be called if required and the quorum for meetings is two thirds of members. Notice of each meeting, including an agenda is disseminated to each member of the PIC with sufficient time to enable consideration of the issues. Only members of the PIC have the right to attend meetings. Other guests (both internal and external to the Firm) may attend by invitation.

### **Roles and responsibilities**

The PIC receives updates from the:

- Chief Risk Officer on the Firm's key policies and procedures (insofar as they impact on the public interest aspects of the Firm's activities) relating to quality matters, and any associated risk management, regulatory or reputational matters.
- Head of Audit and the Chair of the AQB on audit quality, developments with the FRC on AQR's, developments with the ICAEW on QAD reviews, and actions arising from these.
- Firm's Ethics Partner on the Firm's key policies and procedures (insofar as they impact on the public interest aspects of the Firm's activities) relating to ethics, and any associated risk management, regulatory or reputational matters.

### **Other roles and responsibilities of the PIC include:**

- Reviewing the status of, and significant findings from, any regulatory violations and compliance breaches that have occurred in the period.
- A review of Whistleblowing reports.
- Receive and provide comment on a report from the Firm's MLRO at least annually.

- Meet at least annually with the Head of People to consider and provide comment/ recommendations on the Firm's people policies and procedures, including a review of employee survey results and employee relations data. For the Audit practice specifically, the PIC receive an update on significant policy changes and culture change initiatives, as well as receive the indicators and metrics relating to the monitoring of people matters including (but not limited to) recruitment and retention, learning and development, reward and resourcing.
- Receive an annual report from the Management Board detailing how the Firm has met its various obligations under the AFGC.
- Consideration to any other matters that may affect the public interest, including relevant matters relating to the Baker Tilly network.
- Attend periodic meetings with representatives of the Financial Reporting Council and other regulatory authorities as required.
- Attend periodic meetings with representatives of shareholders of public interest entities.

Input, as it becomes relevant, into the process of succession planning of the Firm's INEs including their onboarding, induction and ongoing training and development.

## **The Management Board**

### **The Management Board's core responsibilities are to:**

- ensure the Firm operates within the principles as set out in the Firm's LLP agreement.
- assess and control risk, including protecting the goodwill and reputation of the Firm.
- develop and implement the Firm's strategy driving financial and operational management that delivers a profitable and sustainable Firm.
- ensure the Firm complies with all relevant professional, regulatory, reporting, legal and ethical obligations, ensuring quality is at the heart of everything undertaken by the Firm.
- foster an inclusive culture underpinned by our STAR values for everyone at the Firm.
- consider the Firm's obligations and commitments as a member Firm of the Baker Tilly network.

### **The Management Board comprises of:**

- Chairman – as elected by the partnership
- Vice Chairman – as elected by the partnership
- 3 other members – as elected by the partnership
- Up to 2 other members - as required and appointed by the Chairman

Biographies of the members of the Management Board are included in the appendices to this report, along with information on the Firm's STAR values.

The Management Board meets monthly. Further meetings may be called by any member of the board if required. The quorum for meetings is two thirds of its members.

Notice of each meeting, together with an agenda of items to be discussed, are disseminated to each member of the board in sufficient time to enable consideration of the issues. Only members of the Management Board have the right to attend meetings. Other guests (both internal and external to the Firm) may attend by invitation of the Managing Partner.

Decisions are reached by a simple majority, with the Managing Partner having the casting vote. Resolutions may be made at a meeting verbally, in writing or electronically.

Minutes of the Management Board meetings are made available to the OC. The Managing Partner reports to the OC following each meeting of the Management Board.

Members of the Management Board are subject to a yearly performance evaluation (including their performance on the Management Board) which is reported to the OC. The board regularly reviews its own performance, constitution, and its Terms of Reference to ensure it is operating at maximum effectiveness.

### **Audit Quality Board (AQB)**

Further information is contained later in the report outlining the AQB's structure, roles and responsibilities, along with details of the Audit Council's role for operational implementation and oversight of the Firm's strategic plan with regard to Audit and Assurance services.

### **Future plans**

Whilst the above governance structure is in its infancy, over the coming year, the Firm is committed to the implementation of best practice across all areas of the business. We are confident that the INEs will provide constructive challenge and specialist advice with a focus on the public interest. The new governance structure will provide a solid foundation on which to hold all partners and staff accountable, promoting an appropriate culture, that supports the consistent performance of high-quality audits in serving the public interest and the long-term sustainability of the Firm.





# Audit quality

Audit quality is the foundation of our audit strategy and underpins many of the actions that we have taken during the year. Key to this has been a significant expansion in our Technical Team following the appointment of a new Head of Technical on 1 August 2023, and the introduction of new processes and procedures following the first full year of adoption of ISQM (UK) 1.

## Regulatory framework

We adopt ISQM (UK) 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Service Engagements, promulgated by the Financial Reporting Council (FRC), and the Audit Regulations of the Institute of Chartered Accountants in England and Wales (ICAEW).

We have documented policies and procedures in place to ensure we comply with their requirements. These policies and procedures are maintained by our Technical Team and approved by our Audit Council (see below). Regular bulletins, training sessions and meetings are used to communicate these to all relevant partners and staff.

## Leadership responsibilities for quality within the Firm

Our Group Chairman, Rakesh Shaunak, supported by the Management Board, has ultimate responsibility for our System of Quality Management (SoQM). Our Audit Quality Board has a key role in quality governance and supports and challenges the Firm's Management Board, including on matters highlighted by the Audit Council, Oversight Committee and Public Interest Committee.

# Audit service line governance

## Oversight of Audit Service Lines

Audit Quality Board



## Operational control of Audit Service Line

Audit council



### Direct INE Oversight

**Dianne Azoor Hughes**

**Mark Goodey**

**Tim Davies**

### Direct Partner Oversight

**Simon Knibbs**  
ACP  
**Alex Kelly**  
Audit Partner

**Alex Kelly**  
Audit Partner

**Andrew Moyser**  
Head of Audit

**Kate Arnott**  
FEP

**Pillar 1**  
**Matt Howells,**  
Head of Technical

**Pillar 2**  
**Neil Parsons,**  
Technical Director

**Pillar 3**  
**Massimo Laudato,**  
Technical Partner

**Pillar 4**  
**Chris Greenhalgh,**  
Technical Partner

Audit Quality  
Transformation and  
change  
Methodology and L&D  
Technical Support and  
Guidance

Financial Reporting

Technical Audit Delivery  
& Sector Methodology

Risk, regulatory  
and compliance

## Audit Risks and the Firm's Approach

Audit Risk	Approach
<p><b>Managing growth</b></p>	<p>We have seen strong growth in our audit practice over the last few years, both organic and via acquisition/merger, and expect this to continue in future.</p> <p>We use an Engagement Risk Acceptance Panel, composed of partners and directors from our risk, technical and audit departments, to maintain tight controls over the risk profile of engagements we accept and the pace of our growth. This means that we grow in the sectors where we have the expertise to deliver a high-quality audit service with adequate resources available. We utilise a comprehensive risk matrix for all new and existing audit engagements, which guides the decision on whether to accept or continue an engagement, ensures that we have oversight and control of our audit portfolio.</p> <p>We focus our growth in sectors which are supported through our wider network, Baker Tilly International (BTI). This ensures international engagements can also be delivered to a high-quality standard.</p> <p>Our strategic recruitment has allowed for successful niche appointments in certain sectors team, creating teams of very highly skilled sector specialists to improve our audit capabilities.</p> <p>We have a resource management group to enhance the allocation of resources around the Firm. They are conducting a skills audit to help ensure the right individual is given the right work at the right time. Together with a resource management tool, this breaks down barriers to ensure available resources, skills and suitability are considered on a Firm-wide basis to ensure the most appropriate teams is allocated to the right job.</p>
<p><b>Consistency in audit quality throughout the Firm</b></p>	<p>The Firm maintains a specialist RI licensing policy to drive audit quality by deploying only experienced RIs in certain sectors and industries. For large assignments, we adopt a two-partner approach, to enhance the robustness and internal challenge of our audit work.</p> <p>The Firm has a Contentious Issues Forum (CIF) to deal with differences of opinion arising from the audit team, Engagement Quality Reviewer (EQR) or Technical Team, or significant disagreements with the client which may impact our audit opinion.</p> <p>The Firm promotes its Speak Up and Whistleblowing Policy ("Speak-up") to all staff to ensure that any concerns are dealt with properly.</p>
<p><b>Complexity of Financial Reporting</b></p>	<p>We have strengthened our Financial Reporting team with the addition of two new technical managers. The Financial Reporting team performs mandatory technical reviews of financial statements of all PIE and listed audit clients, and assists engagement teams and EQRs on areas of the financial statements that do not comply with the relevant applicable financial reporting framework and/or legal requirement(s).</p> <p>The secondary purpose of the review is to assist the engagement teams and EQRs in providing other observations to help improve the overall quality of the financial statements. This may include alternative ways of presenting information, improving the wordings of disclosures, referring to examples of best practice, or providing authoritative guidance.</p> <p>The Financial Reporting team supports audit teams along with other specialists such as ESG or Tax to ensure that specialist areas of financial reporting meet the Firm's standard of quality.</p>
<p><b>Acting in the public interest</b></p>	<p>Our purpose is to enhance the confidence of the intended users of audited financial statements, whilst our audits enhance the understanding of the financial position and performance of the audited entity.</p> <p>The Firm has implemented the Audit Firm Governance Code and will further enhance its accountability for acting in the public interest through scrutiny by the Public Interest Committee.</p>

## The Audit Quality Board (AQB) Members

**Rakesh Shaunak,**

Managing Partner, and Chairman of the Board

**Andrew Moyser,**

Head of Audit, Vice Chairman of the Board,  
and member of the Audit Council

**Simon Knibbs,**

Audit Partner, Audit Compliance Partner,  
and member of the Audit Council

**Kate Arnott,**

Audit Partner, Firm's Ethics Partner, and member  
of the Audit Council

**Alex Kelly,**

Audit Partner, and member of the Audit Council

**Matt Howells,**

Head of Technical Partner, and member of the Audit Council

**Massimo Laudato,**

Technical Partner, and member of the Audit Council

**Chris Greenhalgh,**

Technical Partner, and member of the Audit Council

**Toby Stephenson,**

Audit Partner, and member of the Audit Council

**Dianne Azoor Hughes,**

Independent Member

**Mark Goodey,**

Independent Member

**Tim Davies,**

Independent Member

## Roles and responsibilities

- 1 Approve the annual Quality Improvement Programme
- 2 Monitor the execution of the annual Quality Improvement Programme
- 3 Review the annual Quality Report
- 4 Advise the Technical Team on matters relating to the SoQM
- 5 Review and advise on action plans
- 6 Make recommendations to the Management Board, as appropriate
- 7 Consider the quarterly reports from the Audit Council
- 8 Setting the operational activities for the Audit Council.

The focus of the Audit Quality Board will be on higher risk Audit and Assurance services.

In future, the Firm's Management Board may consider extending this scope to Tax and Advisory services, or separate bodies may be set up to consider those service lines.





## Biographies of independent non-executives



### Mark Goodey

Mark is an experienced independent non-executive board director and trustee, is a chair of audit and finance committees, and provides consultancy services as an independent audit expert. Mark Goodey spent his professional life (1981-2022) working at Deloitte, London, the last 31 years as a partner. He was a respected senior partner with strong financial literacy skills gained through working with businesses in the UK and Internationally in the hospitality, real estate, and telecommunications sectors.

Mark's strengths include:

- leveraging deep expertise to lead complex, cross-border audits.
- working on acquisitions, disposals, reconstructions, and Initial Public Offer (IPO) projects to credibly drive strategic decision-making.
- advising at Board-level as an integrity-driven and highly organised technical, financial and governance expert.
- leading the re-engineering, innovation, and implementation of business-wide financial processes to optimise organisational efficiency.
- building collaborative key senior stakeholder relationships, including with regulators.

In addition to client projects, Mark established and chaired a committee with responsibility for assessing the impact of partners' quality of work on their remuneration and chaired challenge panels for engagements where decisions need to be made based on consensus.



### Dianne Azoor Hughes

Dianne Azoor Hughes has more than 35 years' business experience. Currently, she is an independent director and a consultant in governance, risk, and audit in Melbourne, Australia. Her expertise includes corporate governance and risk, financial management, financial reporting, audit, and ethics.

Dianne is a director of the Australian Accounting Professional & Ethical Standards Board (APESB). Previously, Dianne was the Technical Standards Partner for Pitcher Partners (a member Firm of BTI), with responsibility for audit quality, audit training and independence for the Australian network for more than 13 years.

Dianne was a member of the Australian Auditing & Assurance Standards Board for a maximum 3 terms (8 years) and has been a member of IAASB project task forces. She is also the author of guidance published by the Australian Institute of Company Directors to 'promote directors' understanding of their corporate financial responsibilities.



### **Tim Davies**

After starting his career at HMRC and then at two of the big 4 accounting practices, Tim has spent most of his career in Board and senior leadership positions at two mid-tier Firms. This has provided him with a unique perspective and substantial experience in advising clients and running professional services organisations in the UK and overseas. He also holds an Executive MBA.

Tim was elected to the UK Executive Board of Mazars in 2011 and served two terms, the first as Head of Tax and then as Head of Markets. He was also appointed to the Global Tax Board to grow and develop the tax business worldwide. In his markets role, he was responsible for sectors, client service and profitability, marketing, and regional offices.

In 2019, Tim joined Haysmacintyre as Head of tax and in 2022 was elected to the Firms Leadership Board and retired from the Firm in 2023. Tim also holds two non-executive roles with Save the Children and since 2013 has established his own business advising professional services Firms on strategy, governance and business model improvement.



## The Audit Council

The Firm's Audit Council meets periodically as required and formally at least quarterly. The Audit Council consists of the Head of Audit, Audit Compliance Partner, Firm's Ethics Partner, all Technical Partners and any additional member/s selected by the MHA Board.

The overarching responsibility of the Audit Council is to ensure audit quality remains at the top of the Firm's agenda at all times and monitor and deliver audit culture and audit processes within the Firm, focusing on improving and maintaining audit quality.

The scope of the Audit Council's activities will be restricted to the Audit and Assurance services provided by the Firm, including non-audit forms of assurance.

### The Audit Council's responsibilities and duties include the following:

- 1 Review and approve the annual Quality Improvement Program and recommend it to the Audit Quality Board;
- 2 Review and monitor on a quarterly basis the annual Quality Improvement Programme;
- 3 Develop, approve and monitor the Firm's audit quality strategy, including Firm and file level Audit Quality Indicators (AQI);
- 4 Review the BTI audit & assurance strategy and how the Firm's strategy fits in;
- 5 Review and approve the annual appraisal of the Firm's Systems of Quality Management and recommend it to the Audit Quality Board;
- 6 Form an ad hoc working group to assist with any matters as required;
- 7 Receive a quarterly update from the Firm's Ethics Partner, Audit Compliance Partner, Head of Audit and Firm's Chief Risk Officer;
- 8 Periodic update on the activity in each Technical Pillar;
- 9 Approve key matters and judgements included in the Firm's policies and procedures;
- 10 Lead the preparation and publication of the Firm's Transparency Report;
- 11 Constitute and oversee various sub-groups/functions within Audit and Assurance services
- 12 Monitor the Firm's compliance with the RI quality assessment policy which has just been implemented.
- 13 Review and consider the results from internal and external audit reviews and subsequent root cause analyses and consider action plans including adjustments to RI licences
- 14 Prepare a quarterly report to the AQB on matters arising from the above activities and receive instruction



## Current Members of the Audit Council



**Andrew Moyser**

The Firm's Head of Audit and Vice Chairman of the Management Board and an experienced audit partner dealing with larger corporates and listed entities.



**Kate Arnott**

The Firm's Ethics Partner and an experienced audit partner working with commercial clients in the professional practices, manufacturing and engineering sectors.



**Simon Knibbs**

The Firm's Audit Compliance Partner and an experienced audit partner dealing with larger corporates and listed entities.



**Alex Kelly**

Audit Partner in-charge of overseeing financial reporting matters including financial statement reviews and financial reporting queries



**Chris Greenhalgh**

The Firm's Money Laundering Reporting Officer (MLRO) and Technical partner overseeing risk, regulatory and compliance matters, including liaising with the ICAEW's Quality Assurance Department (QAD).



**Massimo Laudato**

Technical partner involved in supporting delivery of large and complex audit engagements, principally for Public Interest Entities, FTSE, AIM and other listed entities, interfacing with the audit regulators in respect of compliance matters, inspections, and investigations and in developing audit practices and methodology for specific business sectors.



**Matt Howells**

The Firm's Head of Technical and Technical Partner in-charge of overseeing audit quality, liaising with the audit regulators in respect of audit quality matters, inspections and investigations; enhancing the Firm's methodology and technical learning curriculum, technical support and guidance



**Toby Stephenson**

Experienced audit partner with over 20 years RI experience predominantly dealing with international groups and UK subsidiaries of international parents as well as acting as RI and EQR partner on several of the Firm's listed and other higher risk clients.

## **National Assurance Specialist Advisory (NASA) Our Technical Team**

The Technical Team reports directly to the Audit Council, assisting in the delivery of the Council's objectives.

The Technical Team has been strengthened significantly this year with the recruitment of thirteen new members including the Head of Technical, a Technical Partner, an Audit Quality Director, an Audit Technical Director, a Transformation and Change Director, five Technical Senior Managers and four Technical Managers. We have a highly skilled team of assurance specialists covering a wide range of auditing, financial reporting and training skills, who work in a more collaborative, proactive advisory role with the audit teams. This shift in emphasis to more proactive support has seen audit teams engage with our technical specialists in a different way, addressing key issues earlier in the process and enhancing the quality of their work.

On our Public Interest Entity engagements, and certain other large complex audits, our Technical Audit Delivery & Sector Methodology team works very closely with the auditors as a member of the engagement team, providing technical support on the more complex and high-risk areas. This helps to drive audit quality by enhancing the technical skills in the team and enabling the team to focus their work on the right areas. The emphasis on proactive support, in addition to responding to technical queries from audit teams, has seen an increase in guidance issued addressing key themes arising from queries and quality reviews.

We have continued our weekly It's Not Rocket Science (INRS) training sessions for all audit partners and staff to promulgate key messages, topical issues and technical issues including financial reporting and audit matters to bring to life the quality message. We continue to provide half yearly technical training updates covering a wide range of topics (eg changes to auditing standards, results of internal inspections, AML, Ethics, financial reporting updates, climate risk, updates on the Firm's audit methodology), in addition to specialist sector trainings such as Banking, Academies and Not for Profit.

## **Audit Methodology**

We have invested heavily in recent years developing "Global Focus", the BTI global audit methodology. The methodology has been developed collaboratively by an international board comprising senior representatives from BTI member Firms from each region, including ourselves.

Global Focus is a risk-based audit approach, which is fully compliant with the International Standards on Auditing (ISAs), aligning its terminology with that used in the ISAs to aid understanding and clarity.

Our audit manual details the audit methodology, how it is applied and how it is reflected in our Global Focus audit software. The Audit Manual is supported by additional guidance in key areas.

Application of our Global Focus methodology enhances our service provision to clients around the world, with a consistent level of service being provided regardless of location.

Training on the new methodology is provided by members of the Technical Team. New joiners in the Audit Department have access to a suite of recorded presentations to help them adopt the methodology effectively and efficiently. Our audit update training includes the audit methodology at its core.

We are increasingly exploring the integration of advanced techniques such as data analytics, artificial intelligence, and machine learning into our audits through our local and global partnerships with software vendors.

We have partnered with Inflo, whose ground-breaking workflow, data ingestion, data analytics and AI software revolutionises the efficiency, quality, and value to clients of our audit work.

