



IDEAS | PEOPLE | TRUST

PROGRESS WITH PURPOSE
TRANSPARENCY REPORT 2020/21

OCTOBER 2021



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BDO LLP

BDO LLP is a key member of the BDO global network of public accounting, tax and advisory firms. The firms have representation in 167 territories, with over 91,000 people working out of over 1,650 offices.

The fee income of the member firms in the BDO network, including the members of their exclusive alliances, was \$10.3bn as at 30 September 2020. Being a member of the BDO global network allows us to meet the needs of businesses who are growing and trading internationally.

REGULATIONS

From 31 January 2020, the United Kingdom (UK) was no longer part of the European Union (EU). However, pursuant to an agreement between the UK and EU, the UK remained part of the EU customs union and single market, and continued to apply EU law, until the end of the transition period on 31 December 2020. This Transparency Report relates to the year ended 2 July 2021 and, therefore, spans the end of the transition period. For the purposes of transparency reporting and to aid consistency, we have continued to apply EU regulation throughout the year and have prepared this report in accordance with Article 13 of Regulation No 537/2014 of the European Parliament and of the Council of 16 April 2014 (the EU Audit Regulation).

This report also includes disclosures required by the 2016 Audit Firm Governance Code (the Code), which sets a benchmark for good governance and applies to UK firms auditing 20 or more listed companies. A reconciliation to the Code is provided in Appendix A. The Financial Reporting Council (FRC) issued a consultation document in August 2021 outlining proposed revisions to the Code. Additional transparency reporting requirements under these proposals will be considered for our 2022 Transparency Report.

Public sector bodies in the United Kingdom have differing audit requirements and arrangements, depending upon the country and the type of body. 'Local audits' (or 'local public audits') are audits of English bodies conducted in accordance with the Local Audit and Accountability Act 2014. These local audits cover Local Authorities, Clinical Commissioning Groups, and NHS Trusts (but not NHS Foundation Trusts). As we have issued audit reports in respect of major local audits during the year ended 2 July 2021, we are required to comply with The Local Auditors (Transparency) Regulations 2020. Appendix D includes a summary of the requirements of The Local Auditors (Transparency) Regulations 2020 and where these requirements are addressed within this Report.

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



BDO INTERNATIONAL

US\$10.3 billion
GLOBAL REVENUE

A YEAR ON YEAR INCREASE OF **7.8%**¹

167 Countries & Territories

1,658 Offices

A YEAR ON YEAR INCREASE OF **3.3%**

91,054 Staff

¹ At constant exchange rate.



INTRODUCTION

FROM THE MANAGING PARTNER PAUL EAGLAND



I'm incredibly proud of the way our people have responded to the highly destabilising events of the last 18 months. The firm and all our people have shown remarkable resilience in what is still a highly fluid business environment.

We are asking our people to rethink how they continue to deliver quality work across our business, and they are responding with renewed purpose. All the time, we are conscious that our people are still mentally processing what we are living through, and I know this process will continue for some time to come.

Trust and transparency are key to the way we do business. This report seeks to highlight how we are adapting to new demands while maintaining and enhancing our openness, honesty and transparency.

1. OUR PEOPLE As a result of COVID-19, we have revisited the way we work and, from 1 November 2021, we'll be introducing agile working as our chosen way to work. Our agile working framework – known as **WORKABLE** – offers our people choice and flexibility around how, when and where they work with a focus on health, wellbeing and work/life balance. Transparency and trust are core to its success, as we aim to make work work for everyone.

In the first year of **WORKABLE**, we are investing £8m in our office environments (starting with London and Bristol), which will be designed for a more flexible way of working, providing spaces for collaboration and teamwork as our people mix working from home, offices or client sites.

2. MARKET REFORM We continue to play a very active role in market reform, having this year submitted our response to the Department for Business, Energy & Industrial Strategy's consultation, Restoring trust in audit and corporate governance. It is an unprecedented opportunity to shape the most significant reform of audit in the UK for more than a generation. Despite inevitable disruption due to the pandemic, we believe there is now real impetus that will create a stronger and more competitive audit market. However, as we caution in our response, reforms must be proportionate and carefully managed to recognise the significance of growth markets – particularly as businesses emerge from the global pandemic.

3. AUDIT QUALITY We cannot deny our real disappointment in the grades our audit work received in this year's Financial Reporting Council's Audit Quality Review. Having achieved some of the highest publicly reported grades for audit quality in previous years, we are working hard to reverse the trend of the last two years' results. We are investing in additional resources, increasing headcount and partner numbers, while working to rectify areas where improvements are required.

This starts at the top, and I am determined that this will be a priority for the firm to ensure that quality is never compromised, and that the trust that is placed with us is repaid with high-quality audit work.

4. MARKETS Despite the ongoing pressures of the pandemic that continue to affect our markets, I am pleased to report strong growth in our own business, a testament to the resilience of our clients and our people. Our presence in the audit market continues to strengthen, resulting in a number of significant new audit appointments. We now audit 16% of listed entities in the UK.

Our performance reinforces the strength and depth of our teams. I can only repeat the immense pride I feel in managing BDO as we rethink the way we will work in the future.

REPORT FROM THE CHAIR OF THE PUBLIC INTEREST COMMITTEE

SIMON FIGGIS



SIMON FIGGIS
CHAIR OF THE PUBLIC
INTEREST COMMITTEE

This year has again been dominated by the effects of COVID-19. We, as a committee, have continued to work remotely focusing on matters affecting the public interest and, most importantly, the audit practice.

The Head of Business Assurance has set out in more detail how the practice has performed on pages 06 to 07; the work we have done is set out below.

During the year to 2 July 2021 the Public Interest Committee (PIC) comprised the three Independent Non-Executives (INEs) – Russell King, Jeff Randall and me – together with David Isherwood, the firm's Ethics Partner. After just over eight years, I will be stepping down as an INE at the end of the calendar year. The recruitment of my replacement is well advanced, with an appointment expected by the end of the year.

I reported last year that we, as INEs, had relinquished temporarily our membership of the Leadership Team (LT) to enable executive leadership to focus on the day-to-day management of the firm through the COVID-19 crisis.

Once the initial crisis had passed, we agreed that we should recommence attending formal LT meetings from the autumn of last year and since October 2020 we have attended six meetings.

I have continued as a member of the Quality & Risk Management Committee (QRMC), which has continued to meet monthly, and on the rare occasions I have not been able to attend, either Russell or Jeff has attended in my place.

ACTIVITIES

We met eight times in the year to 2 July 2021. In addition to regular reports on audit quality, whistleblowing, regulatory and litigation matters, we have covered a range of other topics and received reports on culture and audit reform.

In addition to attending LT and QRMC, we have also had regular meetings with the Senior Partner and Managing Partner, and attended Partnership Council (PC), both to brief them on our activities, but also to understand specific issues that they may have. Specifically, we have also been briefed on the firm's approach to the remuneration of partners and attended several meetings to understand how this was being performed in practice, including how high-quality work was being recognised, and how work falling below an acceptable standard was being dealt with.

Chairs of audit committees are key stakeholders for the firm. We met with representatives of the Audit Committee Chairs' Independent Forum (ACCIF) to understand their views and experience of both BDO and the audit profession more

widely, and to share our experiences of the firm. We have agreed that we should continue to meet on a regular basis going forward.

We have also attended briefings of the partnership at large and sought to understand the issues that have arisen from these briefings. Unfortunately, as a result of COVID-19, our visits to offices outside London have been curtailed. We look forward to resuming such visits as soon as it is appropriate to do so.

We have also met with the Financial Reporting Council (FRC) on a number of occasions. These meetings have covered not only the normal catch-up meetings held twice yearly, but also a report on the audit firms' quality reviews and a briefing on the proposed operational separation of the audit practices of the larger firms.

REPORT FROM THE CHAIR OF THE PUBLIC INTEREST COMMITTEE

SIMON FIGGIS

GOVERNANCE

The firm commenced a review of its governance structure in September 2020.

Some initial changes have already been made including the formation of more formal Executive Committees for audit, tax and advisory. We are supportive of these changes and, in particular, the strengthening of responsibility within the audit practice and specifically the appointment of a partner with responsibility for audit quality. He now attends meetings of PIC (along with the Managing Partner, Senior Partner, Head of Quality and Risk Management and Head of Business Assurance) so that issues which need dealing with can be debated and action plans formulated. We see this role as particularly important and we have been involved in ensuring that his transition has been timely, effective, and that he has enough time for the role with adequate resource being made available to him.

Further work on governance is ongoing and will address how the Partnership Council interacts with the Leadership Team and how the partnership, and we as INEs, will operate to hold management to account. We are being consulted on the changes envisaged and are supportive of the direction of travel.

One specific issue which has yet to be resolved relates to the formation of a separate Audit Board and the operational separation of the audit practice. The timetable agreed by the FRC for the Big Four firms is that arrangements should be in place by 30 June 2024, giving BDO considerable time to consider how it should respond. Our principal concern is how such structures will work when a very significant proportion of the firm's turnover is in audit and assurance work, unlike the Big Four.



MARKET REFORM

The Department for Business, Energy & Industrial Strategy (BEIS) issued a consultation 'Restoring trust in audit and corporate governance' in March of this year, responding to the recommendations of Sir John Kingman, Sir Donald Brydon and the Competition and Markets Authority (CMA), which had been published over the course of 2018 and 2019.

The firm has responded to the consultation and a precis of its response can be [accessed here](#).

We have been involved in a number of discussions, both internal and external to the firm, and our overriding observation is that, while acknowledging that there is indeed a need to change, the BEIS consultation is far-reaching and might well result in the need for significant increases in highly skilled individuals, not only throughout the profession but also at the audited entities themselves. The impact of these changes, particularly on the challenger firms, could be significant especially if the shared audit regime goes ahead as proposed.

While the proposals are consulted on, the policy makers have a great deal of work to do before the effects come into being. We are led to believe that it is reasonable to expect legislation, at the earliest, in late 2022 or 2023. It is clear, however, that the audit market and its participants are not waiting entirely for legislation as the trend continues for large Public Interest Entities (PIEs) to include challenger firms in their audit tenders. BDO has successfully participated in a number of these, and its share of the PIE audit market has increased in the last year.

Regardless of how the consultation and the marketplace for assurance services develops, we will continue to challenge management to demonstrate that growth is sustainable, and the firm has the capacity and capability to deliver quality audits for all its clients.

REPORT FROM THE CHAIR OF THE PUBLIC INTEREST COMMITTEE

SIMON FIGGIS

CULTURE AND WELLBEING

The impact of COVID-19 continues to affect how the business operates. Although agile working practices were already evolving, the pandemic forced remote working on the firm's partners and staff at short notice, regardless of their home environments. For many people, this forced working environment would have been far from ideal and, along with additional stresses such as a lack of outside space, reduced vacation opportunities and additional caring or home-schooling obligations, put wellbeing as one of the firm's highest priorities.

PIC has received a number of briefings on how the firm has, and continues to, monitor wellbeing and how it is responding.

We believe that, although society is finding ways to reduce the effects of the pandemic, the impact on individuals, both personally and how they are working, is likely to continue for some time. It is therefore important for PIC to continue to keep this matter a priority.

Similarly, the events of the last 18 months have shone a brighter spotlight on the whole issue of audit firms and their culture, and how they respond to the expectations of stakeholders, including their people and also regulators. The FRC ran a conference focusing on audit firm culture including the ability to exercise professional scepticism and challenge management. A number of the firm's partners attended, and we will be interested to see how this is taken forward in the next 12 months, both by the firm and the FRC.

AUDIT QUALITY

The firm's results both from the FRC's review and also its own internal inspection are set out on pages 19 and 20. The results of the FRC review make for difficult reading. After a period in which the firm's results were strong, they declined last year with a further decline in the recent inspection and are extremely disappointing.



The firm has agreed how these issues are to be addressed, including:

- ▶ additional recruitment in client-facing and central audit quality infrastructure positions
- ▶ enhancements to the firm's methodology in areas such as revenue with complementary training and guidance
- ▶ a continued focus on the process and rationale for taking on new clients supported by enhanced approval mechanisms
- ▶ exiting engagements where redesigning and/or repricing the audit does not provide an appropriate return.

We have discussed these responses with management and will be monitoring how the actions are working in practice through regular meetings with the Head of Business Assurance and the Head of Audit Quality.

The challenge to delivering better results when the next review is published in a year's time is the lead time between the work being done and the reviews being performed, and results published. The FRC's report, published this July generally related to audits performed on accounts for the years ended December 2019 and March 2020.

Along with regular reviews of the implementation of the Audit Quality Plan (referred to on page 17), we will also be reviewing other audit quality indicators over the course of the next year to gain confidence that the measures being implemented are having the desired effects.

The INEs have continued to be involved in client acceptance panels, where deemed appropriate. This extends to all service lines, not just audit. We fully expect this will continue to be an important role for INEs.

Top quality personnel are at the heart of the firm's ability to deliver top quality audits. The importance of recruitment, retention and training is self-evident. We have been involved in monitoring recruitment and training programmes and received presentations on this important issue.

There is also a wish, as set out in the Brydon report, for auditors to do more. All of those involved in wanting good quality audits – companies, investors, legislators, regulators and the audit firms themselves – need to consider how best to attract and then retain high-quality people, at both the profession and the firm level, to innovate and to develop and deliver these audits.

REPORT FROM THE CHAIR OF THE PUBLIC INTEREST COMMITTEE

SIMON FIGGIS



AUDIT FIRM GOVERNANCE CODE (AFGC)

In addition to audit quality, the main objective of the AFGC is to secure the firm's reputation and to reduce the risk of firm failure.

The Ethics Partner, as a member of PIC, regularly briefs us on issues affecting the firm, but also on those affecting the profession more generally. We are also briefed regularly, whether at PIC or at LT meetings, on matters which may have an impact on BDO internationally.

We consider issues which may affect the firm's ability to continue in business both as part of the annual review on risk, but also on a regular basis through updates on litigation and cash flow more generally.

Post year end, in August 2021, the FRC released its Consultation Document on proposed revisions to the Audit Firm Governance Code. The firm is preparing a response to the consultation document in accordance with the required timetable.

CONCLUSION

The last 18 months have been quite exceptional. The impact of COVID-19 and the need for people to work from home, while offering new opportunities, has also placed a strain on partners and staff alike. While dealing with the pandemic, the firm has grown (both organically and through the merger with Moore Stephens in 2019). Looking forward the firm now needs to respond to the outcome of the BEIS consultation and consider how it is to take forward the opportunities available to it. We have confidence in management's ability to take forward the business not just for the benefit of its people, but for the wider community as well.

As noted above I will be leaving BDO at the end of the year but if you wish to contact any of the INEs, do please contact [Lisanne Barrell](#).

REPORT FROM THE HEAD OF BUSINESS ASSURANCE

SCOTT KNIGHT



SCOTT KNIGHT
HEAD OF BUSINESS
ASSURANCE

The last 18 months have created a unique set of circumstances and challenges. We have had to adapt our working practices to address a different operating model and the specific audit challenges arising from COVID-19 while at the same time executing our strategy for the medium and longer term.

MANAGING GROWTH

Commercially our assurance business continues to show strong growth, a trend that has continued for a number of years and we see no shortage of opportunity going forward. Our primary challenge is controlling both the pace and shape of that growth so we can build the business that we want and the market wants us to have over a five year horizon. For these reasons we have focused our strategy around controlled, sustainable growth by adding quality capacity.

We are very clear on how we don't want to grow and this includes working our people harder and recruiting people who don't share our values and culture just to fuel more growth.

While our people have shown remarkable resilience and adapted brilliantly to the changes in operating conditions we have been very focused on KPIs such as revenue per professional and utilisation (percentage of base hours that are chargeable). In the last year we saw both metrics increase slightly (4% and 3% respectively) but not concerningly so. This was despite adding over 250 additional audit professionals, another trend that we have continued for the last three years.

We now have more people at every level and in every office compared to 12 months ago. However, we have conducted a survey of our audit staff and partners as part of our Audit Quality Indicators programme, which clearly indicates 60% of our people don't feel we have sufficient resource. This points to a significant divergence between the statistical measures and the way people feel. Unsurprisingly it is at the manager grades where this is felt most acutely and it is this group that has absorbed the biggest impact of project management during remote working and the consequences of trainees who have missed out on the benefits that physical team-working brings.

To address this we have:

- ▶ Continued to increase audit stream headcount and at 30 September 2021 there were 255 additional people compared to the same time in the prior year; and
- ▶ Over 250 new starters in the process of joining.

We have seen average chargeable hours in audit fall by 8% in the quarter ended 30 September 2021 compared to the same quarter in the previous year. However, this is too early to impact on our people's longer-term experiences.

We recognise that overall metrics can mask specific areas of stress. We will continue to direct our investment into additional seniors and managers who have borne the brunt of the last 12 months in order to reduce pressures.

In addition to the pace of growth we want to shape the growth we generate. We continue to filter market opportunities and decline to tender for those that do not meet our criteria while exiting from clients where we no longer offer the best audit solution for them. We focus on achieving the best quality revenue in terms of strategic fit, attitude to governance, profitability, risk and, not least, enjoyment offered to our people.

We see a strong correlation between clients our people don't enjoy working with and entity-level audit risk.

Our strategic focus is reflected in external auditor rankings. We now audit more UK listed companies than any other firm of auditors according to Adviser Rankings data. As of July 2021, we audited 299 such companies.

This is the result of a five year strategy to grow our listed client base layer by layer starting with AIM, where we have been the market leader for a number of years, and Fledgling and Small Caps.

At the close of the year, we were auditor to 18 companies in the FTSE 250 as we move towards a goal of 10% market share. We firmly believe this layered approach allows us to build both capability and capacity in a responsible way while having a significant impact on the competition at the larger end of the audit market.

When taking on new business in these listed markets, we only do so if it is in a sector where we have deep experience, where the audit committee share our approach to risk and where we have the staff resources to execute the audit well.

REPORT FROM THE HEAD OF BUSINESS ASSURANCE

SCOTT KNIGHT

QUALITY

Against this backdrop of managing growth we are focused on competing based upon audit quality and we were therefore disappointed that for the second year running, our FRC Audit Quality Review grades have fallen. We are not in denial and we are determined to reverse this trend and have, as a consequence, committed to investing significantly in our central team of specialists and experts. In addition to the plans we already had in place to grow our central team we have allocated an additional £4m of investment to add both partners and senior staff who are specialists in audit quality control. This includes more live support for engagement teams, a specialist revenue team and deep experts in areas such as financial services and Environmental, Social and Governance (ESG). We continuously strive to improve and are confident that the measures we are putting in place will over time see a return on our investments, our commitment, and importantly enhancing audit quality.

Our own internal Audit Quality Plan centres on four key issues, some of which have received additional focus as a result of the pandemic: going concern, material fraud, revenue and challenge of management have increasingly fallen under the spotlight of audit firms' work.

We have refocused our training to detect early warnings, particularly in areas that require subjective challenges and are susceptible to management bias, updating methodology to zoom in on areas that can materially affect financial results.

All of our audit stream training has been arranged to provide support in these areas so that our people know they have the firm's backing when faced with difficult challenges. Not least the need to delay timetables where quality control risks being compromised. These challenges are set against the continuing fluidity created by the pandemic. We are highly attuned to the risk that COVID-19 could create further opportunities for fraud, and are keenly aware that there are additional pressures for management in terms of reporting performance and prospects.

We not only review our own audit quality – we are keen to identify other emerging issues, and therefore invest time in analysing the results of other firms. We continue to monitor what is being identified in other AQR reports, scanning the horizon for issues so that we are ready to intervene when appropriate. Additionally we study the enforcement notices issued by the FRC against all the firms to identify lessons that we are able to learn.



MARKET REFORM

Last year, I noted that there had been little movement in reforming the audit market, but since then, we have seen the consultation document from the Department for Business, Energy & Industrial Strategy (BEIS), which sets out areas for action in restoring trust in audit and corporate governance. We have continued to contribute to this very important debate and maintain our position that we will support and work with government and regulators to implement their proposals. Our overriding objective is to raise quality standards to achieve world-class audits, sustainable growth, and maintain the UK's position as a premier capital market.

Our preferred option would be a market cap on the number of audits a single firm can undertake in the FTSE 350. We believe this is the only intervention that would guarantee more market participants without compromising the audit product or its underlying quality. Furthermore this intervention could be phased in such a way to avoid overwhelming the capacity constraints of challenger firms.

However as the largest of the challenger firms we recognise we have an important role to play in any attempt at market reform and we will seek to support managed shared audits or any

intervention proposed as best we can with the resources at our disposal and on the condition we can do so without compromising audit quality.