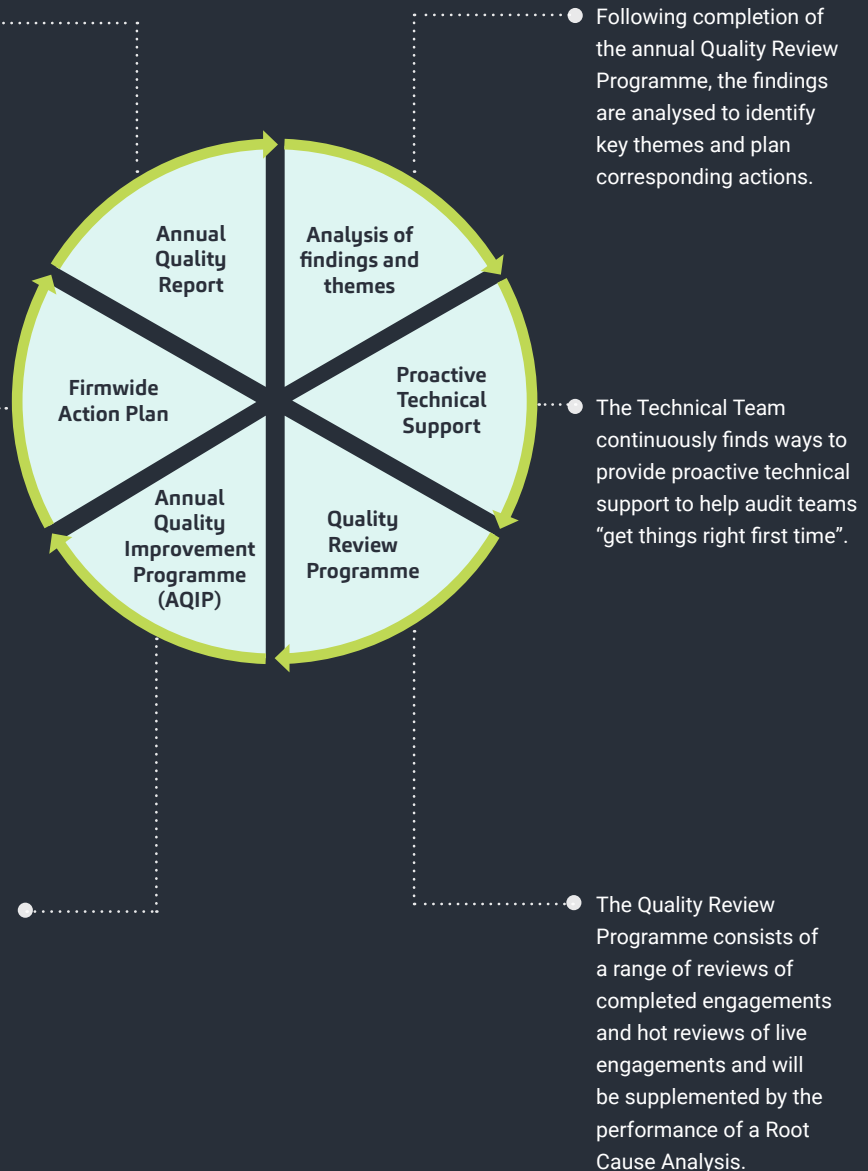
## Strategic Audit Quality Plan

We have a Strategic Audit Quality Plan that aims to create a cycle consisting of identifying and reviewing the Firm's key priorities for improving the quality of audits developing a programme to deliver those key priorities; monitoring the Firm's performance against the programme and the creation and implementation of a remediation action plan to address risks and deficiencies identified. The key elements of the Strategic Audit Quality Plan are summarised below:

An annual quality report provided to the Firm's Management Board and to all Engagement Partners and staff, highlighting the key findings and actions required to improve audit quality.

We adopted a bottom-up approach to developing a Firmwide action plan that addresses our key priorities and supports our Strategic Audit Quality Plan. The Firmwide action plan consists of appropriate actions that can be implemented centrally, as well as individually by engagement teams, to address key findings noted from quality reviews and improve audit quality.

The Annual Quality Improvement Programme details the strategy for monitoring and enhancing the quality of audits completed by the Firm. It sets out the planned quality reviews, our process for analysing findings and themes, and related activities for the year.



## International Standards of Quality Management (ISQM)

We are required to comply with the requirements of ISQM (UK) 1 Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements. The implementation of ISQM (UK) 1 within the Firm has been subject to ongoing monitoring, to ensure that we embed a robust and effective approach to managing quality.

### ISQM (UK) 1

ISQM (UK) 1 required an evaluation of the Firm's SoQM within a year from 15 December 2022.

An evaluation of the Firm's SoQM was conducted by Andrew Moyser, Head of Audit and member of the Management Board and Matthew Howells, Head of Technical, as of 15 December 2023. It was concluded that the Firm met the criteria of a "b" opinion under paragraph 54 of ISQM (UK)1: "Except for matters related to identified deficiencies that have a severe but not pervasive effect on the design, implementation and operation of the system of quality management, the system of quality management provides the Firm with reasonable assurance that the objectives of the system of quality management are being achieved."

The conclusion made on 15 December 2023 was based on walkthroughs and tests of controls performed on three ISQM (UK) 1 components (Acceptance and Continuance, Engagement Performance and Governance and Leadership), with the Head of Audit and Head of Technical using their background knowledge and direct involvement in the day-to-day running of the Firm to make an assessment of the remaining components.

A review of the deficiencies identified as of 15 December 2023 was performed by the Head of Technical to determine whether they had a pervasive effect on the design, implementation, and operation of the Firm's SoQM. The results of recent file inspections conducted in 2023 were also assessed. The deficiencies identified from both internal and external inspections did not have a pervasive effect on the Firm's SoQM.

The FRC's Audit Quality Review (AQR) team performed a whole Firm inspection in January and February 2024, including a detailed review of the Firm's compliance with ISQM (UK) 1.

Where the AQR identified deficiencies as part of their testing, a detailed action plan has been drawn up to address those deficiencies. We are also in the process of carrying out a gap analysis to ensure that our documented quality risks and testing programme address these points in future.

At the beginning of 2024, the new Audit Quality Director and an Audit Quality Senior Manager were recruited. This enabled considerable acceleration of the testing process, with procedures on all eight ISQM (UK) 1 components and the corresponding 126 quality risks completed. A reassessment was then performed based on work carried up to 30 April 2024 considering the position as at 15 December 2023.

The judgement reached as at 15 December 2023 (ie that the Firm met the criteria for a "b" opinion under paragraph 54 of ISQM 1) remained unchanged following the reassessment. Overall, although we have identified deficiencies in the SoQM, we are satisfied that none of these have a pervasive effect on the design, implementation and operation of the SoQM. Our aim is to re-mediate the deficiencies identified and work towards a conclusion where no deficiencies other than minor ones are identified. We acknowledge the challenge that the mergers will bring in this year's assessment integrating the Firms and systems, adopting the best in class and in the testing itself.

There has also been further recruitment into the Audit Quality team.

### ISQM (UK) 2

All Engagement Quality Reviewers (EQR) are assigned through the EQR panel. Members of the panel have the required competence and capability in appointing the Engagement Quality Reviewer for each assignment. The EQR panel consists of experienced partners including the Head of Audit, the Audit Compliance Partner, the Risk Partner, the Head of Technical and Audit Partners.

The Audit Quality Team introduced an enhanced EQR checklist and guidance which is to be used on every audit engagement where an Engagement Quality Review has been assigned. The enhanced checklist is currently being piloted and expected to be released to the practice in the second half of 2024, as part of the annual EQR training.

## Quality Monitoring

We have enhanced our quality monitoring process to include a wider range of monitoring and review activities which comprise hot reviews of live engagements, cold reviews of completed audit engagements as part of our annual inspection, the introduction of thematic reviews and an enhanced, more robust programme of Root Cause Analysis (RCA). We also take account of the findings of our external regulators.

### Hot review of live engagements

Taking advantage of cloud technology access to live engagements, random hot reviews of ongoing engagements to assess how prior findings have been addressed.

### Quality Review of completed assurance engagements

A programme of quality reviews of completed non-audit assurance engagements is being developed.

### Root Cause Analysis

A more robust process is in place for identifying the root causes of findings from quality reviews and reviews of the Firm's System of Quality Management (SoQM), to identify appropriate solutions that will prevent future issues or repeat positive outcomes. Recruitment is currently underway for an RCA specialist to join the Audit Quality Team.

### Quality Review of completed audit engagements

An annual internal inspection is performed on a sample of completed audit engagements to assess compliance with the Firm's policies and procedures, the applicable accounting frameworks and the ISAs.

### Thematic Reviews

Planned thematic reviews for 2024 are based on regulatory areas of focus, common findings and challenges noted from Engagement Quality Reviews (EQR) and the key findings from the 2024 internal and external regulatory inspections.

### Regulator Reviews

The Firm is subject to regular reviews by the FRC and ICAEW. The findings of these regulatory reviews influence the Firm's detailed action plan.





## Audit quality monitoring

### Internal Inspections

Audit quality is the Firm's highest priority. As such, we are continuously investing in our processes, resources and technology to meet our quality standards and adapt to the constantly changing regulatory landscape.

An annual inspection of completed audit engagements is led by the Audit Quality Team and carried out by a pool of Inspectors comprising members of the Technical Team, selected RIs, Directors and Senior Managers. The Firm's policy subjects each RI to an inspection at least once every three years on a rolling cycle, or more frequently depending on the RI's historical performance.

A moderation panel is appointed to ensure the consistency of internal inspection results. The panel is composed of at least three members, including a member of Audit Council and RIs who have demonstrated good audit quality.

To further enhance our internal inspection process, and to ensure consistency across these reviews, we have ensured that:

- Individuals assigned to inspect audit files have the appropriate skills, expertise, time and level of seniority. Any self-review threats have been identified and addressed. Therefore, individuals assigned to inspect audit files are objective and independent.
- Individuals taking part in the internal inspections have attended a briefing conducted by the Audit Quality Team. The briefing covers an overview of the internal inspections process, the expectations from all participants and the relevant guidance such as the detailed checklist aide-mémoire and summary report templates to ensure consistency in approach.

This ensures that the inspectors can carry out the reviews with the same level of depth and breadth, by adopting the same standardised approach across the samples.

- Weekly check-in sessions and where necessary, one-on-one consultations, are held by the Audit Quality Team to provide support to Inspectors and to further enhance consistency across the internal inspections process.

Audit files inspected are classified under one of the following categories: Good, Limited improvements required, Improvements required, and Significant improvements required.

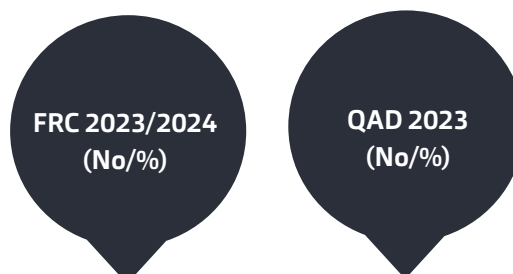
All RIs whose audit files achieve a grading of "Good" or "Limited improvements" will not be subjected to an inspection in the following two years. All RIs and Directors whose files inspected achieve a grading of "Improvements required" will be required to submit the actions and improvements to be implemented on the following year's audit. This will determine the extent and type of further inspections performed. All RIs and Directors whose audit files achieve a grading of "Significant improvements required" will be included again in the next internal inspections cycle.

Results of the internal inspections are communicated to the Chief Operating Officers (COOs) of each relevant office, the Head of Audit, the Audit Compliance Partner, Audit Council and the Audit Quality Board. Results of our annual inspections for the last three years are shown in the table below.

File Grade	2023 (No/%)	2022 (No/%)	2021 (No/%)
1 - Good	4 (17)	3 (13)	2 (10)
2 - Limited improvements required	5 (21)	8 (35)	9 (42)
3 - Improvements required	9 (38)	8 (35)	5 (24)
4 - Significant improvements required	6 (24)	4 (17)	5 (24)
	<b>24 (100)</b>	<b>23 (100)</b>	<b>21 (100)</b>

## External Regulatory Inspections

The Firm is subject to the FRC's AQR inspections on a sample of audit work performed on Public Interest Entities (PIEs) and large AIM/ Listed Non-UK entities. The Firm is also subject to the ICAEW's Quality Assurance Department (QAD) inspections on UK statutory audits outside the FRC's AQR inspections scope. Results of the FRC's 2023/2024 AQR inspections and the ICAEW's 2023 QAD inspections are shown in the table below.



File Grade	No/%	No/%
1 - Good	-	1 (13)
2 - Limited improvements required	-	3 (37)
3 - Improvements required	1 (33)	1 (13)
4 - Significant improvements required	2 (67)	3 (37)
	<b>3 (100)</b>	<b>8 (100)</b>

## Conclusion on the results of Internal and External Regulatory Inspections

Overall, the file inspection results showed a decline from the previous year. Files graded 3 or 4 accounted for all the files reviewed by the AQR, 50% of the files inspected by the QAD and 63% of the files inspected internally. We recognise the significant rate of failure could point to weaknesses in our SoQM. However, our conclusion is that the failing grades are not inherently a Firmwide pervasive SoQM weakness; rather, it is the substantive issues identified that constitute the deficiencies in the individual specific assignments.

A review of results from these inspections was performed to assess whether the findings are systemic or isolated cases. We are satisfied that, although severe in some cases, there are no repeated findings which have a pervasive effect on the design, implementation and operation of the SoQM.

The Audit Quality Team has completed RCAs on the results of the 2023 Internal Inspections and 2023 QAD inspections. Root causes identified were assessed and corresponding action plans agreed with the relevant process owners. RCAs for files subject to the AQR's quality reviews are expected to be completed in the third quarter of 2024. These corrective actions are incorporated into not only the individual assignment actions for future years but also the Firmwide Action Plan in respect of Firmwide areas of improvement.

We acknowledge that our internal and external quality reviews detailed above show areas needing improvement. These results highlight the complexity and evolving nature of audit standards and the challenges of growth. It is important to understand that the actions we have taken to address these findings (including the strengthening of our Technical Team) require time to manifest in improved results. Implementing robust quality control measures and enhancing our audit processes are ongoing efforts that may not yield immediate results.

In order to improve the results from the inspections we have introduced the Audit Quality Pillars:

- 1 Implementing the Governance code ensuring tone at the top drives high quality audits
- 2 Embedding a culture of zero tolerance to failure when it comes to quality
- 3 Quality of training and staff development
- 4 Enhancing Global Focus audit methodology, policies and procedures
- 5 Recruitment and retention of talent
- 6 Restricted RI licensing

## Root Cause Analysis (RCA)

As part of our commitment to improving quality, the Audit Quality Team conducts an objective evidence-based systematic process for discovering the root causes of findings from the following categories of events:

- Regulatory quality reviews
- Internal quality reviews
- Reviews of the Firm's SoQM
- Client complaints and/or claims
- BTI global assurance reviews
- Any other incident for which an RCA is deemed necessary

Findings from completed RCAs are communicated to the Audit Council, the AQB and the regulators. The Audit Quality Team's recommendations and proposed action plans are subject to the Audit Council's approval, ahead of incorporation into the Firm's Strategic Audit Quality Plan and strategy put forward to the Audit Quality Board.

## Audit Quality Improvement Programme

Our Audit Quality Improvement Programme (AQIP) ensures that we not only strive for consistently high-quality audits but also incorporate the learnings and key takeaways emerging from our quality reviews.

The focus of the FY 2024/2025 AQIP is on key drivers of audit quality. The Audit Quality Board is responsible for the plan's approval and assists in identifying key quality drivers to be included and in ensuring that it is implemented. Our objective is to develop a culture of challenge, professional scepticism and tone at the top that contributes further to our audit quality initiative. Some key strategic initiatives undertaken this year to improve quality are:

- 1** Formation of the Audit Council, a committee tasked on behalf of the AQB, to monitor and deliver audit culture and audit processes within the Firm. The Audit Council agrees the focus of each technical pillar and ensures that the Firm's audit service line is being developed at both a technical and commercial level.
- 2** Growing the Technical Team through the recruitment of thirteen new members including the Head of Technical, a Technical Partner, an Audit Quality Director, an Audit Technical Director, a Transformation and Change Director, five Technical Senior Managers and four Technical Managers.

- 3** Enhancement and implementation of the Firm's hot review policy, incorporating good practices from the FRC's published report, Thematic Review: Hot Review Processes, and hot file reviews of the next audit assignment on certain RIs who continue to receive poor internal or external file gradings.
- 4** Further strengthening of the linkage of reward and recognition to audit quality through enhancements made to the appraisal process, including the Audit and Assurance RI Quality Assessment Policy.
- 5** Increased communication to the practice of the Firm's enhanced policies and procedures, best practices and guidance.
- 6** Further investment in digital transformation and innovation of our auditing software and tools
- 7** Increased communication and linkage of quality review findings to the training curriculum.
- 8** Enhancement and implementation of the Firm's RCA policy and methodology, supported by a robust monitoring process for the implementation of action plans resulting from completed RCAs. The RCA policy is in circulation for comments ahead of the Audit Council's approval.
- 9** Enhanced methodology and guidance (including sector specific resources) implemented throughout the Firm, ensuring compliance with UK International Auditing Standards.
- 10** A proactive approach of providing valuable feedback to the practice by undertaking targeted hot file reviews of ongoing audits.
- 11** Continuing to grow the number of experienced and qualified practitioners especially in the PIE audit space.

In the current year, we are also looking at quality improvement plans for individual RIs who receive poor quality results and who are put onto a restricted RI licence.

## RI Licensing

The Firm has specialisms in several sectors and allocates Partner and senior audit team portfolios to individuals with the relevant sector experience. This licensing also extends to EQRs. Only RIs who are appropriately licensed are permitted to undertake audit and assurance engagements in the following sectors:

- Entities producing financial statements in accordance with IFRS / FRS101
- Not for Profit
  - Charities
  - Academies
  - Further Education Colleges
  - Higher Education Institutions
- Pension schemes
- Insurance undertakings
- Financial institutions
  - Banks
  - FCA regulated financial services entities
- Listed entities (whether equity or debt) including AIM listed entities
- Other entities:
  - Other Entities of Public Interest as defined by the FRC Large corporate turnover in excess of £500m
  - Pension schemes
  - Sports clubs
  - Construction groups with a turnover in excess of £200m
  - Property investment group's with assets in excess of £200m
- Other assurance – Solicitors Accounts Rules reports, Client Asset reporting, Grant assurance, IRSE 2410 and ATOL reporting accountants work

## Engagement Risk Assessment Panel (ERAP)

The Engagement Risk Assessment Panel meets to discuss audit or assurance engagements which meet certain criteria prior to the acceptance or continuation of the engagement, to ensure that any risks associated with those engagements are appropriately managed.

The scope of the panel includes engagements which if accepted may result in reputational risk to the Firm:

- 1 All audit assignments within the scope of the FRC Audit Quality Review process;
- 2 All audit or assurance engagements within scope of PCAOB;
- 3 All audit assignments which are not undertaken under UK GAAS or if the framework is not under UK GAAP or IFRS;
- 4 All audits for entities with listed equity or debt on any market;
- 5 All audits of entities that are included in the definition of an Other Entity of Public Interest (OEPI);
- 6 Proposed fees more than £500k;
- 7 National or international Not for Profit organisations;
- 8 National government bodies;
- 9 Any local authority audits;
- 10 Housing Associations;
- 11 Housing and other special purpose entities of local councils;
- 12 Public reporting engagements carried out in accordance with the Standards of Investment Reporting;
- 13 Transnational assurance or audits (meaning "an audit or assurance engagement which are or may be relied upon outside the audited entity's home jurisdiction for purposes of significant lending, investment or regulatory decisions; this will include entities which attract particular public attention because of their size, products or services provided");
- 14 Audit or assurance assignments where the Firm will be the principal or group auditor and the client has components, assets, revenues, or net income of which represents more than 50% of those of the consolidated group and they are audited by other non-BTI member Firms; or
- 15 Assurance assignments for a component of a listed parent company, when the parent is audited by a non-BTI member Firm and the component equals or exceeds 15% of the assets, revenues, or net income of the consolidated group.
- 16 A high overall risk score resulting from the completion of the client risk matrix.