At the same time, we are closely monitoring developments in the operational separation of audit practices from the non-audit practices of the Big Four firms. While operational separation does not apply to firms outside the Big Four, including BDO, we will continue to look at how the principles of such separation can be embedded in a way that is most relevant to the firm. This includes the creation of an Audit Board, reformed executive and a rigorous financial analysis to give us confidence that our audit business model is sustainable and robust.

Our audit practice contributes 38% of total revenue to the firm, a higher percentage than many of our peers. It is a different shape and size. But we recognise that moves such as operational separation could have a positive outcome for the entities with whom we work and we will seek to voluntarily comply in a way that makes sense to our business.

Through all these changes and challenges, we seek to respond in a positive way. Trust in business is at an all-time low and we never forget the vital role that independent, high-quality audit plays in restoring this trust.

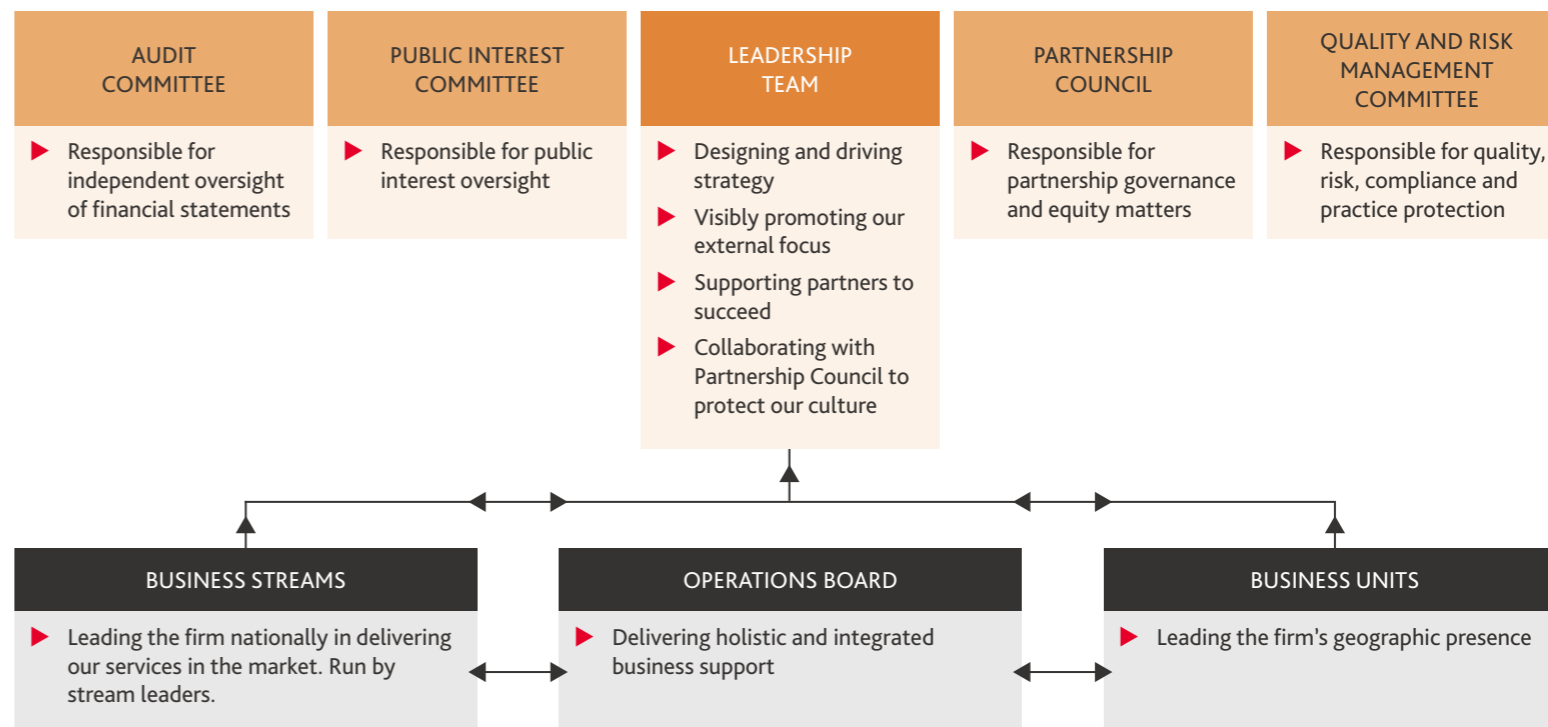
GOVERNANCE STRUCTURE

GOVERNANCE STRUCTURE

BDO maintains a comprehensive governance structure that provides oversight of the whole firm and the audit practice within it to ensure the firm has the appropriate levels of checks and balances. During 2021, the firm commenced a review of this structure as part of a process of continual improvement so that we maintain the highest levels of excellence in our governance.

Alongside a desire to ensure our governance structure remains alive to the needs of a modern, agile professional services firm, 'operational separation', where the audit practice of the firm maintains a separate governance structure from the rest of the firm, is being actively considered as part of this process. The firm is currently not obliged to implement operational separation, but we will continue to monitor and anticipate the outcome of government and regulatory reviews.

Consequently, BDO is working to ensure any new governance structures reflect the needs of the firm both today and into the future.



GOVERNANCE STRUCTURE



BDO has carried out a stakeholder mapping exercise, looking at our requirements now and into the future. We have ensured there are no constraints in the review.

As part of this governance review, we are looking at how an Audit Board would operate within our structure.

We also recognise the importance of overlaying any changes required as a result of the new International Standard on Quality Management (ISQM 1) so that not only do we comply from a UK perspective but also at an international level.

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

This new structure will be introduced so that it is fully functioning by July 2022.

Alongside this, we have initiated a review of our Members Agreement, which governs how we act as partners and as a firm.

We will be increasing the number of INEs from three to four. This will increase oversight and challenge, and will add greater diversity of thought and value to the business.

These reviews are on-going and due consideration is being given to the FRC's recommendations and the Consultation Document relating to the proposed revisions to the Audit Firm Governance Code which was issued in August 2021.

In measuring the effectiveness of the governance structure, we take account of frequency of meetings, and meeting attendance, details of which are set out in Appendix F. We also monitor the effectiveness of our strategy as set out in the section below on Strategy, Culture and Performance.

STRATEGY, CULTURE AND PERFORMANCE

PUBLIC INTEREST

Acting in the public interest runs through the core of the accountancy and audit professions, and BDO is no different. We understand and accept this obligation and recognise the responsibilities that come with being a large firm which audits public interest entities.

Stakeholders expect us to be objective and to demonstrate integrity in all that we do. This is fundamental to how we operate.

These obligations are set out in the FRC Ethical Standard and in the ICAEW Code of Ethics which include five fundamental principles – integrity, objectivity, professional competence, confidentiality, and professional behaviour. These principles form the backbone of our culture.

We are now auditing more public interest entities (PIEs) than ever before. We recognise that this will increase as further reforms in the audit market increase opportunities for the firm, while also accepting that this will create additional pressures, to which we are responding through our Audit Quality Plan. We believe that the public interest is best served through executing high-quality audits.



Success in delivering high-quality audits is measured both internally through BDO's Audit Quality Assurance Reviews and externally by the FRC's Audit Quality Reviews as well as the ICAEW's Quality Assurance Department (QAD). The firm also monitors audit quality indicators and this is an area we are actively developing to provide richer real-time indicators of audit quality. We take very seriously the results of internal and external reviews to ensure quality is maintained, and where it falls short, we identify where and how improvements can be made.

This year, we have continued to work closely with the entities that we audit to deliver audit work as seamlessly as possible through the pandemic. This has required clear communications, a commitment to identifying the areas of highest risk, while also focusing on how we deploy our resources in an agile and effective way.

Over the year, we have made moves to ensure that we are implementing the changes required by ISQM 1, the new quality management standard. We believe that this standard will drive improvements in audit quality and help ensure consistency in quality throughout the firm.

Above all, we are committed to creating and maintaining trust in the firm, which is a direct consequence of having the right culture within the firm. Trust in audit is essential for trust in capital markets.

STRATEGY, CULTURE AND PERFORMANCE

OUR STRATEGIC FRAMEWORK: REBUILDING AND MEASURING SUCCESS

BDO's Strategic Framework describes what we are doing as a firm to help businesses and our people succeed. It highlights what makes BDO special and sets out our key priorities in order to achieve sustainably profitable growth.

There are five key elements of the framework:

1. Our core purpose
2. Our vision
3. Our values
4. Our strategy
5. Our commitment to quality, independence and ethics.



Our core purpose underpins everything that we do at BDO. Our purpose explains why we do what we do. Our purpose is 'helping you succeed'. In the context of audit work this means acting in the public interest by delivering high quality audit work.

Our vision is to be an independent, sustainably profitable and globally-focused firm, known for helping people and businesses succeed.

Our values guide us in everything we do and act as a measure for our behaviours. Our values ask our people to be responsible and to act with integrity, to be genuine, to be collaborative and to be bold.

Our strategy builds on five themes: Brand, Unifying culture, International, Leaders in our markets and Digital mindset. Collectively, these are known as BUILD.

Our commitment to quality, independence and ethics is essential. It means we satisfy our public interest responsibilities, comply with all regulatory requirements, adhere to independence requirements of ethical standards across the whole firm and live by the spirit and principles of regulation.

STRATEGY, CULTURE AND PERFORMANCE

HOW DO WE MEASURE UP?

Brand: BDO aims to be a name synonymous with understanding the needs of ambitious, entrepreneurially-spirited and high-growth businesses; helping them succeed.

We use three main KPIs to measure progress with regard to the development of our brand. Firstly, we monitor progress by reference to the results of the FRC's Audit Quality Review (AQR) report. Results of these reviews are set out in our Audit Quality Indicators, page 20.

Secondly, we have conducted a survey of our audit staff and partners as part of our Audit Quality Indicators programme, the results are set out in our Audit Quality Indicators, page 19.

Thirdly, we track feedback received via our Client Care Programme. Our latest results show 95% of our clients would recommend us to a peer or colleague against a target of 90%. This is an indication that our clients are recognising the hard work and dedication we put into delivering the best possible services and advice for them and their businesses.



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

In May 2021 we conducted a firm-wide Listening Programme. Scores extracted for the partner group evidence an engaged and confident partnership.

Overall partner engagement is high (93%). Questions around the partners sense of pride in the firm and their sense of belonging scored in excess of 90%.

And the partners also showed confidence in the firm's decision-making ability, our risk-based approach and our culture of quality with these questions scoring positively at 80% plus. Partners were also confident that constructive challenge is valued (87%).

Our 2021 Listening Programme survey found that our staff engagement score is 78% (against a target of 70%). Our people feel proud to work for BDO, would recommend BDO as a great place to work and feel a strong sense of belonging. Our culture is very positive. The top words our people chose to describe BDO include 'friendly', 'respectful', 'client focused' and 'supportive'.

As a firm, we know it has been a tough year for everyone. COVID-19 has caused immense anxiety and financial uncertainty for many. We did not always get it right and, when we made mistakes, we moved quickly to rectify them.

However, we have also done many things that have made us proud, making decisions to ensure an inclusive and sustainable business for the long term. Many of those stories will be found in our 2021 Culture Report.

International: As a firm, BDO in the UK aims to contribute to an ever-stronger international network, delivering complex assignments with deep expertise to help our people and businesses succeed globally. As we come through the global pandemic we are building a greater understanding of how to continue to lead global relationships and deliver quality work remotely. We are proud of our skills, reach and agility to deliver work wherever in the world it is needed. Under this heading we measure the referrals to and from the BDO network. Referrals for year ended 30 September 2020 were: referred out \$87.8m (PY \$88.2m) and referred in \$34.8m (PY \$32.0m).

STRATEGY, CULTURE AND PERFORMANCE

Leading our markets: BDO remains focused on helping Britain's economic engine succeed, from private clients, private businesses and private equity, to public markets and the public sector.

One measure of success is the number of listed companies that we audit: in 2021 we now audit the largest number of UK listed companies (Main and AIM combined) compared to our competitors, and are the single largest auditor by number of companies listed on AIM. However, while we will and do operate successfully in the PIE market, we do so in a discerning way, with some 85% of our revenue still coming from our 'economic engine' heartland.

Digital mind-set: Having a digital mind-set is crucial to our future growth. Our digital vision is designed to ensure we stay relevant, competitive and easy to do business with, at a time when industry boundaries are changing rapidly, creating challenges and giving rise to new opportunities.

We embed a digital mind-set in our firm through many initiatives. These include a network of Digital Audit Champions to boost our digital capabilities in audit and a global seed fund to support innovation operated by BDO International. Since the period end we have also delivered our first Audit Innovation Summit, which was attended by over 750 people to showcase our current technology, launch new tools and inspire more innovation in the stream.

This included the launch of eight new tools available to the stream and also Audit Labs, our new Edison 365 ideation platform, which will be used to collate and assess ideas from the stream with a dedicated development team in place to experiment and drive new innovation in audit.

Rearticulating Our Values: BDO has always had strong, deep-seated values. Our core purpose defines why we do what we do; and our values define how we do it.

We have launched a rearticulated set of values: Being Genuine, Being Bold, Being Collaborative and Being Responsible and Acting with Integrity. Our values encourage us to be ourselves and support us as we strive to help each other succeed.

Prior to launching these values, we ran a 12-month programme of focus groups, workshops and surveys to rearticulate them. We wanted everyone to have their say in reshaping our values.

Our values are more than just a component of our strategic framework.

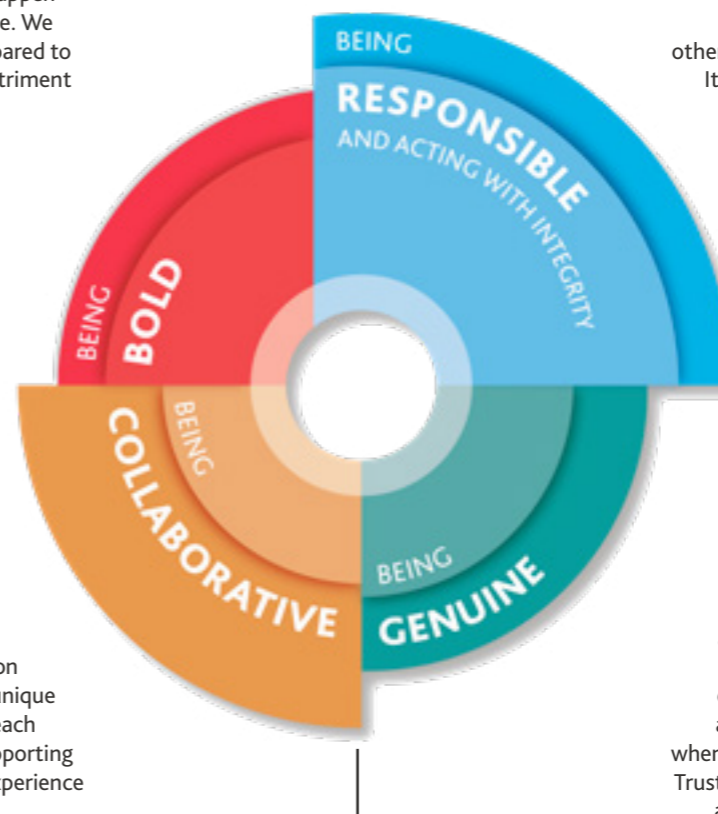
Together with our core purpose they set out what is important to us and define the behaviours that we all commit to live by with each other, our clients and society as a whole, binding us together in one community.

They are woven into our culture, with 77% of our people saying they see our values demonstrated in their team's behaviour.

OUR VALUES

Being bold means we are ambitious, innovative and passionate about the things we do. We're curious, initiate ideas and make change happen – even if it sometimes feels uncomfortable. We are willing to try something new and prepared to take appropriate risks but never to the detriment of quality or our code of conduct. Today's fast-changing world demands us to be forward-thinking, pragmatic and willing to positively challenge the way things have always been done – to come up with new and innovative ways to help us succeed.

Being collaborative means that we recognise the power of supporting and working with each other, our firm and our clients. It is a way of working where everyone has an important role to play, and we believe in empowering and helping one another. To enable this, we build meaningful relationships based on trust, understanding and respect for the unique perspectives, skills and qualities that we each bring. Above all, we are committed to supporting each other and sharing our knowledge, experience and expertise to help others succeed.



Being responsible and acting with integrity starts with a recognition that we have a choice in how we act, respond to and influence the world around us, conscious of our impact on others, the firm, our clients and the environment. It is about taking responsibility for our actions and learning from our mistakes. It extends to our commitment to acting ethically with integrity, professional competence and scepticism, objectivity, due care, confidentiality and, when appropriate, with independence. Always delivering high-quality work with the public interest in mind.

Being genuine means we are true to who we are. We are honest about what we think, believe and feel – as well as our own vulnerabilities. We embrace individuality and difference, which means we don't judge the beliefs and opinions of others, but listen, and where appropriate, learn from them. Being true to ourselves means we speak up when we don't agree with something, but also acknowledge when we're unsure or have got something wrong. Trust has to be earned and we nurture it by being authentic, generous and respectful of others.

STRATEGY, CULTURE AND PERFORMANCE

TRANSFORMATION AND AGILE WORKING

BDO is constantly looking ahead, considering where we may need to adapt, evolve and re-evaluate our ways of working to continue to deliver high quality service to our clients.

This year, like all businesses, BDO's focus has been looking ahead to a world managing COVID-19 and what it means for our clients and people, as well as the new normal around the future of work. We know that we need to continue to adapt and evolve, re-evaluating the way we work.

The changes that businesses make at this stage will continue to have an impact on attracting and retaining talent as well as their long-term success. And we know that our people have changed – they want flexibility and choice.

This is at the heart of our vision, considering the 'when', 'where' and 'how' we work, balanced with the needs of our clients so that we can continue to deliver high quality services. We are therefore building on the positives that have emerged during 2020 and 2021 to embrace a new framework for agile working: **WORKABLE**.



THE WORKABLE GUIDES

For our people, we aim to offer more choice and flexibility to plan around work and life that can lead to improved wellbeing, access to more diverse projects and learning opportunities and ultimately increased job satisfaction.

For our firm, it aims to give us access to broader and more diverse talent. Being more agile will help us to be better prepared to respond to future change and enables us to continuously evolve alongside the changing needs of our clients.

It is designed to ensure our continued ability to deliver quality service to our clients, offer a consistent experience to our people and clients, and maintain a sense of community within the firm.



ETHICS AND INDEPENDENCE

THE IMPORTANCE OF TRUST

Ethics and independence are central to restoring trust and confidence in the audit profession. This is why we not only embed ethics and independence into our cultural values, but also work hard at ensuring that we all live by them; particularly ones that reflect our commitment to integrity, honesty, objectivity, responsibility and respect. We know that our people face circumstances each day that test these values, and that is why we have the structures, mechanisms and tools to support our people as we all seek to uphold the highest standards of behaviour.

We are also aware of the unique position that BDO holds, as we help drive audit market reform and undertake more complex audit work for larger organisations. In response to this, we are increasing investment in our ethics team and internal controls systems and infrastructure to ensure we continue to have the resources necessary to support ethical behaviour in all its forms.

As a firm, we recognise that ethical behaviour is key to building trust in what we do.

Society's expectations are evolving at a rapid pace – the consultations on audit and corporate governance reform are reaching a conclusion, while enforcement action from regulators continues to provide a focus on the need to be ever-vigilant. It is important that to meet the expectations of stakeholders we understand and apply the spirit of the Ethical Standards and not merely the principles.

NEW WORKING WORLD

It is also important to acknowledge the impact that the pandemic has had on how the firm maintains its ethical standards. We are sensitive to these changes and will continue to adapt accordingly. The non-financial aspects of our conduct are a particular area of investment in this new world.

As part of wider changes to our governance structures, we are repositioning the Ethics Partner to ensure that there are clear reporting lines to the Leadership Team (LT) and our Independent Non-Executives. This is not a symbolic move; it emphasises the importance that is placed on this area by our senior leadership. By positioning ethics as such, we are able to shorten and sharpen decision-making processes and increase the Ethics Partner's influence.

In addition, we have this year completed changes in our internal controls systems to ensure appropriate implementation of those final aspects of the Financial Reporting Council's Revised Ethical Standard 2019 that have come into force during the year. Particular emphasis has been placed on the aspects concerning 'Other Entities of Public Interest', a concept the Ethical Standard brought into effect during our last financial year. The FRC's Ethical Standard, is of course, just one of the standards we follow, and in many cases exceed; the IESBA Code of Ethics for Professional Accountants and the ICAEW Code of Ethics count amongst the others that are relevant to our work.