The ERAP outcome may include rejection of the proposed engagement, appointment of an EQR or the adoption of the Technical Team support model in performing the engagement, depending on the circumstances or the recommendation of appropriate and mitigating safeguards being introduced.

### **Audits with a short timetable**

The policy applies to all audits where there is either a short reporting deadline after the end of the accounting period or where the Firm is appointed late in the audit cycle. The audit team must set out their planned response to address any associated risk with the short timetable. This planned response is subject to review and approval by the Technical Team with escalation to the ERAP, where necessary.

### **Contentious Issues Forum (CIF)**

The Contentious Issues Forum is a key part of the Firm's audit quality and risk management control procedures. A CIF is convened when there is a disagreement between members of the audit team, or with the EQR, Technical Team and/or the client on a significant audit judgement or financial reporting matter potentially impacting the audit opinion.

The CIF allows for the discussion and resolution of contentious issues in a collaborative and constructive manner. The CIF decides in the best interests of the Firm and not any individual. Members of the CIF include the Head of Audit, the Chief Risk Officer, Technical Partners, a Senior Audit Partner of the Firm and the Financial Reporting Director.

### **Attainment and retention of RI Status**

This policy applies to everyone who is applying for, or has been granted, RI status and sets out the process for application, the support provided by the Firm, quality monitoring, CPD requirements and steps to be taken when retiring as an RI.

### **Approval of non-standard (modified) Audit Reports**

This policy requires all non-standard reports issued by the Firm to be approved by the Technical Team prior to the report being signed and issued. This includes reports which contain a qualified opinion or an emphasis of matter, or other matter, paragraph, where financial statements are prepared on a basis other than going concern, or where a material uncertainty relating to going concern exists.

### **Technical Support and Guidance**

To ensure that a sufficient audit trail and record of technical consultations are appropriately maintained and retained, the Technical Team uses a centralised tracking and reporting tool called Omnitrack. Omnitrack enables the Technical Team to adopt a proactive approach in monitoring technical queries and providing timely technical support to the practice.

### **The Firm's Statutory Audit Register**

The Firm maintains a record of all audit engagements, with detailed information showing each RI's respective portfolios. The Statutory Audit Register enables enhanced procedures around client acceptance and continuance through the completion of a risk matrix, which flags to engagement teams instances where further consultation with internal specialists is required, providing a holistic overview of our audit engagement risk profile. The Statutory Audit Register also captures pertinent engagement information such as the audit report sign-off date, file lock down date, modifications to the audit report, enabling the Audit Quality Team to proactively monitor compliance with the Firm's policies.

### **Audit Quality Indicators (AQI)**

The FRC has requested that all Firms within the scope of the Audit Firm Governance Code (AFGC) prepare and report on Firm-level Audit Quality Indicators.

Public reporting of Firm-level AQIs, which are measured on a consistent basis, will broaden the range of information regarding audit quality available to audit committees and other users of audit services beyond the FRC's Audit Quality Review scores.

The AQI data has been collated and analysed for the period 1 April 2023 to 31 March 2024. The FRC intends to use the first year of AQI reporting as a pilot period and will publish the AQI data for all Firms for the period ending 31 March 2025. The aim is to provide a consistent approach for audit committees and other users of audit services to understand audit quality of all in scope Firms.

### **Adoption of the Audit Firm Governance Code**

As part of our ongoing commitment to achieving the highest standards of audit quality and governance, we have adopted the Audit Firm Governance Code for the financial year 2023/24. This decision is rooted in our Firm's philosophy of continuous improvement and dedication to upholding the highest standards of audit quality and governance.

## External investigations and findings Year ended 31 March 2024

### (1) Related to audit work

	Cases	Current open investigations
Number of cases in which the FRC's Conduct Committee has found against the Firm or one of its members	0	FRC investigation relating to the audit work of the Firm on the 2018 and 2019 financial statements of MRG Finance UK plc which was concluded on 9 July 2024 (as detailed in the Chairman's statement).
Number of cases in which the disciplinary committee of any other regulatory body has found against the Firm or one of its members	0	ICAEW investigation into the Firm's 2019 audits of two related companies, in relation to matters raised in the predecessor auditor's resignation letter.

### (2) Related to other matters

	Cases	Current open investigations
Number of cases in which the FRC's Conduct Committee has found against the Firm or one of its members	0	None
Number of cases in which the disciplinary committee of any other regulatory body has found against the Firm or one of its members	0	The Firm self-reported a breach in respect of the ICAEW's Clients' Money Regulations in respect of a non-audit client. The matter relates to a breach of the 30-day rule, by which time amounts over £10,000 should be placed in a designated bank account. The monies have since been repaid to the client.  FCA investigation in relation to the Firm's CASS Reasonable Assurance work on three companies.

## Conclusions on Audit Quality Monitoring

We are disappointed by the results of our internal and external inspections and acknowledge that improvements need to be made. Our commitment to quality is unwavering, and we are confident that the steps we are taking will lead to demonstrable improvements. We are confident that the investments in increasing our qualified audit team, training, technology, and a strengthened audit quality team are strategic moves that will show improvements in our audit quality results.

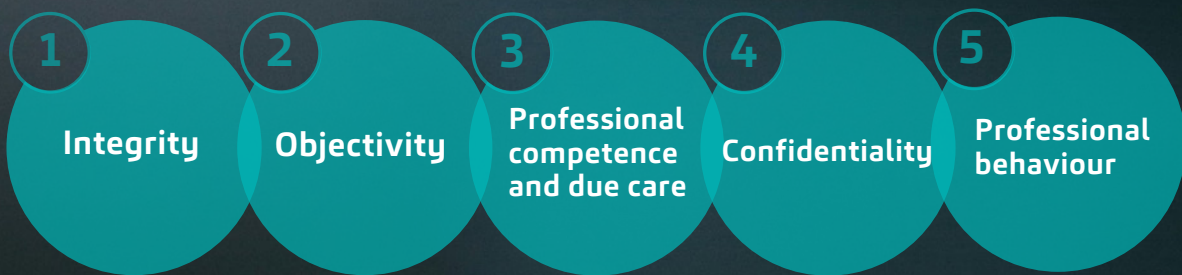
Implementing robust quality control measures and enhancing our audit processes are ongoing efforts that do not always yield immediate results and may take few years to manifest in large scale improvements in internal or external quality review results. The Management Board is confident that the Firm's SoQM will support a substantial and sustainable improvement in audit quality across the Firm. Based on the review processes outlined above, the Management Board is satisfied that the Firm's audit SoQM is operating effectively.

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## Ethics and independence

### Ethical Principles

The MHA ethics policies are detailed in the Ethics Manual, which sets out the Firm's commitment to the five fundamental principles of the ICAEW Code of Ethics: These principles underpin all the Firm's ethics policies and procedures, and the principles are highlighted in all of the Firm's training.



### The Firm's Ethics Policies

The Firm's Ethics Policies apply to all partners and employees of the Firm and to any secondees and contractors involved in the Firm's statutory audit work. Compliance with the relevant ethical standards overrides all commercial interests. All staff are aware of this, from their initial induction into the Firm and throughout their ongoing training. Any breach of the Firm's Ethics Policy is fully investigated, and appropriate action taken.

### The Ethics Manual

The Ethics Manual covers the requirements of the ICAEW Code of Ethics, the FRC Revised Ethical Standard 2019, the IESBA Code of Ethics, the Bribery Act 2010, and Corporate Criminal Offence policies. The Manual is currently being reviewed to ensure it reflects the requirements of the FRC Revised Ethical Standard 2024, which apply from 15 December 2024. The Ethics Manual and all related ethics policies are on the staff intranet.

As a member of Baker Tilly International, the Firm also adheres to the ethical requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (the IESBA Code). The Firm's ethical guidelines impose additional requirements on the Firm's staff to address all areas of objectivity and independence. Our ethics procedures are regularly reviewed to ensure that all regulatory developments are addressed.

### Ethics training

We have implemented a variety of methods of communicating ethical issues to help to promote ethical excellence in all we do. We have aimed to build staff awareness of ethical issues, through provision of case studies and training scenarios that all staff can relate to. All our staff are required to undertake training in the Firm's ethical procedures, whatever their role and seniority in the Firm.

The Firm's systems to safeguard staff independence and objectivity include the procedures undertaken as staff are recruited, the regular ethics training and the Annual Compliance Declarations, and are integral to the Continuing Professional Development of relevant staff. For audit staff, ethical issues are addressed at the mandatory Technical Update training for all professional staff every six months and included as relevant at the weekly technical training 'It's not Rocket Science, 'INRS.' The involvement of all Regional Ethical Partners in the local presentations to staff highlights their role and expertise.

We have significantly expanded our technical training team, and our audit quality monitoring team, which should assist in enhancing the ethical training provided to all staff. There is a commitment in the Firm to invest in the ethical training of new and existing audit staff, using training techniques that assist in engagement in the training material.

An introduction to the Firm's ethical culture and ethos is provided on joining. The ICAEW ethical requirements and the Firm's ethics procedures are addressed for all new employees and contractors through the Firm's on-line Induction course, which is mandatory for all new joiners. The ethics training at Induction emphasises the Firm's commitment to the highest ethical standards. The training covers the Ethical Standard, Anti-Money Laundering, the Bribery Act, Speaking up procedures, client acceptance procedures and the Firm's gifts and hospitality policies. Completion of the relevant ethical modules is monitored to ensure all staff complete the required training prior to access to the Firm's IT systems.

## Ethics training for students and non-audit staff

Students cover a session on ethics at each of their internal courses, including practical, worked scenarios based on ICAEW guidance. Non-audit staff receive ethics training alongside Anti-Money Laundering training at least once each year, with a mandatory assessment at the end of the training session.

## The Firm's Ethics Function

The Firm's Ethics Function consists of:

- 1 The Firm's Ethics Partner**  
Kate Arnott (Simon Knibbs to May 2024)
- 2 The Deputy Ethics Partners**  
Neil Stern and Karen Hain
- 3 Ethics Council members**  
Duncan Cochrane-Dyett  
Rachel Doyle  
Shelley Harvey  
Rebecca Hughes  
Alex Kelly  
Simon Knibbs  
Kathryn Edmands

They are supported by the Practice Assurance Compliance Partner, the Compliance Director and by technical department managers with a role in ethics.





As Firm's Ethics Partner to May 2024, Simon Knibbs chaired the Firm's Ethics Council (formerly Committee), which provides advice on all ethical issues to the partners and staff. The Firm's Ethics Partner reports directly to the Management Board and ethics is a fixed agenda item for all Board meetings. The Minutes of the Ethics Team meetings are reviewed and considered by the Board. Kate Arnott, who became Firm's Ethics Partner in May 2024, is a Management Board member, alongside her role as Money Laundering Compliance Partner (MLCP) for the Firm.

The Firm's Ethics Partner is responsible for ensuring the adequacy of the Firm's policies and procedures relating to integrity, objectivity and independence, compliance with the Ethical Standards and the effectiveness of the communication to partners and staff of the Firm.

The Ethics Council meets at least four times a year. There is a fixed agenda to cover recurring items, and papers prepared to cover various issues requiring consideration. The Ethics Council discuss ethical and independence issues, internal and external review findings relating to ethical issues, changes to the Firm's procedures in response to FRC and ICAEW guidance, and any ethical breaches. The meetings provide a forum for discussing issues as they arise and for spotting any trends in areas where breaches may occur and where ethical queries have arisen.

Where issues are raised, these are addressed immediately, recognising that the Firm's ethical culture is of primary importance and our values are driven from the top. We recognise a culture of 'speaking up' and ensure this is promoted; demonstrating that we have listened, and changes are made as appropriate.

The guidance in the Ethics Manual directs uniformity in the decision-making process of the Ethics Team. This is strengthened through both regular discussions and through the ongoing 'second Ethics review' for approval of significant safeguards. Examples of decisions following discussions by Council members are highlighted at each meeting.

### **Onboarding, client acceptance procedures and continuance of audit engagements**

Acceptance of any new client or a new area of work for an existing client is subject to a detailed review by two partners, with further reference to The Ethics Council and to the Baker Tilly International (BTI) Independence Database as appropriate.

The Firm's procedures for evaluating the overall risks relating to the acceptance and onboarding of new clients cover not only AML requirements but also ethical considerations.

The procedures include an assessment of the Firm's ability to meet the terms of the engagement and address any potential ethical independence issues and conflicts of interest. These requirements are reflected in the completion of the Acceptance Risk Matrix Schedule (and Continuance Risk Matrix in an ongoing year) which highlights issues to discuss further or at a higher level.

Our robust checks at the planning stage ensure that sources of potential conflict and independence issues are discussed at the earliest opportunity. The correct implementation of these ethics procedures is reviewed as a part of the audit inspections cycle which is completed on audit files by the Audit Quality Team.

For those clients where there is the potential for reputational risk, and certain larger clients, the Firm's Engagement Risk Assessment Panel is significantly involved at the onboarding stage. The members of the panel assess these engagements prior to client acceptance, with a view to managing the risks with relevant safeguards. Assignments are declined where there are conflicts and where there are no appropriate or effective safeguards that can be applied.

### **Conflicts of interest, financial, business, employment, and personal relationships**

The Ethics Manual addresses conflicts of interest – both professional and personal – being any instances where lack of independence could threaten professional judgement. In such instances, discussion with an Ethics Council member should enable the conflict to be addressed and for safeguards to be appropriately applied or the work declined.

The Ethics Manual addresses financial interests in clients and provides guidance on this issue. The Firm maintains a list of 'Restricted entities' in which staff may not have any financial interest. Staff are informed promptly of new clients on the Firm's 'Restricted Entities List' of listed audit entities and listed entity groups. The Firm has policies in place to ensure that no partners, members of staff or their close family members may hold any direct or significant financial interests in any audit clients, or significant affiliates of these clients. Any relevant financial interests held by staff on joining that must be disposed of are monitored by the Compliance Director until their disposal. All the Firm's staff have access to the Firm's list of audited entities on the Firm's intranet and are made aware of the ethical requirements.

Partners and members of staff may not enter into any commercial or financial relationships with clients of the Firm, other than the purchases of insignificant goods and services on terms available to all members of the public and with partner approval. Employment relationships with audit clients are prohibited.



### **Personal relationships**

It is recognised that personal relationships with staff of an audited entity may create threats to independence. Members of the audit team may not have any relationship with a member of staff with a key position at a relevant audit client. Personal relationships of any members of staff with audit clients which may be perceived to present an actual or perceived threat to independence must be discussed with an Ethics Council member and the Compliance Director and safeguards implemented. Conflict of interest checks are undertaken to establish if there are any existing financial or personal relationships with new and continuing clients.



### **Annual Compliance Declaration**

All partners, staff and consultants joining the Firm, including those joining through mergers with other offices, must sign their Annual Compliance Declaration (ACD) covering their independence, Fit and Proper status, and confidentiality commitments. After joining the Firm, the questions on the ACD are re-visited annually by every member of staff, and this declaration completed. Any changes in circumstances arising in the period between the annual declarations are discussed by the staff member with the relevant Ethics Council member and the Compliance Director. Action is taken as appropriate and significant issues reported to the Ethics Council.

The Annual Compliance Declarations (ACDs) cover all financial, business, employment and personal relationships. These ACDs are automated to ensure that all staff are included, the ACDs collated, checked, and reviewed by the Compliance team, with contentious issues addressed by the Compliance Director in discussion with the Ethics Council.

### **Long association with engagements – partner rotation**

The Ethic Manual addresses long association and reflects the requirements of the Ethical Standard in respect of the rotation of RIs and EQRs. There is mandatory rotation of the RI in respect of the audits of Public Interest Entities, (PIEs), to mitigate the risk of familiarity with the audited entity, with cooling off periods included. The Firm's policies and procedures for PIEs and other listed entity audits set out requirements for the rotation of the Responsible Individual (RI) every five years, (and not returning for five

years), the Engagement Quality Reviewer (EQR) every seven years and other key partners and senior staff as appropriate. Rotation of RIs on PIEs and larger clients is discussed by the Ethics Council and rotation is in line with the Ethical Standard.

The Firm has extended the PIE requirements to certain entities which may in due course become a PIE, in order to address the issues related to various larger audited entities.

### **Long association with non-PIE clients**

All long association risks are monitored by the Firm. The Firm maintains a database of audit assignments which includes the number of years which the RI and audit manager have been involved with each engagement.

The RIs are seeking to ensure that there is a gradual rotation of all senior staff on an audit engagement. There are perceived threats to independence where the RI or other senior audit staff have been in place for long periods at any audited entity. Where the RI and senior staff have a long association with an audit client, which could indicate a perceived familiarity threat, the Council will generally recommend the rotation of the RI at the next appropriate opportunity. This is usually within a ten-year period, but in very limited circumstances the FEP may extend this. Any extension is an exception, and is only agreed by the FEP in consultation, having assessed the circumstances and the threats to integrity, objectivity and independence.

The Firm's policy is that there should be no extension in respect of long association beyond 15 years, and to reduce this to 10 years by 2027. However, in the case of new offices joining MHA, there is the potential, in very limited circumstances, for this to be implemented over a longer period, following discussion and agreement with the FEP. This policy modification, detailed in a change to the Ethics Manual in the year, recognises the challenges to be met relevant to the size of the Firm and their clients.

For long association, appropriate safeguards, such as those set out in the Ethical Standard, are implemented to reduce the threats to a level where independence would not be compromised. The safeguard for long association is generally a second partner review, but there may be a further requirement for additional safeguards, including an additional review by the Technical Department.

## Gifts and hospitality, Fees, the Bribery Act

The Firm's gifts and hospitality policies cover all situations where expenses, gifts and hospitality could give rise to the perception that independence may be an issue. Significant care is taken in respect of ensuring that the Firm is not providing or receiving improper inducements. Certain 'trivial and inconsequential' items may be acceptable – those items that may be considered as such by an objective, reasonable and informed third party.

The Firm's gifts and hospitality policies cover hospitality offered to clients and hospitality received. This includes guidance on charity sponsorship and events; the Firm does not support the charity events of audit clients.

Hospitality and gifts are discussed with an Ethics Council member where there is potential for them to be considered outside of the Firm's policies. Provision of any hospitality and all gifts are recorded in the Gifts and Hospitality Register, noting the extent of the gifts or hospitality, the staff and partners offering or receiving these. Gifts and hospitality matters are also discussed with the FEP where appropriate. Where the receipt of hospitality or gifts may be contentious, or outside of the Firm's criteria for acceptance, the FEP provides the appropriate guidance. Gifts and hospitality are regularly declined where considered inappropriate.

There have been no inflationary uplifts during the year to the gifts and hospitality monetary limits of the Firm, nor to the reporting levels for these. While the Firm's limits are far more stringent than those of some other Firms, we consider that gifts and hospitality with audit clients is to be discouraged, and the required discussion with the Council on this issue ensures that the threats to independence are minimised and the perceptions of third parties are adequately addressed.



### Fees

Fee dependency and self-interest threats in relation to fees are addressed in the Ethics Manual, and there are safeguards to ensure appropriate review of fees and discussion with clients in relation to this issue.

At the planning stage of each audit, the proposed fees, and fees over the previous period for all audit and related non-audit assignments, are considered by an Ethics Council member. The member addresses both the level of the fees and the perception of 'an objective, reasonable and informed third party.' Non-audit work for audit clients is not permitted on a contingent fee basis.



### Bribery Act and Corporate Criminal Offences

The requirements of the Bribery Act are addressed through the Firm's training and procedures, ensuring that all staff are aware of the Bribery Act's requirements relating to the making, taking, and facilitating of bribes. Training in Corporate Criminal Offences is addressed regularly in the Audit Updates.