INVESTMENT

We are constantly alert to, and fully agree with, the need to enhance independence if we are to rebuild trust in audit. We are rising to the challenge by increasing resources in this area.

Technology and data are also playing an increasingly important role, allowing us to be much more responsive to emerging issues and better protected against future ones. Dashboards that collate and analyse many data points, such as where, how and when our people are asking

for assistance on independence or conflicts of interest matters, help us track trends and emerging issues and get ahead of any problem. These can also inform our training and guidance and the need for intervention where appropriate.

GLOBAL INDEPENDENCE

Of course, our business is global and so is audit independence. Last year, our BDO Global Independence team launched a new independence manual which was issued to every BDO member firm, updating mandatory policies and procedures and driving consistency of behaviour on a global level. It promotes consistent application of independence policies and procedures and enhances cross-border collaboration and communication between each firm.

This programme of investment in independence at an international level continues and includes enhanced investment in conflicts-of-interest solutions and independence indicators.

TRAINING

As our business grows, so does our commitment to maintaining the highest levels of ethical behaviour. New recruits, whether they are new to the firm or the profession, undertake training programmes. This is in addition to annual training for all partners and senior audit staff.

This year, we have placed particular emphasis on the impact of the pandemic on our people and investigating how new ways of working are affecting culture. Our ethics teams are looking to the future, anticipating the needs over the next five years – as the firm grows, so does the need to uphold the highest standards and the reputation of the profession.

Further details of BDO's independence and ethics policies can be found in Appendix G.

INTERNAL QUALITY CONTROL SYSTEMS

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

Our internal control framework is designed to provide reasonable assurance that the firm, its partners and staff comply with professional standards and regulatory and legal requirements. This includes those relevant to Local Public Auditors.

In doing so we aim to ensure that work is performed to a consistently high standard and that reports issued by the firm are appropriate.

The framework can be split into the following elements:

- ▶ Leadership responsibilities for quality
- ▶ Acceptance and continuance of client relationships and specific engagements
- ▶ Human resources and development
- ▶ Engagement performance
- ▶ Monitoring and documentation of the system of quality control
- ▶ Internal audit
- ▶ Ethical requirements, as set out in the Ethics and Independence section (see page 15)
- ▶ Identification, evaluation and mitigation of risks, as set out in our section on Top Risks (see page 21).

A more detailed breakdown these elements can be found in Appendix H.



AUDIT QUALITY – RESULTS

The results of BDO's internal Audit Quality Assurance Reviews (AQAR) were:

Total	2020	2019	2018	2017	2016
Grade 1	69%	67%	68%	48%	60%
Grade 2	19%	20%	24%	34%	27%
Grade 3	12%	13%	8%	18%	13%

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

The internal AQAR results remained relatively stable compared to the 2019 period, although we continue to drive to reduce the number of audits that fail to meet our high expectations for audit quality.

As part of our drive to improve external FRC Audit Quality Review (AQR) results, from the 2019/2020 cycle the AQAR team now perform targeted follow-up reviews on those audits receiving a 'improvements required' or 'significant improvements required' in an external AQR inspection to evaluate the remediation of the findings in the subsequent year's audit.

INTERNAL QUALITY CONTROL SYSTEMS

ROOT CAUSE ANALYSIS

Root cause analysis (RCA) is a critical element of the Audit Quality Plan and forms part of the cycle of continuous improvement. RCA is used to evaluate the underlying causes of specific audit quality issues and develop appropriate actions to address those root causes. Equally, RCA is used to identify the underlying drivers of good practice and promote those widely.

RCA is performed in a number of scenarios including:

- ▶ Internal AQAR reviews where the audit was considered to require significant improvements
- ▶ External regulator reviews where the audit was considered to require improvements or significant improvements
- ▶ Selected reviews where the audit was considered to be good and useful learning points for the wider stream will be identified
- ▶ Wider stream or sector findings where common points have been identified and it is considered a further investigation is warranted.

An RCA involves a series of in-depth meetings with the relevant engagement teams to probe the underlying causal factors, using RCA software developed by an external provider. The RCA team comprises a dedicated resource responsible for overseeing and developing the RCA process, together with specifically trained members of the central team. External specialist RCA support is also used for targeted RCAs.

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

- ▶ Insufficient focus on granular understanding of the end-to-end revenue streams
- ▶ Insufficient supervision and depth of reviews linked to weaknesses in project management or resourcing pressures, particularly when there were delays in the provision of information by management
- ▶ Inconsistent working practices between the audit teams and IT assurance specialists leading to issues in the execution of the audit strategy.



Actions to address key RCA findings have been incorporated into the Audit Quality Plan.

Examples include the significant investment in the firm's central audit quality infrastructure that supports audit quality and full-day training sessions on the audit of revenue for the audit stream, roll out of a project management training programme, establishment of a central Audit Transition Support Team for complex first-year audits and significant further investment in the IT assurance team and specific training on integrating IT assurance within the audit.

AUDIT QUALITY PLAN

The Audit Quality Plan (AQP) is a structured plan that is used to drive audit quality within the audit stream. The AQP establishes our key priorities around enhancing audit quality and the key actions being taken to address these areas. It is used to monitor how well these actions are resolving issues and adapts for continuous improvement in audit quality.

The AQP is a 'live' plan that is considered monthly by the Audit Executive with reports on progress provided monthly to the LT together with six-monthly reporting provided to the PIC and the Quality and Risk Management Committee (QRMC).

With ISQM1 due to become effective in 2022, we are undertaking detailed measures to ensure that our quality and risk management aligns with the enhanced requirements. We therefore expect further changes to the AQP as this evolves.

As part of the AQP, we have identified four 'big rocks' that represent key risks to audit quality:

1. Audit of going concern
2. Effective challenge of management
3. Audit of revenue
4. Detecting material fraud.

The plan also includes seven 'building blocks' for consistent high-quality audit and sets out the objectives, priority actions and how we measure and monitor these interconnected areas:

1. Ensuring the right work is performed by the right people at the right time
2. Tone at the top
3. Resourcing
4. Embedding a culture of challenge
5. Central support
6. Focus on horizon scanning
7. Highly effective training programme

The AQP also helps to ensure audit quality remains at the top of our agenda both among the leadership of the firm and also in the focus and behaviours of each individual member of the audit stream. It links audit quality to the strategic focus of the firm.

INTERNAL QUALITY CONTROL SYSTEMS

ELITE SQUAD

Our Elite Squad performs in-depth reviews on a selection of public interest and certain higher risk audits while they are in progress. These reviews focus on challenging and coaching audit teams to help enhance and improve audit quality, particularly in areas of significant risk or complexity.

We are investing significantly into the Elite Squad, increasing the team from its current complement of four full-time and one part-time specialist reviewers to a team of 15 providing deeper and broader in-flight quality review support for engagement teams.

In addition, we are establishing a specialist unit to focus on financial services audits within this team.

FIRST-YEAR TRANSITION TEAMS

As a firm, we have experienced significant growth in the audit market, both in terms of volume of audit work and the type of such work – we are being engaged to audit an increasing number of larger, more complex entities. This will inevitably lead to an increasing number of 'first-year' audits, where we take over from an incumbent auditor.

We are now building an Audit Transition Support Team, a central team drawing together senior specialists from the Elite Squad, Financial Reporting Advisory, Audit Methodology, Technology Risk Assurance and specialists from around the firm. The team will support first-year audit strategy development and implementation for centrally identified large and complex first-year audits to drive enhanced audit quality and consistency.

The team will promote early engagement with the multiple stakeholders that are key to an effective audit strategy, promote collaboration and provide challenge to the engagement team.

INTERNAL AUDIT REVIEWS

The firm's Internal Audit team recently carried out an internal audit of the processes and controls in place in relation to Audit Quality & Regulatory Changes in the audit stream. The purpose of the audit was to provide assurance that appropriate processes and controls were in place and operating effectively in relation to identifying and addressing regulatory changes and ways in which the firm maintains its quality standards to prevent litigation, claims and regulatory investigation which could result in sanctions and/or loss of licence.

The audit identified good practice in respect of enhancements to the Audit Quality Plan, Elite Squad and RCA, together with the systems to monitor regulatory change and the firm's audit quality control systems, methodology and guidance.

The audit identified the following areas for development:

1. Strengthening the linkage between staff performance appraisals and audit quality
2. Licensing programmes for PIE audits
3. Enhancements to the global audit tool and information management.

The Audit Executive formally considered findings from the recent internal audit review and is implementing actions accordingly.

CONFIRMATION OF LEADERSHIP TEAM'S STATEMENT ON EFFECTIVENESS

These policies, procedures and monitoring activities have provided our LT with reasonable assurance that the firm, its partners and staff have materially complied with applicable professional, regulatory and legal requirements, including those relating to local public sector audits, that work has been performed to a consistently high standard and that appropriate reports have been issued. Our LT has inter alia considered the results of the annual regulatory inspections by the FRC in reaching this opinion.

The firm's policies and procedures are designed to ensure that persons eligible for appointment as a local auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.

AUDIT QUALITY INDICATORS

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

METRICS FROM PARTNER AND STAFF SURVEYS	2021	2018
Delivering quality work is a priority for me	100%	N/A
I have sufficient time and resource to do my job	40%	69%
The leaders I work with are committed to providing high quality audits	95%	97%
The leaders I work with are committed to improving audit quality	95%	N/A
The learning and development I receive from BDO has prepared me for the work I do	84%	91%

METRICS ON EXTERNAL INVESTIGATIONS

Number of cases in the last 12 months in which the:

FRC has found against the firm or one of its members following enforcement proceedings	There have been no findings against the firm in the period.
Disciplinary committee of any other regulatory body has found against the firm or one of its members	We have no such findings against the firm.