### Non-audit / additional services

Non-audit services are not provided to PIE clients, other than where expressly permitted by the FRC Ethical Standard.

Non-audit services potentially to be provided to non-PIE entities are documented by the RI and the audit team and discussed with an Ethics Council member for each audited entity at the planning stage, ensuring that there is a full record of all non-audit services to be provided. Non-audit services provided on group audits are documented at the planning stage and discussed with group auditors.

Non-audit services are only provided to audit clients after discussion with the RI of the audit and an Ethics Council member's approval of the appropriate ethical safeguards. Where there is any perception by the Ethics Council member that the provision of such non-audit services could present an ethical threat, even with the implementation of relevant safeguards, there is further consultation with a second Ethics Council member before approval may be considered. Matters considered and relevant safeguards are discussed with the client and revisited at audit completion. All Ethics consultations are logged centrally and available for review by the whole Council.

The provision of non-audit services is an agenda item at all Ethics Council meetings, with members presenting examples arising in the period where there were issues of interest, in order to establish standard approaches in all regions.

Examples and scenarios of ethical safeguards are included at the six-monthly Technical Updates, providing a basis for useful discussion material and illustrations of relevant safeguards to risks to independence, including instances where non-audit services should be declined.

The Management Board reviews the Ethics Meeting Minutes and has regular discussions on non-audit services for audit clients, and with the Compliance Director in respect of the annual compliance declarations. Checking in these areas is completed by the Audit Quality Team. The Board annually confirms that a review of the Firm's independence practices and procedures has been conducted.

## Breaches of the Ethical Standard

Breaches of the Ethical Standard may be identified by the audit team or by an external or internal reviewer. This identification of a breach may be while the audit is in progress or after finalisation. Any breaches of the FRC Ethical Standard are notified to the Firm's Ethics Partner and are recorded in the ethical breaches register.

The breaches are considered by the relevant Ethics Council member, together with the FEP, at the earliest opportunity. Any urgent issues are addressed immediately with the RI and audit team and with the client where appropriate. Any breaches are discussed at the next ethics meeting, with due consideration given to the root cause of the breach; whether the relevant requirement has been complied with, whether the Firm's procedures have been applied correctly, and whether sanctions are required.

The Ethics Council monitor the key themes reflected from the breaches, in order that appropriate action is taken. The root cause analysis highlights the impact on ethical issues and on audit quality, to identify common issues and to address any problems. In circumstances where the breach has Firm-wide implications, these are addressed through training at the six-monthly Technical Updates or more immediately through the weekly technical training; INRS.

Each breach is followed up by the relevant Ethics Council member, and by the FEP where relevant. The sanctions agreed at the Ethics Council meetings are monitored by the relevant Ethics Council member. These sanctions may include a targeted review of the ethical safeguards for a selection of audit files of the relevant audit team. Failure to address the ethical safeguards remains a significant consideration in the appraisal of senior audit staff and RIs. It is essential that ethics and integrity are the basis for decisions, with ethical concerns addressed before financial considerations, and that the Firm's ethical values reflected and promoted by all RIs.

All breaches identified are compiled for discussion by the Ethics Council and are reported to the FRC on a six-monthly basis by the Firm's Ethics Partner.

An internal inspections review system is implemented by the Firm by our recently expanded Audit Quality Team, monitored by the Audit Policy Group. These inspections are of both audits in progress and of completed audit work. They cover the work of all RIs and help to ensure that ethical safeguards are being correctly addressed. The Firm's checklists for these inspections include guidance to reviewers on the ethical requirements in order to monitor whether the ethical requirements have been adequately addressed on each file reviewed.





# Our people



## Overall Objective

Our overall objective is to ensure that we support, engage, develop, train, safeguard and enhance the wellbeing of our people throughout their working lives, whilst ensuring we embrace and celebrate the diverse mix of people in the Firm.

### We aim to achieve this by:

- The ongoing support from our 30 trained Mental Health first aiders across the Firm including Engagement Partners, focussed on wellbeing.
- Continuing with our well-being calendar of events and motivational speakers.
- Utilising our full suite of supporting wellbeing literature, webinars, and resources for all staff.
- Enhancing and continually communicating our Employee Assistance Programme (EAP) benefits and access to doctors.
- Our ongoing commitment to our People Development Committees in place to recognise key talent; and reward where appropriate.
- Increasing Employee Engagement surveys from twice-yearly to quarterly enabling employees more opportunity to have a voice within the Firm. We can therefore measure and monitor our organisational culture and identify key areas that require re-engagement.
- Investing in our hybrid training abilities with an extensive range of face-to-face and online training and resources.

- Role specific assigned training pathways for our staff.
- Continuing with our Individual and bespoke performance development plans for our staff.
- Introducing a focused year long coaching programme with an external accredited provider the Firm's leadership group of COO's and Engagement Partners.
- Increasing our focus on Equality, Diversity and Inclusion initiatives and events, building our diversity networks and enriching and empowering the diversity committee.

We recognise that increased flexibility is required to support people's work/life balance needs, whilst enabling us to continue to engage with our people and clients and, very importantly, continue to deliver a high level of service and quality to our clients.

We continue to work diligently to ensure our people are equipped with the right tools to carry out their responsibilities, whilst delivering on our commitment to quality. The flexibility of our IT Infrastructure ensures our people are able to work remotely and can adapt to our working practices of our clients'.

We continue to take a number of actions to ensure that our people are well trained and looked-after. For example:

- Implementing and embedding the MHA Training Hub for all our online and face-to-face training requirements, utilising live webinars and online training programmes, tailored to people’s needs and development areas.
- Thorough reviews of our processes and procedures to streamline efficiencies and provide a consistent service to our clients, we make it a priority to focus on the physical and mental wellbeing of our people. We commit to this through a number of mechanisms:
  - regular engagement from people managers as well as from leadership of the Firm
  - our Employee Assistance Programme is readily available to all of our people and their family members
  - we have embedded a wellbeing Committee which organises monthly online events with key speakers in attendance.
  - and 30 of our people having completed training to become Mental Health First Aiders.

We are committed to fulfilling the requirements of our international quality standards and to establish policies and procedures designed to provide the Firm with assurance that they have the ‘right’ personnel with the capabilities, competence, and commitment to ethical principles necessary to:

- Perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and
- Enable the Firm, or engagement partner, to issue reports that are appropriate in the circumstances. We continue to achieve this, as outlined in the sections below, through effective and appropriate:
  - training of partners, staff, contractors, and consultants
  - Introduction of Training Partners and Coaches to coach and mentor our senior leaders
  - supervision of staff, sub-contractors, and consultants
  - stringent evaluation of everyone’s capabilities and potential
  - introduction of Role profiles focusing on competencies, development and our Firm’s expectations
  - relevant work experience
  - clear and bespoke performance development plans for staff
  - monitoring of the Firm’s human resources and workflow
  - our stringent recruitment procedures

## **Diversity, Inclusion, Belonging & Societal Impact (DIBS)**

At MHA, we create an environment where every team member feels seen, heard, valued and connected.

Throughout our Firm, our approach to diversity, inclusion and belonging is embedded into everything we do.

Our aim is to create an environment where;

- Opportunities are equal, and staff feel supported
- We ensure that our people feel they belong within our Firm
- We are known for fostering inclusion

We have made huge strides in this area, and we are working in partnership with Business in the Community (BITC). BITC is the largest and longest established business-led membership organisation dedicated to responsible business: founded by HRH The Prince of Wales 40 years ago. Through our partnership we are committed to regularly reviewing all our policies, procedures, networks, working groups and committees, training and our overall strategy to ensure we continually review and focus on those key aims.

In 2023 we implemented a three-year DIBS Strategy and we communicated this through a Firmwide roadshow with our lead DIBS Partner and a member of our Management Board, we are now in the process of performing our first annual review to document our achievements and assess our progress.

A short summary of our key achievements for 2024 are set out below:

- In March 2024, we hired our first full-time DIBS resource to help drive forward the Firm’s strategy and support the work of our seven employee networks.
- We are in the process of reviewing our diversity data collection processes to ensure data both informs and influences our DIBS work.
- We have become signatories and are committed to The Race at Work Charter, The Opening Doors Recruitment Campaign and the Disability Confident Employer Scheme and are proud to continue our support of the Access Accountancy Programme.
- We are currently working with the BITC to incorporate DIBS into our Learning and Development curriculum with specific sessions being designed to assist our learning pathways which target all areas of the Firm including, senior progression.

## DIBS Strategy – Structural Pillars



### Diversity

#### Goal:

Develop a Firm, at all levels, that represents the communities we serve.

#### Top-line Metrics:

Collation and review of number of roles held by women and employees of colour across all levels of the Firm to ensure improved representation.



### Inclusion

#### Goal:

Build an environment where identity is not a predictor of success.

#### Top-line Metrics:

Collation and review of promotion and retention data and statistics to ensure no demographic is favoured or discriminated against in relation to others. Review of gender pay data to improve equality of reward.



### Belonging

#### Goal:

Foster an environment where team members feel a sense of acceptance, inclusion and identity.

#### Top-line Metrics:

Issue quarterly Peakon staff engagement surveys, review scores and comments from staff to ensure engagement levels are consistent or improving and any areas raised are addressed.



### Societal Impact

#### Goal:

Expand the impact of DIBS within our industry and the communities where we operate.

#### Top-line Metrics:

Expand the 1892 foundation Firmwide and monitor fundraising and national reach. Review uptake and success of BITC projects such as Opening Doors, Race at Work Charter with review of BITC feedback on a 6 monthly basis.

## Societal Impact in the Community

Societal Impact is a critical component of our successful Environmental, Social and Governance (ESG) strategy, and using our detailed Social Licence framework, we audit our internal strategies to ensure we are successfully delivering on our Trust and Talent promises for our people, our clients and our communities. In addition to our detailed internal societal impact practices for our people already documented, we are committed to supporting our local communities.

In 2023, we launched the MHA 1892 Foundation, a charitable fund to support our purpose project to improve access to financial education for the next generation. Due to its success, our goal for 2024/25 is to expand the charitable foundation nationally across all MHA offices, ensuring we support those who need our help most in our local communities.

## Appraisals, Professional Development and Training

We are committed to ensuring that our staff are developed, managed, motivated and rewarded in a constructive, motivational and consistent way. We have six-monthly formal appraisals and individual performance development plans, where staff discuss their work performance and career aspirations with their line manager in detail.

Understanding that the quality of the service we deliver is directly related to the knowledge and skills of our people – the continual learning and development of our staff is a priority for us. As such, as we have grown as an organisation over the past year, so has our Learning and Development Team - helping us to ensure we are continuing to deliver quality development courses across all regions and levels.

## Summary of Core Training Content



### Trainees

As we are an accredited training Firm, the core development points cited by all the major accountancy bodies (eg. ICAEW, ACCA, AAT, etc) act as a baseline for our trainee programme.

With a focus on both practical and personal skills; our annual Phase Courses are designed to equip our trainees with the tools needed to succeed in the professional environment – such as time management, problem solving, and project management.

#### Phase 1

AML & Ethics  
Accounts as a Story  
Feedback  
Time Management  
Strategic Planning

#### Phase 2

AML & Ethics  
Communication Skills  
Briefing Styles  
Critical Thinking and Problem Solving  
Career Anchors

#### Phase 3

AML & Ethics  
Resilience  
Project Management  
Professional Mindsets  
Coaching

Tax and Audit staff are further supported during their training period by a growing raft of online technical programmes that address specific challenges that they are likely to encounter over their trainee career.

### Executives and Qualified Staff

Executives staff are further supported with our annual 'Elevate Camp' day events, which consist of a mix of practical case studies and changing professional development topics. We see this programme as an opportunity to offer our executives the benefits of a formalised pathway, that will help them succeed in their current role, while also giving them a variety of skills that they can further hone in a way that meets their individual needs and interests.

In addition to the Elevate Camp, both qualified and non-trainee staff have access to a wide range of technical and professional skills courses that they can attend to meet their development needs as they, or their managers, see fit. These courses generally fall into two categories:

- Technical Updates – Mandatory courses for all client-facing staff. These are held every six months and contain all the relevant tax, accounting and audit information that they need to know to do their job.
- Professional Skills Courses – Elective courses to further refine soft-skill abilities (eg. coaching, mentoring, presentation skills). Managers often review their teams' need for these courses at appraisal times, and they run regularly throughout the year.



## Managers

Once staff are in a position where they are managing a team, they are placed on the four day Modern Manager Programme (shown below):



## Senior Managers, Directors and Partners

At these levels, a person's core role in the Firm experiences a fundamental change from one of management to one of leadership. As such we offer those on this path support through our LEAD and Oxford programmes.

LEAD is a five-month, four-module, programme that is designed to both recognise and engage our more experienced managers and new directors by introducing them to the leadership mindset. Incorporating a heavier element of pre-course reading, intra-group discussion and facilitation than previous courses, this programme is unique in how peer-support discussions are used to shape and show the meaning of Leadership, rather than be simply dictated to participants.

### 1 Lead

Role of a Leader - the difference between managing and leading.

### 2 Engage

How to Future-Proof yourself and your team.

### 3 Action

Looking at direct actions we can take to improve core leadership traits like optimism, grit, locus of control, leadership planning, etc.

### 4 Develop

Developing our ability to manage change - Why is it so disruptive, and how we can guide our teams through it.

The Oxford Programme is a relatively new initiative first launched in 2023 in partnership with Baker Tilly International and the Saïd Business School of Oxford University.

Being run over the course of a year, it will use a mix of both live residential and online learning modules with the aim to help new partners (or those on a partnership track) better understand their journey from being a Team Leader to Strategic Leader.

Examples of content covered are below:

### 1 Residential Course

- Leading Teams
- Trust and Relationship Building
- Leading without Words
- Scenario Planning
- Leading Change
- Personality and Self-Awareness

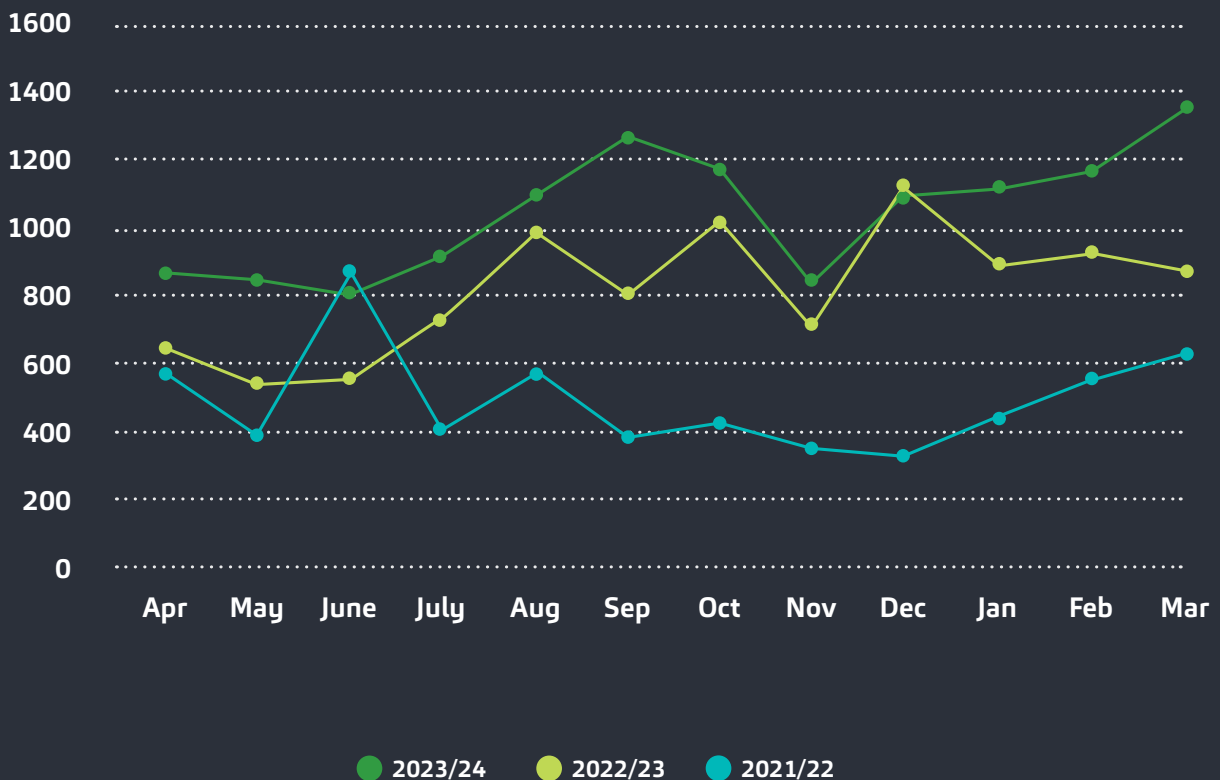
### 2 Online Seminars

- High Performing Teams
- Presenting with Impact
- Corporate Reputation
- Health and Sustainability
- Social Leadership

## MHA Hub – Supporting Learning and Development in making training simple and accessible.

Supporting our structured learning paths, the MHA Hub Learning Management System (LMS) allows for our staff to not only book on to the programmes discussed above (apart from those that are invitation only), but also access hundreds of additional support and reference modules.

Learning Management System (LMS) logins for the past 3 years



As the MHA Hub continues to be integrated in our culture as a 'one-stop' knowledge resource, it has seen strong growth over the last few years - from 500 average users per month in 2021/22 to over 1,000 in 2023/24 month (over 1,341 users in April 2024).

Furthermore, due to advances in the automation capabilities of the system (early 2023), we have been able to directly connect the MHA Hub to our HR System (PeopleZone). Thus allowing for staff to have training content automatically tailored to their needs based both on service line and level.

This system integration has also allowed for greater training transparency – as both staff and their managers are able to easily see what content they have completed, and which courses could be of further use to them.

### **Making Training Engaging**

Especially in light of our recent expansion, we are expecting the number of 'recorded' and 'remote' courses being delivered via our Learning Management System to increase. Continued investment has been made into new content creation and polling technologies that will allow us to efficiently create more dynamic and engaging material.

We see being able to gamify\* our learning programme, presenting content users with opportunities to demonstrate learning objectives through practical real-world situations (as opposed to simply being able to regurgitate disassociated facts on a topic) as a critical strategic objective for the success of our L&D programme.

### **Graduate and non-graduate trainee recruitment**

As a training Firm, recruiting talented graduates and non-graduates remains a key focus for our talent acquisition function. A signatory of the equal opportunities charter, Access Accountancy, we are dedicated to improving socio-economic diversity in the accountancy profession.

We review our entry criteria, interview and assessment processes, and selection methods regularly to ensure we remove barriers for candidates and support people from all areas of our communities to access the sector.

We strive for inclusivity from these early stages, whether the individual be a graduate, school leaver, or looking to retrain. Our annual work experience programme offers places to students from lower socio-economic and under-represented backgrounds and ensures they gain useful skills that will give them a head start in whatever career they choose.

MHA has also committed to Opening Doors, Business in the Community's inclusive recruitment campaign, supporting us to achieve our inclusive recruitment ambitions.

Talent acquisition remains a priority for MHA. As a growing Firm, in an ever-changing economic and social environment, attracting, and retaining sector specialists and employees, who share our ambition, attitude, and vision, is critical to our ongoing success as a "challenger Firm". We are continually reviewing the inputs required from an advisory, data, analytical, and transactional perspective to ensure we are "ahead of the curve" and are not simply reacting to shifts in regulations and markets. Our strengths and values-based recruitment model supports our ongoing commitment to consistency, quality, inclusivity, and diversity in our workforce. Where appropriate, our recruitment and selection procedures include technical testing, safeguarding quality, and viability of hires.

This works in tandem with mandatory recruitment and selection training for all leaders and hiring managers, which includes sections on conscious and unconscious bias and best practice selection methods. We challenge our methods regularly, reviewing how and where we source and advertise, how we assess applicants, and who performs the interviews. We ensure an attitude of continuous improvement, ensuring inclusive processes to attract and retain a diverse workforce.

\*add typical elements of game playing (eg. point scoring, competition with others, rules of play) to encourage engagement.

## Managing growth

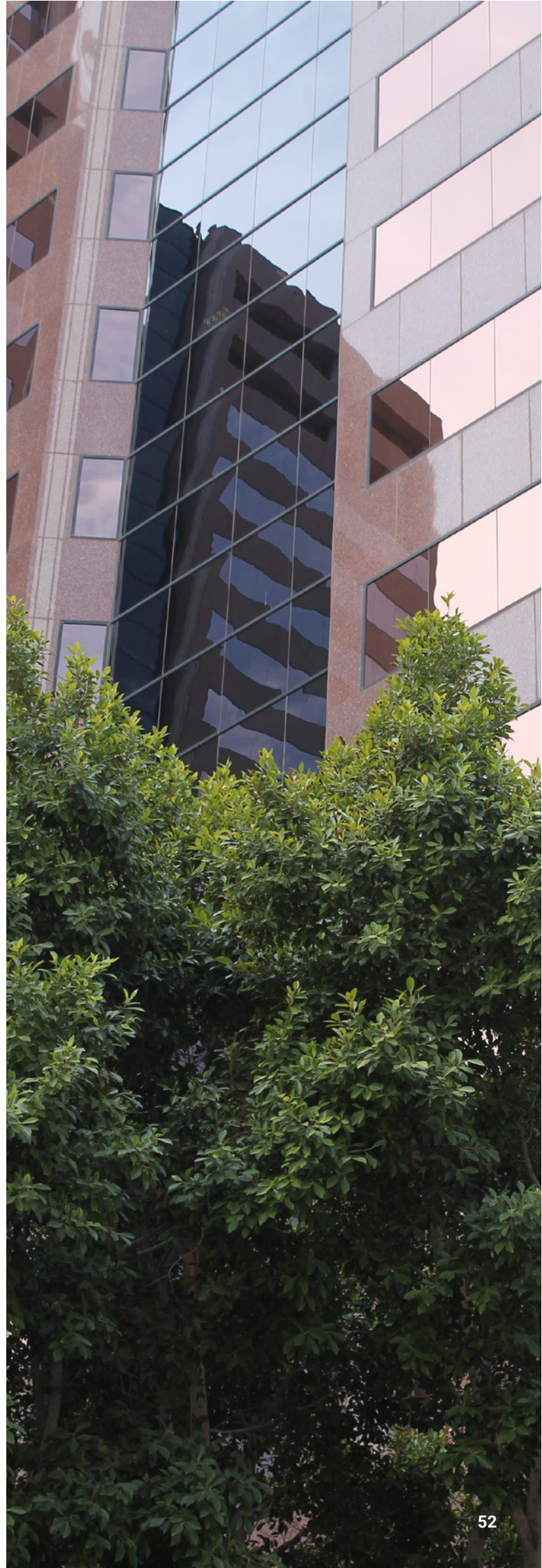
We have seen the strong organic growth of our audit practice over the last few years and see plenty of opportunities going forward. We maintain tight controls through our Engagement Risk Acceptance Panel to control the types of engagements we enter into and the pace of the growth. This ensures we grow in the right sectors where we have expertise to deliver a high-quality audit service with adequate resources available. The introduction of our statutory audit register and audit risk matrix for all new and existing audit engagements ensures that the Firm has oversight and control of its audit work. We focus our growth into sectors which are supported through our wider network, Baker Tilly International. This ensures international engagements can also be delivered to a high standard.

New offices have significantly contributed to the growth of our Firm during the year. The integration of our new offices has been assured through several strategic steps:

- 1 Conducting detailed due diligence through review of the HR policies, practices, legal and regulatory requirements and culture of the Firm intended to be acquired,
- 2 Developing a detailed integration plan that outlines timelines, responsibilities and key milestones,
- 3 Undertaking risk assessment of the plan, incorporating development of risk mitigation strategies,
- 4 Harmonising organisation structures, policies and procedures,
- 5 Communicating changes in roles, responsibilities and reporting lines,
- 6 Providing day one training for all partners and staff joining MHA ,
- 7 Developing and implementing a detailed ongoing training plan,
- 8 Providing ongoing employee support and engagement.

The application of the above strategic steps has ensured the cultural and procedural integration of new office into our Firm and is crucial for securing the effectiveness and consistency of our auditing process and outcomes across the wider Firm.

Our Firm's recruitment is aligned to our strategy which has allowed for successful niche appointments in certain sectors to create a team of very highly skilled sector specialists which improves our audit capabilities. We have a best-in-class resource management tool to enhance the allocation of resources around the Firm to ensure the right individual is given the right work at the right time. This technology breaks down any barriers around the Firm to ensure available resources, skills, and suitability are considered on a Firmwide basis.



## Gender pay gap

Snapshot as at 5 April 2023:

**10.8%**

The **mean**  
gender pay gap.

**6.2%**

The **median**  
gender pay gap.

**14.1%**

The **mean**  
gender bonus gap.

**7.5%**

The **median**  
gender bonus gap.

**83.8%**

The proportion of  
**male** employees in the Firm  
receiving a bonus.

**89.4%**

The proportion of  
**female** employees  
receiving a bonus.



Our full Gender Pay Gap report for  
2023 is available on our website

## Partner remuneration

Partners are remunerated out of the profits of the Firm.

Each partner's remuneration is assessed by reference to their individual contribution to the Firm considering a wide range of criteria, including:

- 1 delivering quality work
- 2 promoting audit quality
- 3 having strong technical skills
- 4 providing excellent client service
- 5 complying with all legal and regulatory requirements
- 6 following Firm procedures/policies
- 7 helping to grow the business
- 8 developing clients and client relationships
- 9 winning new business/new clients
- 10 developing new services
- 11 acting as an ambassador for the Firm
- 12 helping to develop the Firm's profile
- 13 acting as a good role model
- 14 supporting and developing others
- 15 adherence to and promotion of the Firm's values

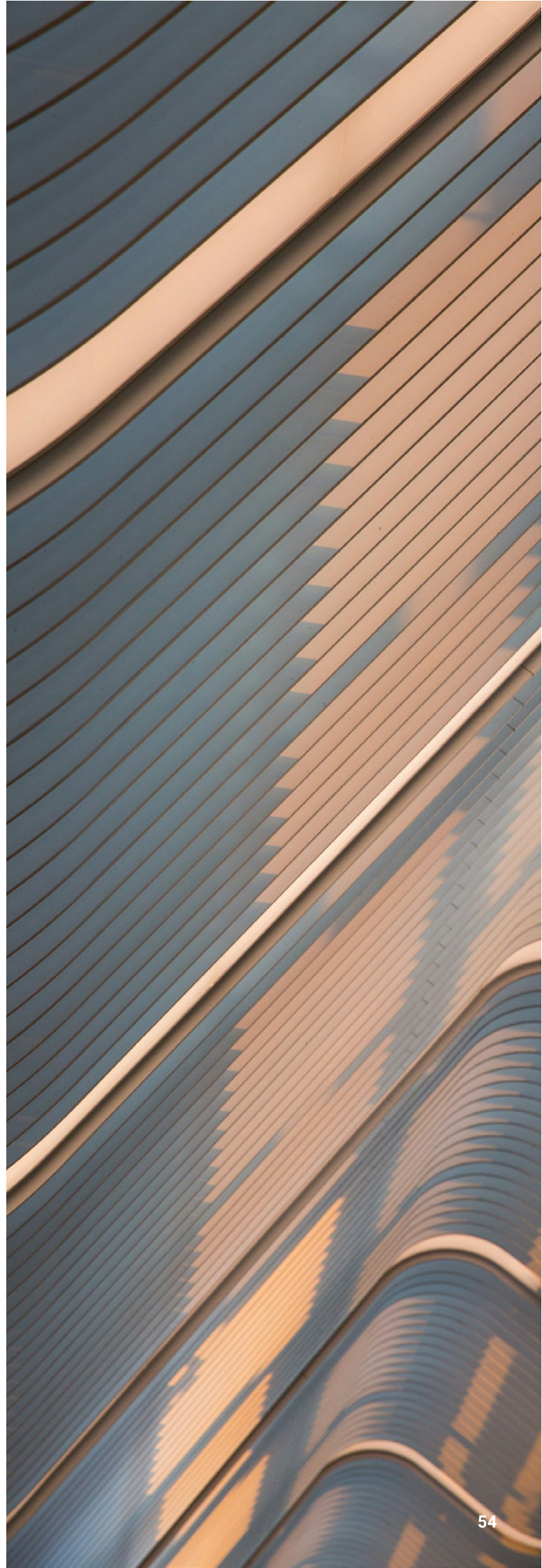
The importance attached to any individual performance criterion varies depending on the individual partner's role within the Firm.

The partner group comprises equity partners and partners with similar but not identical remuneration frameworks.

Equity partners are also entitled to a variable 'profit share' based on medium to long-term contribution to the Firm. All partners are required to contribute capital to the Firm.

All partners are subject to the Firm's partner appraisal system. Audit partner remuneration does not take any account of the selling of non-audit services to audit clients.

For further information on the Firm's remuneration and profit sharing policy, please visit our website (<https://www.mha.co.uk/remuneration-and-profit-sharing>)





**F**

# Sustainability & ESG

(Environmental, Social, and Governance)

Our Sustainability and ESG approach remains structured on 4 interconnected pillars all, in turn, born out of the underpinning principle of the Firm: 'Now, for tomorrow'. Our first and last pillars are our foundations, embodying what we do as a practice through to how we influence future ESG thinking, delivering a sustainable tomorrow today.



## MHA Sustainability & ESG Net Zero Journey

- We use a framework that is thematically underpinned by 4 elements: Innovation, Trust, Talent and Climate & Nature.
- We apply our external rigorous standards in assurance and compliance within our internal approach for MHA (our Dynamic ESG (DESG) programme)
- We have set our Net Zero target of by 2030 to achieve carbon neutrality under scopes 1 and 2, aligned to our SBTi targets (once validated) and will be a climate-balanced organisation thereafter, considering scope 3 emissions in our value chain.
- We are recording, monitoring and reporting every aspect of the Firm's carbon and greenhouse gas-equivalent emissions across scopes 1 to 3 under the Greenhouse Gas Protocol, through to integrating sustainable working practices.
- We have prioritised our societal approach including the creation of a national charity focused upon our ESG objectives.
- We work with our international colleagues on the Baker Tilly International global steering group for our internal pillar.



## The MHA Services Suite

For Dynamic ESG, these comprise Assurance, Advisory and Technical strands. The services include:

- ESG Corporate Reporting & Assurance: including ISAE 3000 (and ISSA 5000, once finalised), compliance with regulatory and voluntary reporting standards (including UK, EU and USA disclosures).
- ESG Advisory: through full Dynamic ESG services of create, evaluate and implement (including scope emissions assessment) and aligned scenario analysis; MHA has its bespoke 'activate digital toolkit' for SME and small business.
- ESG Technical Centre of Excellence: ensuring that ESG reporting and assurance practices (including audit) embed and are aligned to the latest ESG regulations, and consider material ESG risks impacting the accounting and audit methodology and financial reporting standards.

## Baker Tilly International Network

- Established international representation on the BTI strategic ESG working groups over assurance, advisory services and internal ESG planning.
- Working collaboratively with the wider MHA / Baker Tilly International offices network to provide a global approach at the highest regulatory level to clients across the world.
- Ensuring that we are building Dynamic ESG principles across the international scope of the connected organisation and consistent approach to regulatory response.

## Sustainable Thought Leadership

- The MHA ESG services suite including Dynamic ESG is leading its field by adding technical and pragmatic delivery when integrating ESG and the fundamental principles of 'commercial good' and regulatory compliance and value proposition.
- Sector 'thought innovation' leading new ideas and concepts to support our clients with their responsibilities and the industries we serve.
- Proactive response in regulatory response both in the UK and the EU.
- Technological investment through AI & Bespoke software for global interoperability.



## The role of Nature in Finance.

- We are targeting specific Sustainability Development Goals where we can make the most difference, supporting the Ten Principles of the UN's Global Compact on Human Rights, Labour, Environment, and Anti-Corruption. We have embedded this throughout our organisation.
- We create value in the chain by partnering with clients to amplify important social and environmental issues in award-winning work and through pro bono work and our charitable framework (including education)
- Raising awareness across our organisation via the execution of Climate, Societal and Nature programmes.
- Separate reporting under regulatory frameworks (voluntary disclosures) through our annual sustainable ESG Report and statement including biodiversity impacts.
- We are developing and implementing our own internal temperature alignment scenario analysis to help us test the resilience of our Net Zero strategy.

At MHA we believe that the focus on sustainability and ESG is crucial. The subject has become over-complicated and is often discussed without action. As a Firm we are fully committed to growing in a responsible and environmentally sustainable way, for the long term, to benefit our people, our clients and the planet.

## The role of sustainability ESG in MHA.

### Governance:

A board-approved programme of internal reporting alignment to the UK Corporate Governance Code, Taskforce on Climate Related Disclosures (TCFD), UK Companies Act climate-related financial disclosure requirements (UK CFD), Global Reporting Initiative (GRI 400) and specific UN Sustainable Development Goals (UN SDGs). The Firm is committed to alignment with Science Based Targets Initiative (SBTi).

A comprehensive risk mapped programme to reduce our net emissions to zero by 2030 including the alignment of existing policies, procedures, management structures and Board oversight, covering compliance with the key components of sustainability and ESG.

International alignment monitoring by the MHA Board, directly linked to the BTI international Board.

Comprehensive internal governance structure with upstream and downstream communication channels and challenge

## Environmental Social Governance & Sustainability Alignment.

We have identified that the requirements and demands in the areas of Environmental, Social, Governance (ESG), in particular climate – have accelerated in part, because of the continued focus by investors and stakeholders, but also because of heightened regulation and the scrutiny of regulators.

The Firm has built on its 2023 focus in audit standards for climate risk and climate reporting.

- We have fully embedded comprehensive risk-based approach to auditing climate risk with training for all our qualified and non-qualified auditors on auditing climate risk and understanding the regulatory environment.
- We have invested and expanded our ESG Technical Centre of Excellence team supported by partner leadership reporting directly to Board. Investment into Technology, including AI, has also been made.
- We have integrated and expanded our internal network of Audit & Assurance Climate Champions to integrate the communication of ESG knowledge.
- We consider all audits from an ESG regulatory perspective, and an ESG audit risk perspective, for all entities that fall in scope.
- We introduced enhanced policies and procedures for our listed clients and public interest entities (UK & International).
- We have expanded our advisory and non-audit assurance services, with a dedicated team responding to business demand, covering all current national and international legislation including ISAE (UK) 3000 and the forthcoming ISSA 5000 standards.

Our focus remains upon absolute regulatory compliance and high standards of disclosures, supported by robust dynamic ESG advisory services addressing value creation and complete credibility. The Firm, with its international network, is at the forefront of ESG requirements through investing in our professional capabilities and specialist experience in concert with the financial statements audits.

We have continued to actively engage with regulators and standard setters, with the aim of creating enhancement in the usefulness, consistency, and reliability of ESG disclosures.

We have maintained our targeted approach to continually embed ESG within all our practices in the Firm. We regularly work with such agencies as ACCA, ICAEW, EFRAG and the FRC on climate disclosures, commenting on global sectoral issues (Pillars 3 and 4) relating to the thematic climate risk and how businesses can mitigate the substance of such concerns. We are committed partners to the United Nations and the role of the global compact.



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## Risk management and mitigation

**We constantly monitor, evaluate, and manage the risk landscape in which we operate. Due to recent mergers, rapid technological advancements, and an evolving business and regulatory environment, maintaining a robust risk and quality management framework is more critical than ever.**

The enabler to drive resilience in our Firm is the involvement and participation of the entire organisation to ensure we are always striving for continuous improvement, quality and excellence in everything that we do but also that we are always on high alert and vigilant where we need to take action.

Despite the record growth achieved since the last Transparency Report, the core activities and service lines of our client delivery have remained relatively unchanged. The client base of the merged Firms predominantly consists of owner-managed businesses, ranging from small non-audited entities to large international corporations requiring statutory audits. There have been no direct additions of listed or Public Interest Entity (PIE) audits as a result of these mergers.

A key focus and challenge for the Firm this year was the integration of the merger Firms. With every merger it is crucial to align key policies, procedures, training, communication and methods of working. Since our very first merger, we have developed an Integration Team that starts building a relationship with the merger Firm very early on in the process allowing us to fully understand the operations and environment that they operate in.

The mergers have also enabled us to adopt a 'best practice' approach to our evolving policies and procedures, adapting and enhancing them as needed when integrating a merged Firm. A key outcome of the mergers was enhancement of the overall risk mitigation measures and controls by gaining a deep understanding of how each Firm operated and learning and adapting to ensure best practices are adopted and rolled out across the entire Firm across each discipline (not only audit) to ensure best quality and consistency.

Our overall risk management framework is built very much around the three lines of defence traditional model. As previously reported, and as shown on the risk compass below, our business is split into various risk areas/functions, each one having a risk owner who is responsible for managing risk in that function.

They are responsible for executing risk mitigation and control procedures on a day-to-day basis, embedding quality and reporting into the wider Risk Committee (RiCo) with any concerns or failings in the controls.

A key Firm-wide preventative control measure built into our first line of defence is our Speaking Up policy which is designed to be a simple but effective way for any team member to raise concerns on a confidential basis where behaviours are not in line with our values or where work delivery is not in accordance with our standards and/or expected levels of quality.

The Speaking Up policy serves as a reminder to our entire team that unacceptable behaviour and client work not being performed in line with our standards, policies and expected quality will not be tolerated.

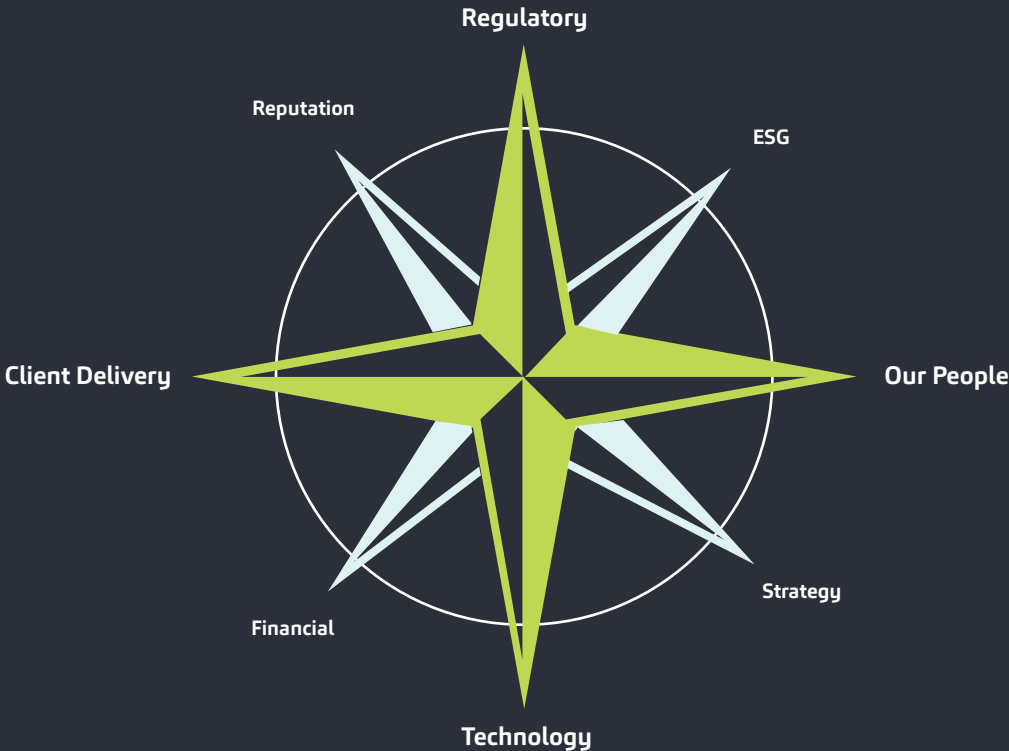
The Risk Committee (RiCo), who report directly into the Management Board and Oversight Committee, has responsibility for the risk management system of the Firm and is the main compliance function ensuring that the first line of defence is properly designed, implemented and operating as intended.