METRICS ON INTERNAL INSPECTIONS

Results of firm's internal audit quality reviews	The results of our internal reviews along with a description of our Audit Quality Assurance Review process and a definition of the grades awarded are set out in the Internal Quality Control Systems section (on page 16).
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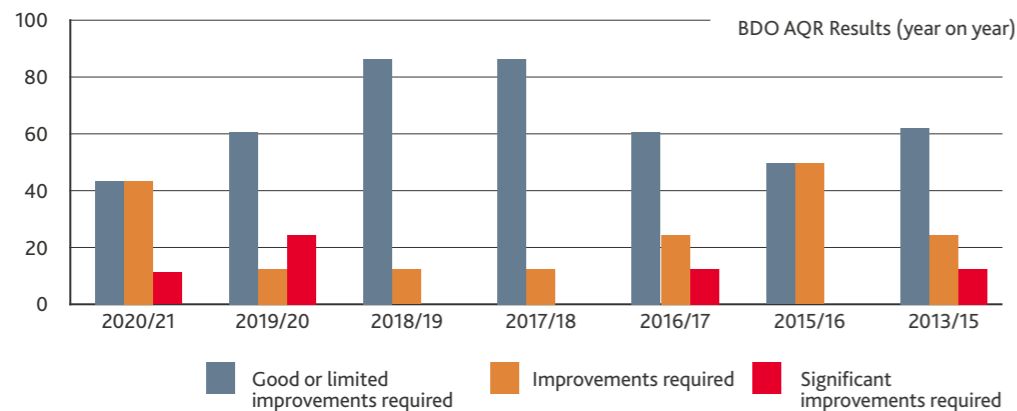


AUDIT QUALITY INDICATORS

METRICS ON EXTERNAL INVESTIGATIONS

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

Our last review by the FRC's Audit Quality Review took place in 2020/21.



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

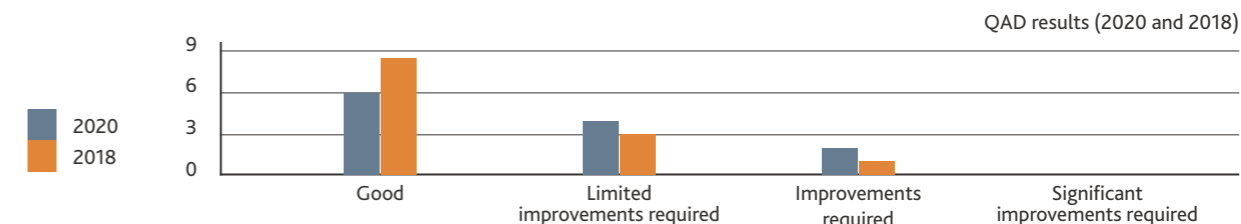
FRC review of Major Local Audits

The performance of all audit firms conducting public sector audits is monitored by the FRC. The results of their monitoring can be downloaded from the FRC website [via this link](#).

METRICS ON EXTERNAL INVESTIGATIONS

QAD (ICAEW) Biannual Quality Compliance review

The 2020 QAD Quality Compliance Review results are as follows



METRICS ON INVESTMENT

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

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

The extent of training undertaken per person in the Assurance practice

Our CPD programme covers technical competence; core competencies and personal development. Partners and qualified staff complete approximately 50 hours of mandatory training per annum, additional training is available to support our technical and core competencies.

Early in Career trainees receive 10 days of in-house technical training in their first year with an additional 11 days of mandatory training to be completed at any point in their first three years. Alongside this they receive paid study leave to complete their professional qualifications.

Investment in research and development on assurance

We invest in BDO Advantage, our global audit methodology and tools and training our people.

METRICS ON INVESTOR LIAISON

Qualitative description of investor liaison

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

TOP RISKS

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

Our top risks are reviewed and agreed by the Quality and Risk Management Committee (QRMC) combining both top-down and bottom-up perspectives and evidence. The top risks are then reviewed and agreed by the Leadership Team (LT).

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

As the situation with respect to the COVID-19 pandemic continued to evolve throughout the year, our Crisis Management Team, in conjunction with the LT, has led our ongoing risk mitigation measures, and we continuously identify and assess the effects of COVID-19 on our business risks both in the immediate term and in relation to our longer term risk exposures.



TOP RISKS

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Our adaptability to change	<p>Risk that we become too set in our ways, suffer from loss aversion, or that we are too slow and/or we fail to deliver the changes we require.</p> <p>Risk that a focus on COVID-19 detracts from a timely focus on other areas.</p> <p>Failure to develop opportunities arising in the PIE audit market</p>	<ul style="list-style-type: none"> ▶ Overall governance and reporting ▶ A strategy and performance review system that incorporates the importance of change ▶ Business transformation and change management regularly discussed by the LT and with BDO International ▶ Head of Transformation appointed and dedicated resources to assist with the implementation of change programmes ▶ Audit reform is a priority focus for the Audit Executive ▶ ISQM1 implementation programme.
Changing external environment and business models for professional services firms	<p>Risk that professional service firms such as ours fail to attract and develop new business due to:</p> <ul style="list-style-type: none"> ▶ Competitors innovating faster than us ▶ New disruptive technology transforming markets (including platforms for providing professional services becoming IT-driven) and the cost of providing services ▶ New skills and expertise being required to deliver services ▶ Existing methodologies, processes and IT becoming obsolete ▶ Our property portfolio becoming inflexible/obsolete. <p>Failure to adapt effectively to operational separation of audit. Risk that significant external geopolitical events have a major direct adverse impact on our business and/or economic conditions.</p> <p>Risk of underperformance if the design and implementation of operational separation of audit is sub-optimal, and risk of disruption during the transition.</p>	<ul style="list-style-type: none"> ▶ Forward horizon scanning by the Leadership Team and management ▶ Digital Board (now the Innovation group of the BUILD transformation team) established to oversee the implementation of new digital solutions ▶ Dedicated resources to assist with the implementation of change programmes ▶ Project in progress anticipating potential requirements for operational separation of audit and advisory practices ▶ Crisis Management and Business Continuity planning and testing ▶ Continuous monitoring of our cash position and financial resilience.

TOP RISKS

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Failure to instil a culture appropriate to an audit and advisory firm of our scale and recognising we are a regulated firm	Our behaviour is under continuous scrutiny and perceived or actual failings can result in damage to reputation.	<ul style="list-style-type: none"> ▶ Overall firm governance and reporting ▶ Focus on values, culture and Quality, Independence and Ethics within the strategic framework ▶ Ongoing monitoring of culture including Listening Programme and exit surveys.
Information security (including cyber security)	<p>Failure to protect confidential client or personal data</p> <p>Failure to prevent and recover from cyber attacks</p> <p>Failure to identify and manage emergent cyber risks.</p>	<ul style="list-style-type: none"> ▶ IT policies and processes, including access controls and appropriate disaster recovery and business continuity plans. Linked to BDO International information security risk mitigation programme ▶ Use of appropriate software tools to help protect against cyber threats ▶ Extensive data protection policies and processes ▶ Control of sensitive data through limited access ▶ Implementation of tools such as secure portals to reduce risk in information exchange with our clients and third parties ▶ Ongoing training to alert partners and staff to cyber and other risks of data loss and the behaviours necessary to minimise such risks ▶ Monitoring by the LT, QRMC and management on an ongoing basis.
Failure of our IT infrastructure	Major IT failure or major data loss results in our inability to carry out business as usual. This may be due to our internal controls or due to the failure of a third-party IT provider (including cloud services).	<ul style="list-style-type: none"> ▶ IT policies and processes, including access controls and appropriate disaster recovery and business continuity plans ▶ Relationships with outsourced providers managed and maintained, with regular performance reviews and contractually agreed SLAs.

TOP RISKS

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Regulation	<p>Risk of significant sanctions, e.g. restrictions on operations or loss of license to trade.</p> <p>Failure to maintain quality standards to the required regulatory standard or deal with any adverse findings from regulatory inspections to the regulator's satisfaction.</p> <p>Failure to recognise changing regulation and/or to invest in enhancing quality to meet new requirements.</p> <p>Changes to the FRC following Kingman review leading to uncertainty in the regulatory regime.</p> <p>Increasing focus on firm-wide internal controls (2nd line of defence) and the need to enhance the maturity of our control infrastructure, including implementation of ISQM1 by December 2022.</p> <p>Increased focus from regulators on economic crime and data privacy.</p> <p>Failure to adequately plan for the costs and resources to address robust challenge from our regulators and increasing regulatory information requirements.</p>	<ul style="list-style-type: none"> ▶ Partner involvement with professional institutes and regulatory bodies (identifying change and influencing where possible) ▶ Maintaining an appropriate level of interaction and relationships with regulatory authorities ▶ Regular review of anticipated regulatory changes and assessment of their impact ▶ Comprehensive quality control systems, methodologies and guidance ▶ Dedicated technical support services ▶ ISQM1 implementation programme.
Client acceptance and continuance, and scope of work	<p>Failure to identify engagement risks, social responsibility risks, or other commercial risks associated with a potential entity or project.</p> <p>Working with the wrong entity could damage our reputation and lead to litigation and/or regulatory investigation.</p> <p>Failure to identify risks and comply with economic crime laws and regulations (including anti-money laundering regulations).</p> <p>Failure to define the scope of projects with sufficient clarity, or engage those who have the right knowledge and skills to deliver the scope of work.</p>	<ul style="list-style-type: none"> ▶ Rigorous acceptance policies and procedures ▶ Liability limitation provisions (where appropriate) within client contracts ▶ Support and levels of approval of potential appointments or engagements with higher risk characteristics or reputational concerns ▶ Dedicated technical support services ▶ Maintaining adequate professional indemnity insurance (PII).

TOP RISKS

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Resource management	<p>Taking on or continuing work where we lack the capacity, competence or capability to deliver (lack of resources).</p> <p>Failure to manage resources optimally leading to inability to service work and/or decreased service quality.</p> <p>Failure to adjust our pricing to account for market conditions, increasing demand for our services and increasing costs.</p> <p>Over-reliance on key individuals.</p> <p>Placing undue stress on our partners and staff, potentially leading to stress and illness and decreased service quality.</p>	<ul style="list-style-type: none"> ▶ Selectivity and scrutiny in our acceptance processes ▶ Ongoing review of project pricing and profitability ▶ Regular reviews of management accounts and KPIs to identify signs of over-trading and to respond ▶ Dedicated recruitment and people development teams in the HR function to support the firm in meeting resource demands ▶ Flexible resourcing models and cross-skilling across teams ▶ Continued expansion of the support provided by the Shared Service Centre and through offshoring ▶ Technological innovation, substituting technology to reduce demands on people.
Failure to deliver quality work	<p>Major service failure resulting in litigation and/ or regulatory action, with the potential to impact the reputation of the firm.</p> <p>Failure to deliver the right quality of service to meet stakeholder expectations.</p>	<ul style="list-style-type: none"> ▶ Excellence in quality is at the heart of our strategy and is embedded in our activities ▶ Comprehensive quality control systems, methodologies and guidance ▶ Dedicated technical support services ▶ Significant technical and commercial training to enhance the skills of our people and to ensure they remain up to date ▶ Performance systems to ensure our people are, and remain, competent ▶ Controls to ensure that partners and staff with the right specialist knowledge and skills are assigned to engagements ▶ Internal inspections to review the quality of work and clear action plans to address the findings from internal and external reviews ▶ Established Risk Reporting procedures for claims, complaints or potential concerns about our work ▶ Maintaining adequate professional indemnity insurance (PII).