The Terms of Reference for the RiCo are approved by the Management Board, who is ultimately responsible for managing the risk of the Firm, and reviewed on an annual basis. The RiCo is chaired by Martin Herron (Chief Risk Officer and management board member) and includes the following members:

- Andrew Moyser (Head of Audit and management board member),
- Patrick King (Head of Tax)
- Jane Walker-Smith (Head of People)
- Gary Lee (Head of IT)
- Chris Greenhalgh (Practice Assurance Compliance principal and MLRO)
- Andrew Williamson (General Counsel)
- Catherine Holt (Risk and Resilience Director).

We have looked to strengthen the composition of the RiCo following some of our recent merger activity and some recent key appointments, and meetings take place on a monthly basis or more frequently if an urgent issue arises. Regular items included on each agenda include client complaints/notifications and updates on regulatory/PI matters.

Each meeting will also focus on and address any concerns around a particular area of the business selected due to a particular failing or key risk indicator trigger. Certain management functions will be requested to attend the RiCo where this is the case to explain the cause of the issue and any mitigations/further actions necessary to prevent any reoccurrence.



The RiCo is also responsible for the operation and update of the Risk Management System (RMS) and during this reporting period a key focus has been the ongoing migration of our RMS onto the digital platform called Corestream. This has required a comprehensive review of all systems and processes using a mapping tool to identify our risk exposures and develop mitigations ensuring alignment with our risk appetite. This system has now been built and the RiCo is currently going through a migration onto the new system. A newly appointed Risk and Resilience Director will take ownership of this ongoing project.

It is the RiCo supported by our other compliance functions within the Firm that make up our second line of defence in managing our risk.

Our third line of defence, primarily designed to provide risk assurance, consist of a strong governance and oversight function together with a robust internal and external review of our operations and systems. Our governance structure, as covered earlier, has transformed since becoming a Tier 2 Firm and adoption of the Audit Firm Governance Code, ensuring oversight, challenge and rigour in everything that we do.

The results of our internal quality reviews on audit engagements are covered in section C but a focus for this coming year is to perform more independent reviews on other service lines that are not currently subject to as much regulation as audit engagements. This enhancement will ensure that the rigorous standards on improving audit quality are applied to other areas of our business.

Our Key Risk Objectives are detailed in a seperate section of the Appendix on page 70 and have been reviewed since we last reported in 2023 and also included a risk trend indicator showing how these Key Risk Areas are changing as the business evolves.

By identifying, addressing and monitoring these key risks, we strive to uphold the highest levels of transparency, reliability, and trustworthiness in our Firm. Our commitment to robust risk management and quality not only protects our clients, our teams and our reputation but also reinforces our position as a trusted leading Firm in our industry. Continuous improvement and vigilance in risk management practices will remain central to our operations, ensuring we meet the challenges of today and tomorrow with confidence and resilience.





# Appendices

## UK Public Interest Entities (UK PIEs)

The Firm issued audit reports on the financial statements of the following 38 UK PIEs during the year ended 31 March 2024.

Amigo Holdings plc

Aterian plc

Bank of Ceylon (UK) Ltd

Bank Saderat plc

Cardiff Property plc

Develop North plc

English & American Insurance Company Ltd

FCMB Bank (UK) Ltd

Ferrexpo plc

Firstbank UK Ltd

GB Bank Ltd

Havin Bank Ltd

Hidong Estate plc

HSBC Innovation Bank Ltd

HSF Health Plan Ltd

Ifast Global Bank Ltd

Intuitive Investments Group plc

J.P. Morgan Europe Ltd

Jordan International Bank plc

Kanabo Group plc

Melli Bank plc

Milton Capital plc

MRG Finance UK plc

Nostrum Oil & Gas plc

PCF Bank Ltd

Persia International Bank plc

Philippine National Bank (Europe) plc

Places for People Finance plc

Places for People Homes Ltd

Places for People Treasury plc

Poplar HARCA Capital plc

Puma Alpha VCT plc

Puma VCT 13 plc

REA Holdings plc

Spiritus Mundi plc

Stirling Water Seafield Finance plc

Weatherbys Bank Ltd

Zenith Bank (UK) Ltd

## EU Member Firms

### Network of EU Statutory Audit Members

Country

Name of Firm

Further details

As at 31 December 2023, the following independent member Firms of the Baker Tilly International network provided statutory audit services in the EU.

	Country	Name of Firm	Further details
1	<b>Austria</b>	Pro Auditore Wirtschaftsprüfung und Steuerberatung GmbH	See below
2	<b>Belgium</b>	Baker Tilly Belgium	
3	<b>Bulgaria</b>	TPA Audit OOD; Baker Tilly Klitou and Partners OOD	See below
4	<b>Croatia</b>	TPA Audit d.o.o	See below
5	<b>Cyprus</b>	Baker Tilly Klitou & Partners Limited	See below
6	<b>Czech Republic</b>	TPA Audit, s.r.o.	See below
7	<b>Denmark</b>	Baker Tilly Denmark	
8	<b>Estonia</b>	Baker Tilly Baltics OÜ	
9	<b>Finland</b>	Baker Tilly Finland Oy	
10	<b>France</b>	Strego Audit	
11	<b>Germany</b>	Baker Tilly Holding GmbH	See below
12	<b>Greece</b>	Baker Tilly Greece Auditors S.A.	See below
13	<b>Hungary</b>	TPA Control KönyvvizsgálóKft.	
14	<b>Ireland</b>	Baker Tilly Kirk	
15	<b>Italy</b>	Baker Tilly Revisa SpA	
16	<b>Latvia</b>	Baker Tilly Baltics SA	
17	<b>Lithuania</b>	UAB Scandinavian Accounting and Consulting	
18	<b>Luxembourg</b>	Baker Tilly Audit and Assurance àr.l	
19	<b>Malta</b>	Baker Tilly Malta	
20	<b>Netherlands</b>	Baker Tilly (Netherlands)	
21	<b>Poland</b>	Baker Tilly TPA Sp. zo.o.	See below
22	<b>Portugal</b>	Baker Tilly PG & Associadoes, SROC, LDA	
23	<b>Romania</b>	TPA Audit Advisory S.R.L.; Baker Tilly Klitou and Partners	See below
24	<b>Slovakia</b>	TPA Audit, s.r.o.	See below
25	<b>Spain</b>	Baker Tilly Iberia	See below
26	<b>Sweden</b>	Baker Tilly Sweden	See below
27	<b>UK</b>	MHA Moore & Smalley (who merged into this Firm on 1 April 2024)	

## Network Operators



### Network name - Pro Auditö Wirtschaftsprüfung und Steuerberatung GmbH

#### EU statutory audit members

1	:	Audit Consult Austria Wirtschaftsprüfung und Unternehmensberatung GmbH	:	Austria
2	:	Pro Auditö Wirtschaftsprüfung und Steuerberatung GmbH	:	Austria
3	:	Pro Revisio Wirtschaftsprüfung und Steuerberatung GmbH	:	Austria

### Network name - TPA Group

#### EU statutory audit members

1	:	TPA Audit OOD	:	Bulgaria
2	:	TPA Audit d.o.o.	:	Croatia
3	:	TPA Audit, s.r.o.	:	Czech Republic
4	:	TPA Control KönyvvizsgálóKft.	:	Hungary
5	:	Baker Tilly TPAS p.zo.o.	:	Poland
6	:	TPA Audit Advisory S.R.L.	:	Romania
7	:	TPA Transilvania Advisory S.R.L.	:	Romania
8	:	TPA Transilvania Contax S.R.L.	:	Romania
9	:	TPA Audit, s.r.o.	:	Slovakia

### Network name – Baker Tilly Klitou and Partners Limited

#### EU statutory audit members

1	:	Baker Tilly Klitouand Partners Limited	:	Cyprus
2	:	Baker Tilly Klitou and Partners (Limassol) Limited	:	Cyprus
3	:	Baker Tilly Greece Auditors S.A.	:	Greece
4	:	Baker Tilly Klitou and Partners SRL	:	Romania
5	:	Baker Tilly Klitou and Partners OOD	:	Bulgaria

### Network name – Baker Tilly Iberia

#### EU statutory audit members

1	:	Audicat Barna, S.L.P.	:	Iberia
2	:	Auditabe Auditores & Consultores S.L	:	Iberia
3	:	Esponera Auditores, S.L	:	Iberia
4	:	CJC Baker Auditores, S.L.P.	:	Iberia
5	:	Auditarum AEC, S.L.P.	:	Iberia
6	:	AEC Auditores, S.L.P.	:	Iberia
7	:	Baker Levante Audit, S.L.	:	Iberia
8	:	Baker Tilly A&C, S.L.P.	:	Iberia
9	:	Castellà Auditors, S.L.P.	:	Iberia

## Network Operators

Network name – Baker Tilly Sweden



Country

### EU statutory audit members

1	Baker Tilly Ahlgren & Co	Sweden
2	Baker Tilly Asplunds AB	Sweden
3	Baker Tilly EMK KB	Sweden
4	Baker Tilly Halmstad KB	Sweden
5	Baker Tilly Helsingborg KB	Sweden
6	Baker Tilly Jönköping	Sweden
7	Baker Tilly Karnan	Sweden
8	Baker Tilly Lulea AB	Sweden
9	Baker Tilly MLT KB	Sweden
10	Baker Tilly Mapema AB	Sweden
11	Baker Tilly Saxos KB	Sweden
12	Baker Tilly SEK AB	Sweden
13	Baker Tilly Stint AB	Sweden
14	Baker Tilly Stockholm KB	Sweden
15	Baker Tilly Strömstad AB	Sweden
16	Baker Tilly Swedrev	Sweden
17	Baker Tilly Sydost AB	Sweden
18	Baker Tilly Umeå AB	Sweden
19	Baker Tilly Örebro AB	Sweden
20	Baker Tilly Östra Värmland AB	Sweden
21	Adsum Revisorer och Företagskonsulter AB	Sweden
22	Edlings Revisionsbyrå KB	Sweden
23	Ernströms Revisionsbyrå, AB	Sweden
24	Thorell Revision AB	Sweden
25	Ahnell & Partner Revisionsbyrå	Sweden
26	Aktiv Revision I Gavle AB	Sweden
27	Guide Revision AB	Sweden
28	Luminor Revision	Sweden
29	M. Sandbergs Redovisning & Revision AB	Sweden
30	Mora Revisionsbyrå AB	Sweden
31	Revisorshuset I Uppsala AB	Sweden
32	Radek KB	Sweden
33	Solid Revision	Sweden
34	Sporröng & Eriksson Revisionsbyrå AB	Sweden
35	YW Revision AB	Sweden

### Total network revenue from statutory audit

The total statutory audit fees for EU members for the period is approximately €224 million (last year €145 million.)



## About The Firm

### Analysis of MacIntyre Hudson LLP (“The Firm”) turnover

The Firm’s total fee income for the year to 31 March 2024 was £137 million (£102 million in 2023). This is analysed as follows:

	2024 £m	2023 £m
Statutory audits and directly related services for audit clients (EU PIES and subsidiaries of EU PIES) *	8	5
Statutory audits and directly related services for other audit clients	69	47
<b>Sub-total of statutory audit services</b>	<b>77</b>	<b>52</b>
Non-audit services to audit clients	23	19
Services to non-audit clients	37	31
<b>Total turnover</b>	<b>137</b>	<b>102</b>

\* Includes turnover for entities that meet the definition of an EU PIE (or a subsidiary of) as at 31 March 2024. It should be noted that the above turnover does not include the full annualised revenue of Firms which merged into the LLP during the year or after the year end, and is in respect of the LLP only and not the whole group.

## Background to transparency reporting

MacIntyre Hudson LLP is referred to as “MHA”, “the Firm”, “we”, “our”, “its” in this Transparency Report. We trade under the name MHA and are a long-established Firm of Chartered Accountants and business advisors.

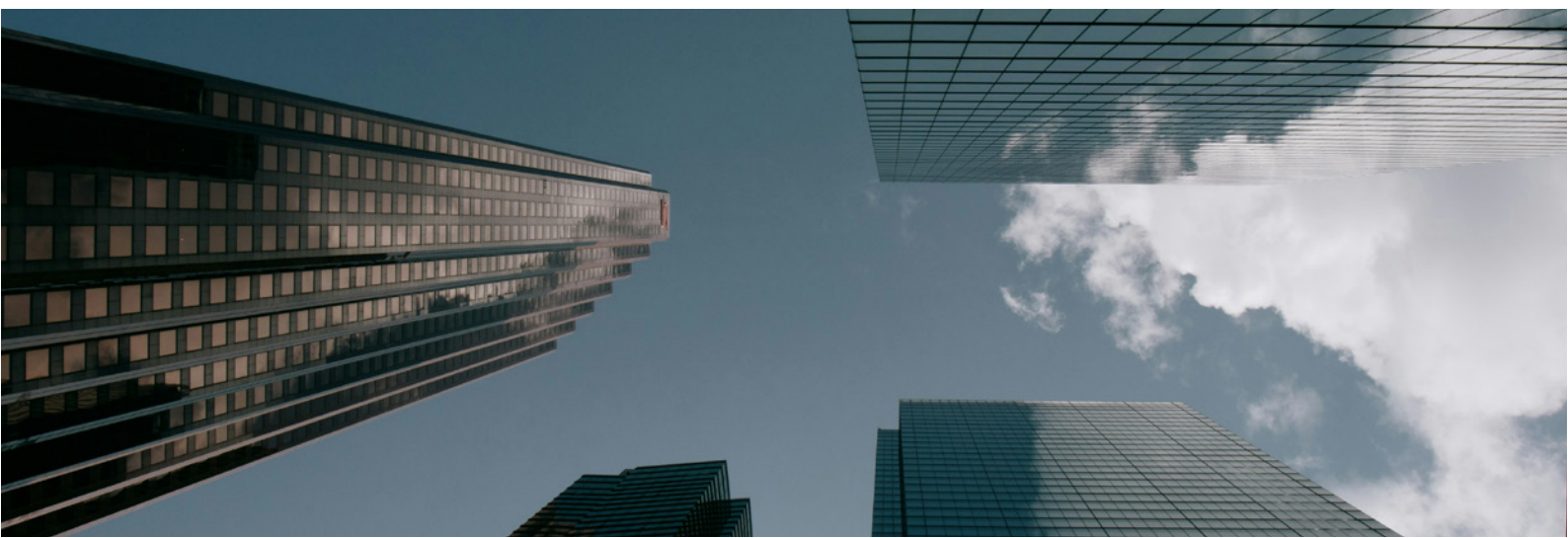
In this section, we explain what this Transparency Report covers, who the users are expected to be, and why they should read it.

As we do not audit the financial statements of a major local government or healthcare body, we are not required

to comply with the Local Auditors (Transparency) Instrument 2015.

As we now audit more than 20 Public Interest Entities we are required to adopt the Financial Reporting Council’s (FRC) Audit Firm Governance Code (“AFGC” or the “Code”) which we have done.

This Transparency Report has been prepared solely in respect of MacIntyre Hudson LLP and does not relate to any of its subsidiaries or Baker Tilly International.



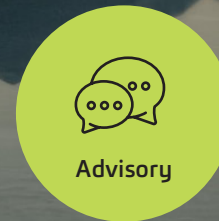
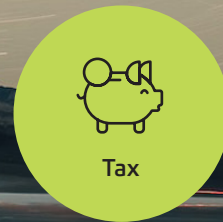
## Legal Structure and Ownership

MacIntyre Hudson LLP is a limited liability partnership registered in England and Wales (OC370220) with its registered office based in Milton Keynes, England.

We are a member Firm of, and are regulated by, the Institute of Chartered Accountants in England and Wales (ICAEW) and our registered number is C001282232.

The Firm is owned entirely by its members, who are described as partners herein.

Our professional activities are carried out by the Firm and various subsidiaries and associated businesses ("the group"). Services offered by the group include Audit & Assurance, Tax, Advisory and Outsourcing.



## Responsible Individuals (RIs)

RIs (Audit Partners and signing directors) are persons within the Firm individually responsible for audit work. They are the only people allowed to sign the audit report of an individual audit client. For this reason, the expertise and integrity of these individuals is paramount to the effective operation of the Firm's Audit Department.

To become a RI, the individual must hold a Practising Certificate and an Audit Qualification. A searchable database of these RIs (also known as Statutory Auditors and Senior Statutory Auditors) is available via the online Audit Register.

## Network Membership

The Firm is an independent member Baker Tilly International (an international network of independent accountancy and business advisory Firms). All Firms in Baker Tilly International are distinct and separate legal entities.

## Baker Tilly International (BTI)

We are a member of the BTI network of independent accountancy and business advisory Firms. BTI ranks in the top ten worldwide networks. The governance of BTI is detailed on their website: [www.bakertilly.global/en/about/governance](http://www.bakertilly.global/en/about/governance)

BTI also provides an online Independence Database which allows us to check whether there are any international conflict of interests (or threats to independence) resulting from work done for the client (and/or any of its related companies) by other members of BTI. This database includes details of all clients (which are members of a listed corporate group) for which professional services are provided by another BTI member Firm.

## Governance structure

The Firm is controlled by a Management Board consisting of the following individuals as at 31 July 2024:



**Rakesh Shaunak**  
Managing Partner  
and Group Chairman



**Andrew Moyser**  
Vice Chairman and  
Head of Audit

Rakesh is the Managing Partner and Group Chairman of MHA. He is a Senior Director of Baker Tilly International, of which MHA is the UK member.

He has been one of the key figures behind the Firm's growth and development, which encompasses the creation of MHA and membership of Baker Tilly International. Over the last few years, the Firm has enjoyed double digit growth under his stewardship. Rakesh qualified as a Chartered Accountant with a top five Firm, gaining experience of large corporate audits and qualifying as a Member of the Institute of Taxation. He devotes much of his time to business advisory work and has a large portfolio of commercial clients. He acts as Audit Partner on several of the Firm's Public Interest Entity (PIE) audit clients, including international banks and listed companies.

Rakesh sits as a non-executive on the board of a listed property company, and until recently was Chairman of the Audit and Risk Committee of the Chartered Institute of Taxation.

His philosophy is to push boundaries and not accept complacency.

Andrew serves as the Vice Chairman of the Firm and is the Head of Audit. In this capacity, he collaborates closely with Rakesh to oversee the audits of the majority of the Firm's Public Interest Entities, listed companies, and some of the Firm's largest clients.

In his role, Andrew is responsible for maintaining and enhancing the Firm's relationship with its key regulator, the Financial Reporting Council (FRC). He also leads the Audit Quality Board and the Audit Council, ensuring that the highest standards of audit quality and compliance are upheld.

Additionally, Andrew holds the position of Chairman of the Baker Tilly Audit & Assurance Strategy Panel, where he plays a pivotal role in shaping the strategic direction of the Audit Service Line across Baker Tilly. His leadership in this area is instrumental in driving innovation and consistency in audit practices throughout the network.

Andrew's commitment to collaboration is evident in his work with numerous partners across the Firm. He strongly advocates for a One Firm approach, fostering a culture of unity and teamwork. His belief in the power of collaboration underpins his efforts to ensure that the Firm operates cohesively and delivers exceptional service to its clients.

With a wealth of experience and a deep commitment to audit excellence, Andrew continues to be a driving force in the Firm, guiding its audit practices and strategic initiatives to new heights.