TOP RISKS

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Failure to attract, retain and develop our people and look after their well-being	<p>Failure to recruit, retain and develop skilled and experienced people leading to service failure, inefficiency, loss of our people, stress and illness, demotivation of our people and increased recruitment and other costs.</p> <p>Failure to protect and support the physical and mental health of our people, in the context of the COVID-19 pandemic.</p>	<ul style="list-style-type: none"> ▶ Significant technical and commercial training, development and on the job coaching ▶ Structured career discussions, performance reviews and feedback to help the development of partners and staff ▶ Employee Value proposition and recruitment initiatives for Early in Careers and experienced hires with the right skills and experience ▶ Quality cornerstones to guide professional behaviour ▶ Strong and robustly implemented health, safety, well-being and travel policies, fully reviewed and updated in response to COVID-19.
Environmental, social and governance	<p>Working with entities which are seen to do significant damage to the environment, leading to damage to our reputation.</p> <p>Failure to minimise the environmental impact of our firm's operations.</p> <p>Risk that we make statements that lack authenticity, leading to damage to our reputation.</p>	<ul style="list-style-type: none"> ▶ Annual Carbon Report published, in compliance with the Streamlined Energy & Carbon Reporting (SECR) framework ▶ BDO LLP is a signatory to the UN Sustainable Development Goals, and has committed to being carbon neutral ▶ Monitoring of internal and external environmental activity ▶ ISO:14001 Environmental Management System Accreditation ▶ Liaising with BDO International with respect to the wider network's sustainability agenda.

TOP RISKS

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



PROGRESS WITH PURPOSE
TRANSPARENCY REPORT 2020/21

OCTOBER 2021

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APPENDIX A: AUDIT FIRM GOVERNANCE CODE STATEMENT OF COMPLIANCE

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

REQUIREMENT	SECTION REF
<p>A.1.2</p> <p>The firm should state in its transparency report how its governance structures and management operate, their duties and the types of decisions they take. In doing so the firm should explain how its governance structure provides oversight of both the audit practice and the firm as a whole with a focus on ensuring the Code's purpose, is achieved. If the management and/or governance of the firm rests at an international level it should specifically set out how management and oversight of audit, is undertaken and the Code's purpose achieved in the UK. Formal processes for on-going performance evaluation of the firm's governance structures and management team and their members.</p>	Appendix F – Leadership, Governance and Boards
<p>A.1.3</p> <p>The firm should state in its transparency report the names and job titles of all members of the firm's governance structures and its management, how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details.</p>	Appendix F – Leadership, Governance and Boards
<p>B.1.2</p> <p>Firms should introduce KPIs on the performance of their governance system, and report on performance against these in their transparency reports.</p>	see Governance section on page 08

REQUIREMENT	SECTION REF
<p>C.1.2</p> <p>The firm should disclose on its website and in its transparency report information about the appointment, retirement and resignation of independent non-executives; their remuneration; their duties and the arrangements by which they discharge those duties; and the obligations of the firm to support them. The firm should report on why it has chosen to position its independent non-executives in the way it has (for example, as members of the main Board or on a public interest committee). The firm should also disclose on its website the terms of reference and composition of any governance structures whose membership includes independent non-executives.</p>	Appendix F – Leadership, Governance and Boards
<p>C.1.3</p> <p>The independent non-executives should report in the firm's transparency report on how they have worked to meet the purpose of the Code defined as:</p> <ul style="list-style-type: none"> ▶ Promoting audit quality. ▶ Helping the firm secure its reputation more broadly, including in its non-audit businesses. ▶ Reducing the risk of firm failure. 	Report by Chair of the Public Interest Committee
<p>C.2.1</p> <p>The firm should state in its transparency report its criteria for assessing the impact of independent non-executives on the firm's independence as auditors and their independence from the firm and its owners.</p>	Appendix F – Leadership, Governance and Boards

APPENDIX A: AUDIT FIRM GOVERNANCE CODE STATEMENT OF COMPLIANCE

REQUIREMENT	SECTION REF
<p>D.1.3</p> <p>The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.</p>	Appendix H – Internal Quality Control Systems.
<p>D2.2</p> <p>The firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summarise the process it has applied and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary.</p>	Appendix H – Internal Quality Control Systems
<p>E.2.2</p> <p>In its transparency report the firm should give details of any additional provisions from the UK Corporate Governance Code which it has adopted within its own governance structure.</p>	Appendix B
<p>E.3.1</p> <p>The firm should confirm that it has carried out a robust assessment of the principal risks facing the audit firm, including those that would threaten its business model, future performance, solvency or liquidity. The firm should describe those risks and explain how they are being managed or mitigated.</p>	Top Risks Section



APPENDIX B: CORPORATE GOVERNANCE CODE ADOPTION

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

CORPORATE GOVERNANCE CODE	REFERENCE
Role of the Board	
Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.	
A.1.1	<p>The board should meet sufficiently regularly to discharge its duties effectively. There should be a formal schedule of matters specifically reserved for its decision. The annual report should include a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the board and which are to be delegated to management.</p> <p>Details of the number of meetings and attendance at those meetings is included in Appendix F.</p> <p>Details of the matters specifically reserved for the Partnership Council and Leadership Team are set out in Appendix F.</p> <p>Commentary on the working of the various boards and committees is set out in Appendix F.</p>
A.1.2	<p>The annual report should identify the chair, the deputy chair (where there is one), the chief executive, the senior independent director and the chairmen and members of the board committees. It should also set out the number of meetings of the board and those committees and individual attendance by directors.</p> <p>The identity of the Senior Partner, Managing Partner and Senior Independent Non Executive as well as attendance at meetings is set out in Appendix F.</p>
A.1.3	<p>The company should arrange appropriate insurance cover in respect of legal action against its directors.</p> <p>The firm maintains D&O cover for its Partners/Responsible Individuals (RIs) and INEs.</p>

CORPORATE GOVERNANCE CODE	REFERENCE
Division of responsibilities	
There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.	
A.2.1	<p>The roles of chair and chief executive should not be exercised by the same individual. The division of responsibilities between the chair and chief executive should be clearly established, set out in writing and agreed by the board.</p> <p>The roles of the Senior Partner and Managing Partner are performed by different individuals. The division of responsibilities are set out in writing and approved by the Partnership Council.</p>
The Chair	
The chair is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.	
A.3.1	<p>The chair should on appointment meet the independence criteria set out in B.1.1 below. A chief executive should not go on to be chair of the same company. If exceptionally a board decides that a chief executive should become chair, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next annual report.</p> <p>The Senior Partner is an internal appointment in that it can only be held by an existing BDO partner. As such, the independence criteria required of the Senior Partner matches that of all partners.</p> <p>Nominations for Senior Partner are approved by the Partnership Council and elections are held amongst the members for the appointment to the position.</p>

APPENDIX B: CORPORATE GOVERNANCE CODE ADOPTION

CORPORATE GOVERNANCE CODE	REFERENCE	CORPORATE GOVERNANCE CODE	REFERENCE
<p>Non-executive Directors</p> <p>As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.</p>		<p>Composition of the Board</p> <p>The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively</p>	
<p>A.4.1</p> <p>The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chair, chief executive or other executive directors has failed to resolve or for which such contact is inappropriate.</p>	<p>Simon Figgis is the Senior INE and Chairs the Public Interest Committee. His report is set out in the section Report from the Chair of the Public Interest Committee.</p> <p>Stakeholders are able to contact the INEs via Lianne Barrell.</p>	<p>B.1.1</p> <p>The board should identify in the annual report each non-executive director it considers to be independent. The board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:</p> <ul style="list-style-type: none"> ▶ Has been an employee of the company or group within the last five years; ▶ Has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company; ▶ Has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance related pay scheme, or is a member of the company's pension scheme; ▶ Has close family ties with any of the company's advisers, directors or senior employees; ▶ Holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; represents a significant shareholder; or ▶ Has served on the board for more than nine years from the date of their first election. 	<p>Each individual INE identified in the report, being Simon Figgis, Jeff Randall and Russell King are considered to be independent.</p> <p>None of the INEs has:</p> <ul style="list-style-type: none"> ▶ Been an employee of the firm in the last five years or at all ▶ Held a material business relationship with the company or of a body that has a relationship with BDO in the last three years ▶ Close family ties with the firm's advisers, leadership, members or senior employees ▶ Held cross-directorships or has significant links with other members of the leadership. As an LLP there is no significant shareholder ▶ Served on the board for more than nine years.
<p>A.4.2</p> <p>The chair should hold meetings with the non-executive directors without the executives present. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance and on such other occasions as are deemed appropriate.</p>	<p>All INEs, led by Simon Figgis, meet with the Senior Partner and the Partnership Council at least annually and on other occasions as are deemed appropriate. Further details are contained in the section Report from the Chair of the Public Interest Committee.</p>		
<p>A.4.3</p> <p>Where directors have concerns which cannot be resolved about the running of the company or a proposed action, they should ensure that their concerns are recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chair, for circulation to the board, if they have any such concerns.</p>	<p>Details of our resolution procedure is set out in Appendix F.</p>		

APPENDIX B: CORPORATE GOVERNANCE CODE ADOPTION



CORPORATE GOVERNANCE CODE	REFERENCE
<p>B.1.3</p> <p>Except for smaller companies, at least half the board, excluding the chair, should comprise non-executive directors determined by the board to be independent. A smaller company should have at least two independent non-executive directors.</p>	<p>The composition of the Partnership Council and the Leadership Team is set out in Appendix F.</p>
<p>Appointments to the Board</p> <p>There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.</p>	
<p>B.2.1</p> <p>There should be a nomination committee which should lead the process for board appointments and make recommendations to the board. A majority of members of the nomination committee should be independent non-executive directors. The chair or an independent non-executive director should chair the committee, but the chair should not chair the nomination committee when it is dealing with the appointment of a successor to the chairmanship. The nomination committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.</p>	<p>Nominations for Senior Partner and Managing Partner are approved by the Partnership Council and elections are held amongst the members for the appointment of both positions. As set out above 85% of the Partnership Council are drawn from the membership and are independent from the Leadership Team.</p> <p>The Senior Partner is not involved in the appointment of a successor as this is decided on a vote by the members.</p> <p>The terms of reference applicable to nominations are contained within the terms of reference of the Partnership Council.</p>