**Steve Moore**  
Finance

Steve's background is in both industry and accountancy - he returned to the profession because it offered him more variety. When appointed in 1989, he was one of the Firm's youngest ever Partners.

Steve's specialist sectors include professional practices. He is a member of the Firm's Management Board with specific responsibilities for finance.



**Martin Herron**  
Risk and PI

Martin was appointed a partner in 2005 and, more recently, became a member of the Firm's Management Board in June 2023. As the Firm's Chief Risk Officer (CRO), Martin has specific responsibility for Professional Indemnity Insurance (PII) matters and risk management generally. He has extensive experience in providing audit, accounting, and business advisory services to mid to large privately owned businesses, subsidiaries of foreign listed parents, and large international groups.



**Graham Gordan**  
Head of Wealth  
Management

Graham joined the Board on 1 April 2024 following the merger with MHA Moore and Smalley and is the regional chair for MHA in the North West. Graham provides holistic advice on a wide range of matters including retirement, investment, estate and protection planning, and associated tax concerns.

Within the team, specialist planning areas include advising high net worth individuals, trusts, corporate entities, healthcare and medical professionals, vulnerable clients, and those wishing to consider long term care or equity release.

A passion for delivering first-class client service of the highest quality is what drives Graham, and he is committed to ensuring this ethos runs throughout the Firm. The weekend is therefore generally down-time with his wife and three children, and the time for strategic thinking and generating new ideas.



**Kate Arnott**  
Strategy, Ethics and AML

Kate was appointed to the Management Board in June 2021, having previously held other management roles within the Firm, including Regional Ethics Partner and Regional Chief Operating Officer (Thames Valley office). Kate has a varied portfolio of clients - based largely in London and the South East, but extending out as far as Chicago. She is the Head of our Professional Services sector and, as such, has a deep understanding of the unique challenges and opportunities faced by professional practices.

Kate is the Firm's Ethics Partner and Money Laundering Compliance Partner.

## Culture and values



### Service

We care about what matters to you



### Teamwork

Building the future together



### Attitude

Can do, will do



### Relationships

Succeeding together

## STAR values

Our STAR values of Service, Teamwork, Attitude and Relationships help us create a successful working environment and underpin how our people and clients experience the Firm. They are integral to ensuring our people are engaged and motivated in their everyday working life.

### Culture

Our STAR values are embedded in every aspect of the way we work. They were initially determined by our staff and so are embedded in our culture.

These values guide us to ensure we can be the best that we can be. They determine our Firm culture. Our people are at the heart of this culture, and they are actively encouraged to put forward ideas to drive positive changes within the Firm. As part of this we have a six-monthly anonymous staff engagement survey and a Firmwide engagement team who review staff engagement continuously throughout the year,

and look where we can improve and make the changes that lead to a happy, engaged and more productive workforce. We believe transparency is key and so does our Managing Partner, Rakesh Shaunak, who delivers a yearly roadshow, visiting all our UK offices, updating staff on our strategic plans, and concluding with an open question-and-answer session.

### Reward and recognition

We have a wide range of benefits to look after our staff's physical and mental well-being, such as a 24-hour employee assistance Programme, access to a second medical opinion and 24 hour GP service as well as discounted gym membership. There is also a "thank you" platform where staff can thank and reward colleagues with vouchers for doing great work that align to our values. We believe a thank you goes a long way and we like to recognise when a colleague does well.

### Service

we care about and take pride in:

- Our clients
- Our Firm's reputation
- Our staff
- Our partners



### Teamwork

leading our teams, means:

- As partners we are individual of thought and welcome diversity of opinion
- We inspire and empower our teams
- We encourage innovation and enterprise
- We celebrate success and learn from failure
- We build trust – we will listen and empathise to build trusted relationships



### Attitude

having a great attitude

- We trust our colleagues to do their jobs, and give them the freedom to do their best
- We collaborate across teams to make everyone successful
- We are inclusive and care, helping everyone to be the best they can be
- We actively participate in the wider Partnership team



### Relationships

we make a difference together.

- We don't accept mediocrity
- We have the courage to test new ways of doing things
- We are hungry to better ourselves and our Firm
- We take responsibility for everything we do

# Key Business Risk Objectives and mitigation measures



## Operations and delivery

### 1 Risk Driver

#### Cyber and data security and embracing future technology

##### Risk Description

Evolving cyber threat landscape through a major breach or ransomware incident(s), or via broken links with trusted critical suppliers.

Increased reliance on technology to deliver services and manage internal functions. Including large volume of Apps and Cloud services increasing risk of cyber security threat due to complexity/volume of products and links.

Retention and/or selection of best mix of technology solution/products closely aligned to Strategy to support delivery of wide mix of services

Importance of Business Continuity Planning (BCP) and Scenario planning processes – if these are not in place and rehearsed, at time of major continuity interruption, disaster or significant restriction ( eg new Pandemics ) the business would lose pace for potentially a medium to long term period and in a worst case scenario lose control as to the capacity and ability to recover and bounce back.

Importance of preparing the IT infrastructure for periodic change or replacement with product selections and infrastructure that meets a fast-moving future and can service clients in rapidly changing markets and legislative boundaries.

##### Mitigations

The Risk Committee (RiCo) and Cyber Committee, with senior partner representation and high quality/experienced technical support, providing overall strategic direction, framework and policies including establishment & monitoring via ISO27001 compliance.

Commitment to invest in regular independent reviews of IT controls and overall systems by highly experienced, external providers with resourced experienced IT Controls and Security team following a structured plan which is delivered daily, reported upon monthly via KPIs and KRIs & clear Incident Response protocols including Physical, Technical & Human Resource controls.

Policies and instruction for data transfers, ( external to internal etc ) storage & use including authorised 3rd party access.

Arrangements for recovery of critical systems and data, secured by second data centres where failed systems can be reinstated at second centre in line with Business Impact priorities; test programmes on rebuild of systems and data recovery; Disaster Recovery Plans; setting overall Crisis Management and Response resourced centre which includes a holistic Firm and market wide survey and monitoring functionality.

IT senior function leading in collaboration with Risk functions and Service Line Function leads, to create detailed IT strategy within overall Strategic Plan and operational road map for systems and infrastructure upgrades and or replacement or new elements as services evolve.

##### Risk Trend ➡

### 2 Risk Driver

#### Strategic aims

##### Risk Description

The 5 year Strategic Plan (through to 2028) has a detailed analysis covering Finance, People, Brand, Technology & Innovation and Governance and has been prepared with wide engagement in the Partnership and Board approved. The delivery of the Strategy is monitored via a detailed matrix of Partner level service and sector leads combined with well resourced, experienced functional teams. It is however conducted against a complex, fast changing & very competitive professional services environment and against an internal indication of expected reasonable momentum of growth, change and improvement putting pressure on overall achievement. The market for People is complex, challenging and requires long term planning and innovative lock-in attractions and benefits. This is a key factor for keeping risk manageable and achieving the Strategic Plan but can also be a key pressure point.

MHA (and the wider MHA group & BTI ) are perceived as highly professional and capable as a professional Firm of choice. If certain markets to grow (such as PIEs, complex Tax Planning and ESG ) is dominated by a number of much larger and highly resourced Firms, where the size and resource gap could increase over the next 5 years.

### Mitigations

Detailed line by line analysis of the targets in prior 5-year plan to analyse achievements and missed/underachieved areas with a Why/What/When/How analysis and options for the future in those prior plans, incl status of achievement or part delivery and sustainability issues.

Experienced Partners supported by Selected Directors/Managers to support new plans with engagement and Board approval.

Ensuring the plan is prepared with consultation by INEs as well as key Stakeholder representation incl. BTI. Takes counsel from external information/knowledge such as in govt, economic forecasting centres, political experts and legislative bodies.

Assess and continually monitor Peakon internal survey results throughout the Firm to establish engagement type scores; similarly talking and reflecting on feedback from key clients.

Benchmarking analysis with competitors.

Collaborations and input with key connected third parties.

Consideration of sufficient IT budget and capital requirements and scenario planning for growth alternatives.

Regular reporting into Oversight Committee (OC) to assess ongoing performance against strategic aims to protect wider partnership interests.

### Risk Trend ➡

### 3 Risk Driver

**People (current and future) incl. resource planning, Diversity and inclusion (D&I), skills capacity and training, talent attraction, retention and succession**

#### Risk Description

MHA is a People business first and foremost and therefore there is inherent risk related to overall performance which is directly attributable to quality and effectiveness of resource planning and filling/retaining positions and ensuring appropriate skills and capacity with training in all key service areas and in critical functions such as IT and HR. Other key functions like Finance, Facilities, GDPR and Data, HSE should carry relatively low risk if managed carefully.

There are significant capacity risks in delivering intended growth in PIE and ESG space as they are fast growth markets which all Firms seek to supply with insufficient trained resource to keep all required positions filled. There is a general negative perception of the audit profession which may inhibit ability to attract and retain some top talent, against increased competition and increased need for technical audit resource ( example data analytics skills )

Importance of being equitable and fair amongst our entire teams and promoting full participation of all people irrespective of backgrounds or beliefs.

Pressure on people leaving careers earlier following Covid and geo-political issues.

IT and cyber resource is a higher short term risk given a developing team, insofar as key people could leave.

Evolving expectations of current and future employees and changing needs of clients , incl. right balance of hybrid for the Firm, clients and the Firm's People

Failure to offer a sufficiently appealing proposition to future talent restricting ability to attract and retain key and diverse talent

Failure to understand and develop right balance and numbers of skills and succession leaders (at all levels ) for future changing business.

### Mitigations

Practical focus on building people engagement and measuring this with structured responses and investment to weaknesses or lower engagement scores via survey results.

Monitoring and review of Partner/office KPIs by Board combined with external data and regular client feedback.

Use of flexible/easy to relate to 'bitesize' updates and comms to engage with MHA people.

Ongoing office roadshows from Chairperson with Q&A sessions.

Structured plans for recruitment all levels, closely monitored for results aligning to planned initiatives and high quality processes from On-Boarding, flexible/attractive benefit, broad training incl. coaching and support incl. Well Being support.

Research and penetration of market via programmes to reach student and experienced talent at all levels.

Engagement and sharing resource via MHA and BTI secondments, plus Alumni contract programme and flexible external contractor programmes.

Regular review and delivery of Learning and Development content to all levels also focusing on soft skills and behaviours.

Diversity targets and action plans.

Ongoing reviews of reward and incentive mixes to ensure relevant to changing expectations.

Sophisticated resource management tools which are monitored by the Firm's Resource Management Group to ensure the Firm's resources are controlled and audits are adequately resourced.

### Risk Trend ↑

#### 4 Risk Driver

##### ESG

##### Risk Description

The primary Risk relates to a failure to appropriately manage the Firm's reputation by not proactively positioning the Firm and its network partners with a clear publicly stated ESG commitment and strategic targets for delivery of services to clients, which would also need to be evidenced as being met as importance of this area increases year by year. Possible failure to deliver due to limitations on investment, capacity of expert resource attracted and retained, and awareness/embrace across the entire MHA business.

Not keeping pace with societal expectations including social inclusion, D&I and core ESG technical, procedural, comms and targets. This may be aggravated by increased activism including adverse fast moving social media campaigns incl. negative comment as to MHA and/or risk of negative media coverage of issues, litigation or MHA interpretation and application of regulatory enforcement.

A secondary risk is having the capacity and attracting and retaining the all-round and diverse expertise and backgrounds to deliver client work and become a leading Firm in this area.

##### Mitigations

Active promotion of the Firm's positive contributions through its network of MHA group & BTI, broader society and clients- through delivered commitments to net zero, D&I and related societal matters and social mobility.

Ensuring that the strategic growth plan is sufficiently funded and resourced and it is supported throughout the Firm at all levels, accompanied by awareness and commitment.

Finding, attracting and retaining the relevant balance of expertise as this service line grows.

Setting manageable and deliverable targets that can be communicated clearly, understood by all levels and evidenced as met, with relevant market intelligence investment of people and monetary resource for third party expert engagement ( such as in PR or lobbying ) to assist understanding, selection of opportunities to align to Strategy and added value assignments – which in combination fuel growth and communicating the story to attract in wider talent and a larger pool of market leading expertise

Understanding the audit agenda and scope insofar as FRC non-financial assurance reporting and requirements of ongoing legislation and Task Forces as well as governmental initiatives.

**Risk Trend** ↑

#### 5 Risk Driver

##### Safety, Health and Wellbeing – people, physical security and infrastructure

##### Risk Description

Risk is around failure to ensure safety including both physical security and mental health & well being of all MHA people and closely aligned suppliers whilst engaged with us, in our offices, network offices, on client sites or overseas. Overall risk considered to be low if in house facilities are well managed and out of office engagements are subject to clear controlled practices but inherently higher when in less organized, less well known or possibly more remote locations.

COVID and similar Pandemics including also inoculations for overseas require strict standing arrangements.

Threat levels for terrorism or criminal intervention and aspects such as being caught in 'Fire traps' are higher risks for all MHA people especially in riskier/more remote environments.

Inadequate physical protection and monitoring checks of owned and leased equipment including adhering to terms and conditions on property leases and workplace equipment.

##### Mitigations

Standing instruction and guidance covering all areas of security and wellbeing incl. travel/remote contact risk incl. at offices, client premises and remote/overseas locations. This should be in place with training and communication to all MHA people and regularly monitored by a senior executive/HR led group, also advising/updating RiCo.

International Travel security and 'no go' country locations or areas, or country level personal security directives should be monitored, managed and communicated to relevant parties by senior executive/HR led group. Up to date information from Foreign Office directives, appropriate higher risk insurance ( kidnap or major injury or theft ) and ISO 31030 travel security adhered to.

Asset and leased equipment registers regularly reviewed for existence and condition and adherence to terms on usage. Nominated responsibility for each asset group and office location with periodic reporting to Finance partner as representing the Board.

**Risk Trend** →



## 6 Risk Driver

### Protecting Client Monies and Physical Assets

#### Risk Description

Failure to adequately manage risks associated with handling and processing client assets of monies and physical items.

Potential for increase in insolvencies especially given volatile economic environment and recent hike in interest rates.

Threat amplified by associated Cyber Risks.

Diversity and required regulatory compliance over Wealth management and Investment advice.

Increased size of client engagements which may include processing or contact of significant value client monies and physical assets.

#### Mitigations

Clear procedures and monitored control environment for:

- FCA and Caymans legislation compliance
- Audit and Ethics compliance
- access to, use of, safe practices and security control of client physical assets when inspected or operated
- were relevant managed and reconciled client bank accounts with no charges to office accounts other than by full compliance
- Portfolio diversification policies and care with new or riskier investments and how/where they are held or accessed ( such as in crypto currency and some FOREX trading )
- Regular monitoring of credit ratings, maturities, returns and risk ratings

**Risk Trend** ➡

## 7 Risk Driver

### Client service delivery and quality

#### Risk Description

Engagement quality failure in MHA work or impact from BTI member work due to engaging with an inappropriate client, inadequate delivery of service incl. non compliance with Code of Conduct or regulatory, technical, quality and ISO standards , leading to potential service failing, reputational damage, litigation or regulatory censure. Risk is heightened for PIEs and other complex tax or planning assignments and higher public bodies receiving ESG advice and consultancy.

The failure risk landscape is wide and is influenced by all the internal standards and processes, external standards and compliance requirements and due to a tightening economic environment plus a challenging litigation environment in public company work and certain higher risk aspects in all service areas.

## Mitigations

The overall mitigation is around Internal quality management systems, to include:

The various review groups including

- recruitment standards and team development processes
- client engagement and acceptance processes incl. AMLs and SARs, appropriateness, clear properly researched proposals and pricing that enables sufficient mix of resource needed to complete all work at a high standard with appropriate experience
- client engagement standards with leading edge methodologies and documentation, judgement and evidence standards backed up by relevant tools
- communication to keep quality and professional scepticism in the front of all professional services minds, especially senior people on engagements and pre sign off reviewers
- quality improvement programmes and monitoring to identify repeat failings
- real time support via hot reviews and client profiling
- improvement and policy programmes for all services
- continuous improvement with root cause analysis and Right First Time process
- agile working with short term outputs based on close assessments and impact reviews
- KPIs and close liaison with experts and forms in MHA group & BTI.

Clearly defined Project Integration for take on and alignment of processes for new mergers including structured and evidenced/appropriately reviewed Due Diligence as well as swift transfer arrangements for all functional activities once merger completes.

**Risk Trend** ➡

## 8 Risk Driver

### Capital and Financial performance and control, incl. liquidity and credit risk

#### Risk Description

Failure to adequately plan for and or respond to the financial effects of internal or external forces, incl. macro economy issues, market conditions, resource models and investment decisions, with business growth restriction and limiting profitability, stress on liquidity and capacity to withstand a crisis.

Poor Credit Control management resulting in excessive lock up of debtors and WIP in excess of standard terms and undermining free cash flow to enable acceleration of investment projects.

### Mitigations

Detailed financial management processes with sufficient delegation of authority to ensure monitored by a mix of senior executives and including detailed scenario planning, investment criteria and MI Board Pack and KPI reporting/ decision making. Regular reporting into Oversight Committee.

**Risk Trend** ➡

### 9 Risk Driver

#### Evolving new client services and evolving delivery models and use of third parties

##### Risk Description

Failure to stay relevant, ongoing underinvestment, and not evolving client services to meet changing market and client needs leading to poorer business results and brand regression.

Failure to evolve delivery models including new Apps, systems, approaches and cloud provision changes and weak, unreliable or poor quality third parties used without accountability resulting in quality issues, delivery disruption, financial or brand reputational implications

##### Mitigations

Client engagement and satisfaction surveys.

Firm wide process to review new delivery models to identify upsides, and assess and address risks

Procedures to respond to changing client needs, trends and business dynamics including:

- upskilling in technological innovation
- Client and markets senior exec review team for new client services offering
- control over acceptance of newer or higher risk engagements
- enhance and monitor third party acceptance, risk review and take on criteria
- Third party monitoring of service and quality delivery aligned to T&C
- focus on third party onboarding, support and ongoing operating procedures

**Risk Trend** ↑

### 10 Risk Driver

#### Corporate and Private Data Retention, Use and Language

##### Risk Description

Risk that inadequate data and data language strategy, governance, protection, implementation of reporting/ complying to statutory legislation in such as GDPR or corporate and client data privacy results in:

Loss or misuse of MHA or client data, with reputational damage, forensic and recovery cost and external penalties, with adverse impact for mha and clients including possible loss of client

Impedes our ability to integrate to IT strategy and using benefits of responsibly using data to comply with legislation and enhance services to clients

Risk is enhanced by

- Demand for data insights and analytics
- Focus on reconciling to ethical as well as legislative use
- Increased volumes via digitisation spread
- Increased attacks via Cyber and other actions such as Cloning, ID theft
- Hybrid working requiring more gates and barriers
- Increased public, client and regulatory scrutiny including impact of scandals, social media misuse and legislative protection via ICO and GDPR and related marketing/ promotion legislation

##### Mitigations

Data Use and Retention Policies and Data Governance model in place and monitored for implementation.

Upskilling of team to align use of data analytic tools including giving commercial edge in audit via Predictive Modelling and Big Data analysis/patching for awareness/knowledge/checks and balances.

Role definition and allocation-appointment of a Chief Data Officer covering both GDPR/personal and Corporate Data and language to develop a MHA data strategy and align to governance.

**Risk Trend** ➡



## Public interest, perception and reputation

### 1 Risk Driver

**Regulatory and Quality Compliance – meeting standards and expectations with related perception and trust requiring a very high level of compliance (ICAEW, FRC, HMRC, FCA and standards, ISO, ISQM etc)**

#### Risk Description

Failure to adhere to existing regulatory standards or to adapt and respond within required timeframes to the impact of further significant regulatory change on MHA (and BTI network) and in relation to the competitive landscape and reputational & quality perception of MHA by government bodies, regulators and clients/prospects. The risks are more prevalent in certain key areas such as PIE and other high profile audit clients, regulated financial services and corporate finance, complex tax projects and evolving new services of ESG but apply to the full range of services generally.

#### Mitigations

Structured regular engagement with governmental and regulatory bodies to understand and communicate internally our objectives, provisions for change, standards (draft and actual ) and to be aware of specific plans and responses to current and future arrangements.

Use of regulatory specialists to brief senior partners.

Regular update and releases of internal methodologies to ensure processes and procedures are aligned and there is sufficient training at all levels so that MHA people can conduct work efficiently and in compliance with relevant standards.

Regular review and action plans tracked all supervision and quality improvement programmes (QIPs) – Firm wide and per partner.

**Risk Trend** ↑

### 2 Risk Driver

**Audit and Non-Audit service delivery quality**

#### Risk Description

Significant audit or non-audit engagement failure in MHA and potential impact of failure in MHA group or wider BTI due to:

- engaging with an inappropriate client
- inadequate delivery of service in respect of timing including delays due to client driven circumstances, relevant regulatory and quality management standards and client or key stakeholder expectations
- leading to a potential service failing, reputational risk, litigation and or regulatory action including Firm wide and individual partner fines and or exclusion in a territory from provision of services.

Risk is enhanced by:

- Capacity in a tight market to recruit and retain right balance of experienced professionals.
- Work load market driven by wider demand arising from changing PIE criteria or criteria related to other services including non-financial assurance and ESG such that MHA has potential to over commit in the short/medium term.
- Insufficient traction as to year on year improvements in professional services work – in particular higher profile audits incl. PIEs and ESG work by reference to change against prior year cold reviews by independent bodies
- Inadequate scope of PI cover in relation to an increased litigation environment
- Risk of increased failure of clients due to the evolving pressures within the economic environment and cost pressures in clients resulting in reduced investment in controls and more undetected Fraud and Criminal interference.

#### Mitigations

Continued focus, supported by tools and methodologies with clear criteria to be met on Engagement Acceptance and Retention criteria including ensuring these are fully evidenced as aligned to current positions and changes in Regulatory and Quality standards with clear evidencing of criteria being met and documentation as to how judgemental decision made and investing in a dedicated expert resource centre.

Increased communications including style such as podcasts and other visual forms to keep quality and professional scepticism front of mind in a hybrid working model where there is more interruption to face to face brainstorming and second checking.

Extended hot & cold review process across all key risk services and a defined Higher Profile Client review programme extending across all services, with dedicated full time expert resource independent of the services delivery teams managing this process with authority to independently block release and raise matters for decision at Board level incl. INEs where relevant.

Root cause cold review analysis programmes.

Partner portfolio reviews performed on an annual basis to ensure appropriate licence/skills held.

Increasing sanctions (financial and otherwise) being imposed for continued quality/delivery failings.

InterFirm review programme between MHA and BTI key partners.

In-house General Counsel appointment to advise on appropriate levels of PI and insurance cover generally and manage relationship with broker/insurer

**Risk Trend** ↑

### 3 Risk Driver

#### **Purpose and internal Codes of Conduct and communication to Stakeholders and meeting expectations**

##### **Risk Description**

A dilution in Strategic delivery and overall impact insofar as Purpose, internal standards and guidelines on Codes of Conduct (consistent also to Ethics policies) and ways of working/shareholder mapping of criteria to be fulfilled, are not clearly stated, periodically reviewed, communicated and subject to internal Training and Compliance declarations as well as any relevant collaboration agreements or positions of understanding with key Stakeholder groups.

##### **Mitigations**

Proactive oversight and direction from Mgt Board and INEs

Internal programme of statements, communication and adherence.

Preparation and issue of a wide circulation and publicly accessible Firm wide Impact Report annually, featuring clear messages regarding Purpose, Values and how these are met, Reputation, building trust and public expectation and addressing important topical matters such as international and national economy and society matters and the evolution of ESG; also with association to public notification of financial results or summaries thereof.

**Risk Trend** ➡

### 4 Risk Driver

#### **Network relationships and value-added external collaborations and relationships**

##### **Risk Description**

Failure to meet and report on agreed standards and membership criteria.

Failure to capitalise on global opportunities due to insufficient senior resource and/or imbalance of required skillsets.

Reputational damage from wider network Firms damaging the BTI brand and subsequent impact on MHA.

##### **Mitigations**

Periodic formal engagement between Management Board and BTI Board to gain insight into BTI strategic delivery and level of success and opportunities for growth as well as any BTI Key Risk issues to be managed.

Developing closer relationships with main members Firms of BTI and sharing of aims/ambitions.

Stakeholder maps which identify key groups internally and externally, including influential parties such as regulatory bodies and governmental agencies, with a programme of regular consultations and feedback as well as collating and publishing Engagement/Satisfaction scores from all key internal and external sources.

**Risk Trend** ➡

### 5 Risk Driver

#### **External thought Leadership, including investment in innovation and development and developing an Ambassadorial culture**

##### **Risk Description**

Failure to create adequate gravitas and penetration to key influencers and leaders in commerce, government, academia, senior regulators and entrepreneurs engaged in society changing developments.

As a result, excluded from tendering and/or being considered for a fuller range of desired clients which can drive an ambition of growth in sectors engaged with high growth activity (including in the medium-term PIE and public company work generally and ESG)

Insufficient investment into 'softer' subject areas such as developing People in the Firm as true ambassadors and influencers and keynote speakers/authors in the public domain, and equally not investing into Innovation Practice centres such that the Firm is not perceived as market leading.

##### **Mitigations**

A Strategic review looking at a 5–7-year development cycle.

Breaking through barriers in existing markets and financial value of appointments but also further enable attraction of best in breed global talent and collaboration opportunities.

Impact Coaching, senior level Networking and Speaking Coaching supported by structured training programmes and ongoing individual support and assessments.

A structured programme that can be monitored to consider outputs in terms of reaching audiences and tracking of impact and specific results for MHA and BTI.

**Risk Trend** ➡



## Criminality threat

### 1 Risk Driver

#### Fraud

##### Risk Description

Overall risk of Fraud in the Firm is limited if the following is consistently in place and independently reviewed/reported on: strong Segregation of Duties and Delegations of Authority, and clear Systems mapping and evidence of control, particularly around Finance, HR and IT but could extend to/on individual employee/partners & families and clients incl via breaches of safeguarding and or criminal banking/finance attacks.

##### Mitigations

Fraud mitigation steps to be clear with effective toolkits, awareness and comms to include:

- work templates to protect, identify/check for fraud
- clear Controls, SODs, DofA
- clear Report and Response plans
- use of Regular Alerts/comms incl. topical/current frauds
- relevant ID checks and security barriers both IT and physical systems
- Proactive People wellbeing forums plus Learning guides

##### Risk Trend ➡

### 2 Risk Driver

#### Internal Malice/Damage

##### Risk Description

Malice and Damage risk (to physical property, data including sensitive information and related theft) can occur where individuals have disagreements/feel unfairly retreated or where D&I has been dealt with inappropriately, have personal family pressures or adverse mental health going untreated or unsupported.

##### Mitigations

Strong HR policies and practices including detailed hiring or periodic evaluation and feedback processes, clear support channels including Whistleblowing/Speaking Up and personal 'chaplaincy or care' avenues, channels enabling private disclosure and request for support, and relationships with third party providers that can assist matters that may arise

Clear protocols for breaches of assets or adverse behaviours towards third parties

Programmes for periodic disclosure and awareness including Codes of Conduct.

##### Risk Trend ➡

### 3 Risk Driver

#### Money laundering/terrorism and criminal interference in clients or client sectors, counterfeit, pricing, unregulated activity in contractual or activity dependent on local regulatory approvals

##### Risk Description

Adverse reputational and/or criminal and civil actions against MHA/individuals and impact on wider MHA group and BTI for non-disclosure or engaging in or facilitating such matters, including possible exclusion for the Firm to conduct services as a whole or in specific areas such as regulated audits or financial services in particular territories or within certain sectors.

litigation claims by owners and or non-participating Directors in circumstances where MHA has not detected criminal activities prevalent in clients in connection with its relevant range of services, and in particular where damages have arisen including monetary loss, shareholder value diminution and personnel adverse impact.

Adverse physical safety and or significant disruption and or insurance cover for MHA and affected individuals and related parties including families.

##### Mitigations

Regular training and awareness programmes at all levels provided by expert suppliers complemented by in house resource.

Detailed client take on and retention processes, complemented by expert market and sector intelligence, including second reviews and/or senior Committee review.

Methodologies to review Fraud, Pricing and Contracting processes including in defined high risk sectors and governmental bodies incl. LAs.

Appropriate Directors & Officers insurance cover including kidnap or extortion.

Speaking Up internal confidential channels.

##### Risk Trend ➡

#### 4 Risk Driver

### Geopolitical risk and High-Risk zones/legal and investment environments, Sanction programmes

#### Risk Description

Overall Geopolitical changes with adverse impact and High Risk Zone evaluations/not restricting client engagement and potential Sanctions breaches, all provide very high risk score including regulatory and/or reputational impact.

Ukraine war & related political ramifications, incl. on global economy & sanction programmes.

Sensitivities re political relations between significant MHA and BTI territories such as US, China, Russia, UK and EU.

Financial services, GDPR, PIE, modern Slavery equivalence post Brexit in UK/EU unclear and differences could impact financial services client base.

Sanctions or improper conduct in specific environments/poor governmental conduct either not known or limitations not adhered to, with severe liability, court penalties, criminal/civil actions against the Firm and/or partners, and reputational cost.

#### Mitigations

Regular engagement with BTI network and expert political forums to understand changing landscape.

Regular review at Mgt Board level as a standing agenda item, regular expert opinion and input from UK govt bodies.

Internal resource to research and manage contact with drafting and legislative bodies or agents, to advise at least quarterly within the Firm incl. knowledge for clients & prospects of 'Doing Business In ....'

Engage respected international economists /journalists to report and summarize changing impacts and possible protective strategic options.

Clear remit and authority for a widened Sanctions and Country/Zone Review Committee, linked to a central BTI resource, reporting monthly or by significant breach to Board.

Breach response plans incl. PR and liaison & communication with MHA and BTI.

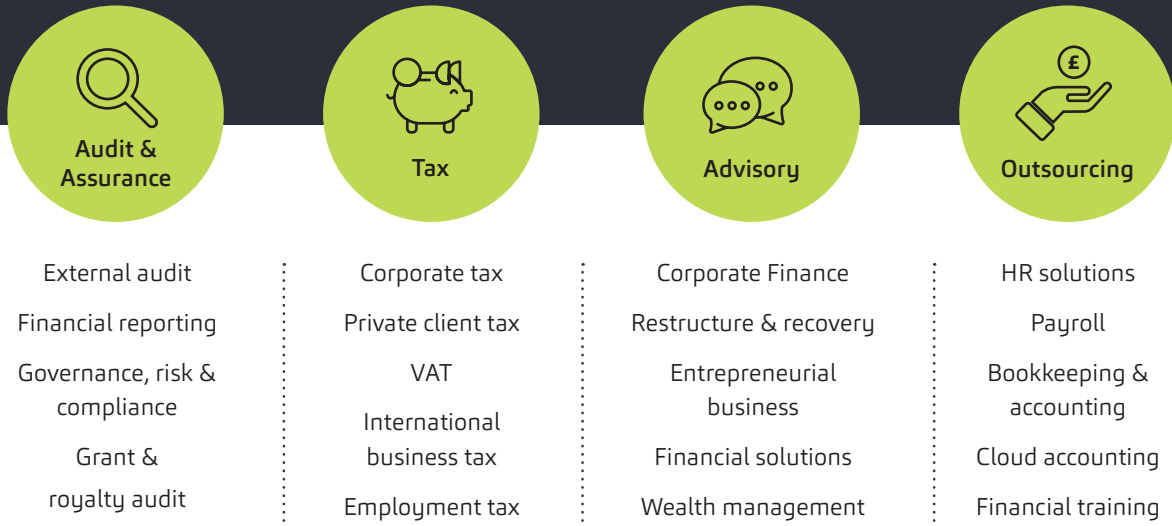
Seeking legal counsel on application of sanctions and wider implications on client service and delivery.

**Risk Trend** ↑



## Core client services and business sectors

The Firm is structured by service lines, but goes to market primarily via sector groups, which are fully integrated with the service teams.



## Our Industries



## Meeting statistics Year ended 31 March 2024

### Management Board

Name	Title	Tenure on MB	Length of service on MB at 31 March 2024	Total number of meetings in year ended 31 March 2024 whilst in office	Number of meetings attended in year ended 31 March 2024
Rakesh Shaunak	Managing Partner and Group Chairman	June 2011 – to date	12 years 10 months	12	11
Andrew Moyser	Vice Chairman	January 2020 – to date	4 years 6 months	12	12
Steve Moore	Partner	June 2011 – to date	12 years 10 months	12	12
Martin Herron	Partner	June 2023 – to date	10 months	10	10
Kate Arnott	Partner	June 2021 – to date	2 years 10 months	12	11
Atul Kayira	Partner	June 2018 to June 2023	6 years	2	2

### Oversight Committee

Name	Title	Tenure on OC	Length of service on OC at 31 March 2024	Total number of meetings in year ended 31 March 2024 whilst in office	Number of meetings attended in year ended 31 March 2024
Rakesh Shaunak	Managing Partner and Group Chairman	January 2024 – to date	3 months	1	1
Mark Goodey	INE	January 2024 – to date	3 months	1	1
Dianne Azoor Hughes	INE	January 2024 – to date	3 months	1	1
Tim Davies	INE	January 2024 – to date	3 months	1	1
Bianca Silva	Partner	January 2024 – to date	3 months	1	1
Atul Kariya	Partner	January 2024 – to date	3 months	1	1



## Meeting statistics Year ended 31 March 2024

### Public Interest Committee

Name	Title	Tenure on PIC	Length of service on PIC at 31 March 2024	Total number of meetings in year ended 31 March 2024 whilst in office	Number of meetings attended in year ended 31 March 2024
Mark Goodey	INE	January 2024 – to date	3 months	0	0
Dianne Azoor Hughes	INE	January 2024 – to date	3 months	0	0
Tim Davies	INE	January 2024 – to date	3 months	0	0
Bianca Silva	Partner	January 2024 – to date	3 months	0	0
Atul Kariya	Partner	January 2024 – to date	3 months	0	0

### Audit Quality Board

Name	Title	Tenure on AQB	Length of service on AQB at 31 March 2024	Total number of meetings in year ended 31 March 2024 whilst in office	Number of meetings attended in year ended 31 March 2024
Rakesh Shaunak	Managing Partner and Group Chairman	April 2021 – to date	3 years	4	4
Andrew Moyser	Vice Chairman	April 2021 – to date	3 years	4	4
Matt Howells	Technical Partner	August 2023 – to date	8 months	4	4
Toby Stephenson	Audit Partner	April 2021 – to date	3 years	4	4
Simon Knibbs	Audit Compliance Partner	January 2023 – to date	15 months	4	4
Dianne Azoor Hughes	INE	April 2021 – to date	3 years	4	4
Mark Goodey	INE	October 2022 – to date	18 months	4	4
Tim Davies	INE	January 2024 – to date	3 months	1	1

## 2022 Audit Firm Governance Code (AFGC) mapping

Provisions	Mapping
<b>A. Leadership</b>	
A Firm should disclose in its annual transparency report:	
a) the names and job titles of all members of the Firm's governance structures and its Management;	B. Governance
b) a description of how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details;	B. Governance - details provided for each committee. C. Audit Quality - INEs biographies Appendix - Management Board biographies.
c) a description of how its governance structures and Management operate, their duties, the types of decisions they take and how they contribute to achieving the Code's purpose. If elements of the Management and/or governance of the Firm rest at an international level and decisions are taken outside the UK, it should specifically set out how management and oversight is undertaken at that level and the Code's purpose achieved in the UK; and	B. Governance
d) an explanation of the controls it has in place on individual powers of decision and to support effective challenge by Board members, how these are intended to operate and how they work in practice.	B. Governance
<b>B. People, Values and Behaviour</b>	
A Firm should disclose in its annual transparency report a description of how:	
a) it engages with its people and how the interests of its people have been taken into account in decision making; and	C. Audit Quality - Audit Quality Board composition, Audit Council composition, NASA. E. Our People
b) opportunities and risks to the future success of the business have been considered and addressed, its approach to attracting and managing talent, the sustainability of the Firm's business model and how its culture, in particular in the audit practice, contributes to meeting the purpose of this Code.	A. Leadership messages - Head of Audit message C. Audit Quality - Audit Risks and the Firm's approach.
<b>C. Operations and Resilience</b>	
The transparency report should be fair, balanced and understandable in its entirety. A Firm should disclose in its transparency report:	
a) a commentary on its performance, position and prospects;	A. Leadership messages - Managing Partner (Audit Quality), Head of Audit. C. Audit Quality
b) how it has worked to meet the legal and regulatory framework within which it operates;	B. Governance C. Audit Quality

Provisions	Mapping
<b>C. Operations and Resilience</b>	
c) a description of the work of the Firm's audit committee and how it has discharged its duties;	B. Governance C. Audit Quality
a) a commentary on its performance, position and prospects;	A. Leadership messages - Managing Partner (Audit Quality), Head of Audit. C. Audit Quality
d) confirmation that it has performed a review of the effectiveness of the system of internal control, a summary of the process it has applied and the necessary actions that have been or are being taken to remedy any significant failings or weaknesses identified from that review;	C. Audit Quality - ISQM1
e) a description of the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary;	C. Audit Quality
f) an assessment of the principal risks facing the Firm and explanation of how they are being managed or mitigated; and	C. Audit Quality
g) a description of how it interacts with the Firm's global network, and the benefits and risks of these arrangements, with reference to the purpose of this Code. This should include an assessment of any risks to the resilience of the UK Firm arising from the network and any action taken to mitigate those risks.	Appendix - Network membership Appendix - Key Business Risk Objectives and mitigation measures
<b>D. INEs and ANEs</b>	
A Firm should disclose in its annual transparency report:	
a) information about the appointment, retirement and resignation of INEs (and ANEs); 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 INEs in the way it has; and	B. Governance section - INEs C. Audit Quality - INEs biographies.
b) its criteria for assessing whether INEs (and ANEs) are: i) independent from the Firm and its owners; and ii) independent from its audited entities	B. Governance - INEs C. Audit Quality - INEs biographies.

## Compliance with Article 13

We set out below where in this Transparency Report we have addressed the requirements of Article 13.2 of the EU Audit Regulation, as amended by the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019.

Requirement	Report reference
(a) a description of the legal structure and ownership of the audit Firm;	Appendix – Legal Structure and Ownership
(b) where the statutory auditor or the audit Firm is a member of a network:	Appendix – Network Membership
(i) a description of the network and the legal and structural arrangements in the network	Appendix – Network Membership
(ii) the name of each statutory auditor operating as a sole practitioner or audit Firm that is a member of the network;	Appendix – EU 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 – EU Member 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 – Total network revenue from statutory audit
(c) a description of the governance structure of the audit Firm	Appendix – 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	Audit quality
(e) an indication of when the last quality assurance review referred to in Article 26 was carried out	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 – UK Public Interest Entities (UK PIEs)
(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	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	Audit quality Our people
(i) information concerning the basis for the partners' remuneration in audit Firms	Our people
(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)	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:	Appendix – Analysis of Firm turnover
(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 – Analysis of Firm turnover
(ii) revenues from the statutory audit of annual and consolidated financial statements of other entities;	Appendix – Analysis of Firm turnover
(iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit Firm; and	Appendix – Analysis of Firm turnover
(iv) revenues from non-audit services to other entities	Appendix – Analysis of Firm turnover

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