CORPORATE GOVERNANCE CODE	REFERENCE
<p>B.2.2</p> <p>The nomination committee should evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.</p>	<p>The Partnership Council evaluate the experience, balance of skills and independence when considering appointments including drawing from all areas of the business.</p>
<p>B.2.3</p> <p>Non-executive directors should be appointed for specified terms subject to re-election and to statutory provisions relating to the removal of a director. Any term beyond six years for a non-executive director should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the board.</p>	<p>INEs are appointed for a period of one year, renewable at the end of the period. INEs who have been in office for a period of six years are subject to rigorous review and are required to rotate no later than nine years in office. See Appendix F for further details.</p>
<p>B.2.4</p> <p>A separate section of the annual report should describe the work of the nomination committee, including the process it has used in relation to board appointments.</p> <p>This section should include a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chair or a non-executive director. Where an external search consultancy has been used, it should be identified in the annual report and a statement made as to whether it has any other connection with the company.</p>	<p>Details of the elections of the Senior Partner and Managing Partner are set out in Appendix F</p> <p>The policy on diversity is set out in the Unifying Culture Report available on the BDO website.</p> <p>The appointment of Senior Partner is an internal one. To be considered the candidate must be an existing equity partner of the firm. External search agencies are used to identify suitable candidates for INE roles. The agencies used are not connected with BDO.</p>

APPENDIX B: CORPORATE GOVERNANCE CODE ADOPTION

CORPORATE GOVERNANCE CODE	REFERENCE
Commitment	
All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.	
B.3.1	
For the appointment of a chairman, the nomination committee should prepare a job specification, including an assessment of the time commitment expected, recognising the need for availability in the event of crises. A chair's other significant commitments should be disclosed to the board before appointment and included in the annual report. Changes to such commitments should be reported to the board as they arise, and their impact explained in the next annual report.	<p>The job specification for the Senior Partner is set by the Partnership Council. Candidates proposing themselves for election by the members must disclose their existing commitments and how they will meet the time and other commitments required of the Senior Partner.</p> <p>On election by the members the Senior Partner meets with representative(s) from the FRC to discuss the importance of the role, the commitment needed and their vision for their tenure.</p>
B.3.2	
The terms and conditions of appointment of non-executive directors should be made available for inspection. The letter of appointment should set out the expected time commitment. Non-executive directors should undertake that they will have sufficient time to meet what is expected of them. Their other significant commitments should be disclosed to the board before appointment, with a broad indication of the time involved and the board should be informed of subsequent changes.	Terms and conditions for the appointment of INEs are available to the FRC for inspection. The letter of appointment sets out clearly the time commitment needed and other commitments are taken into account on appointment. INEs are required to confirm their independence quarterly and notify any other appointments accepted.

CORPORATE GOVERNANCE CODE	REFERENCE
Development	
All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.	
B.4.1	
The chair should ensure that new directors receive a full, formal and tailored induction on joining the board. As part of this, directors should avail themselves of opportunities to meet major shareholders.	An induction was held for all new members of the Partnership Council led by the Senior Partner and drawing on the firm's experts as required.
B.4.2	
The chair should regularly review and agree with each director their training and development needs.	The INEs are subject to appraisal when their training and development needs are considered. INEs are required to complete the firm's mandatory training on ethics, data protection and anti-money laundering.

APPENDIX B: CORPORATE GOVERNANCE CODE ADOPTION

CORPORATE GOVERNANCE CODE	REFERENCE
Information and support	
The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.	
B.5.1	
The board should ensure that directors, especially non-executive directors, have access to independent professional advice at the company's expense where they judge it necessary to discharge their responsibilities as directors. Committees should be provided with sufficient resources to undertake their duties.	Details of information and support provided to INEs are set out in the section on governance structure.
B.5.2	
All directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are complied with. Both the appointment and removal of the company secretary should be a matter for the board as a whole.	The firm does not have a company secretary but is instead supported by an Executive Office. This office is available to all board members including the INEs.

CORPORATE GOVERNANCE CODE	REFERENCE
Evaluation	
The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	
B.6.1	
The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted.	KPIs relating to the board's performance and achievement of their strategic objectives are included in the section on Strategy, Culture and KPIs.
B.6.2	
Evaluation of the board should be externally facilitated at least every three years. The external facilitator should be identified in the annual report and a statement made as to whether they have any other connection with the company.	Members of the LT participated in an externally facilitated review of the executive team in early 2020 to build on good practice and further improve board performance.
B.6.3	
The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chair, taking into account the views of executive directors.	As a result of changes to the definition of Covered Person within the FRC Ethical Standard, INE involvement in the appraisal and remuneration of senior members has been restricted to the provision of feedback on performance.

APPENDIX B: CORPORATE GOVERNANCE CODE ADOPTION



CORPORATE GOVERNANCE CODE	REFERENCE
Re-election	
All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. (Details of re-election are set in the section Governance Structure.)	
Financial and business reporting	
The board should present a fair, balanced and understandable assessment of the company's position and prospects. Our annual report is available on the BDO website.	
C.1.1	
The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy. There should be a statement by the auditor about their reporting responsibilities.	Our annual report is available on the BDO website.
C.1.2	
The directors should include in the annual report an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the company.	An explanation of the firm's strategy and delivery of objectives including maintaining value in the longer term and the top risks are included in the Transparency Report in the section Strategy, Culture and KPIs and the section Top Risks.

CORPORATE GOVERNANCE CODE	REFERENCE
C.1.3	
In annual and half-yearly financial statements, the directors should state whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.	Our annual report is available on the BDO website.
Risk management and internal control	
The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.	
C.2.1	
The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The directors should describe those risks and explain how they are being managed or mitigated.	Details of our risk assessment and top risks are set out in the section Top Risks.

APPENDIX B: CORPORATE GOVERNANCE CODE ADOPTION

CORPORATE GOVERNANCE CODE	REFERENCE
<p>C.2.2</p> <p>Taking account of the company's current position and principal risks, the directors should explain in the annual report how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate. The directors should state whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.</p>	<p>Our annual report is available on the BDO website.</p>
<p>C.2.3</p> <p>The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.</p>	<p>The Quality and Risk Management Committee monitors our risk management and internal control systems. Details of the review of the risk management and internal controls system is set out in the section Internal Quality Control Systems and Top Risks.</p>

CORPORATE GOVERNANCE CODE	REFERENCE
<p>Audit committee and auditors</p> <p>The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.</p>	
<p>C.3.1</p> <p>The board should establish an audit committee of at least three, or in the case of smaller companies two, independent non-executive directors. In smaller companies the company chair may be a member of, but not chair, the committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as chair. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.</p>	<p>Our Audit Committee is comprised of four members of the Partnership Council, who are independent of the Leadership Team. They are responsible for the relationship with the external auditors.</p>

APPENDIX B: CORPORATE GOVERNANCE CODE ADOPTION

CORPORATE GOVERNANCE CODE	REFERENCE	CORPORATE GOVERNANCE CODE	REFERENCE
<p>C.3.2</p> <p>The main role and responsibilities of the audit committee should be set out in written terms of reference and should include:</p> <ul style="list-style-type: none"> ▶ To monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them; ▶ To review the company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, to review the company's internal control and risk management systems; ▶ To monitor and review the effectiveness of the company's internal audit function; ▶ To make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor; ▶ To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; ▶ To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and ▶ To report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and ▶ To report to the board on how it has discharged its responsibilities 	<p>The terms of reference of the Audit Committee include those items listed.</p>	<p>C.3.3</p> <p>The terms of reference of the audit committee, including its role and the authority delegated to it by the board, should be made available</p>	<p>The terms of reference for the Audit Committee are available from the Executive Office.</p>
		<p>C.3.4</p> <p>Where requested by the board, the audit committee should provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.</p>	<p>The Audit Committee provides advice to the Leadership Team that the annual report and accounts taken as a whole are fair balanced and understandable and provides sufficient information, to assess the company's position and performance, business model and strategy.</p>
		<p>C.3.5</p> <p>The audit committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.</p>	<p>The firm operates an external whistleblowing process managed by the Head of Quality and Risk Management.</p>

APPENDIX B: CORPORATE GOVERNANCE CODE ADOPTION



CORPORATE GOVERNANCE CODE	REFERENCE
<p>C.3.6</p> <p>The audit committee should monitor and review the effectiveness of the internal audit activities. Where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.</p>	<p>The Audit Committee monitors and reviews the effectiveness of internal audit activities supported by the Quality and Risk Management Team.</p>
<p>C.3.7</p> <p>The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. FTSE 350 companies should put the external audit contract out to tender at least every ten years. If the board does not accept the audit committee's recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the audit committee explaining the recommendation and should set out reasons why the board has taken a different position.</p>	<p>The Audit Committee is responsible for appointing the auditors.</p>

CORPORATE GOVERNANCE CODE	REFERENCE
<p>C.3.7</p> <p>A separate section of the annual report should describe the work of the committee in discharging its responsibilities. The report should include:</p> <ul style="list-style-type: none"> ▶ The significant issues that the committee considered in relation to the financial statements, and how these issues were addressed; ▶ An explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted; and ▶ If the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded. 	<p>We do not at present include an Audit Committee report within the annual report.</p>

APPENDIX C: LOCAL AUDIT TRANSPARENCY REPORT COMPLIANCE

In accordance with the Local Auditors (Transparency) Regulations 2020 we make the following statement with regards to the application in practice of each of the principles of the Code on which we are required to report.

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

APPENDIX D: EU AUDIT REGULATION

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

Provision of Article 13.2	Reference to where in this report BDO LLP addresses the provisions in Article 13.2
(a) a description of the legal structure and ownership of the audit firm;	Appendix E
(b) where the statutory auditor or the audit firm is a member of a network:	Appendix E
(i) a description of the network and the legal and structural arrangements in the network	Appendix H
(ii) the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network;	Appendix G
(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	All staff receive specialist local audit work training on an annual basis and are competent to conduct the work.
(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 J
(c) a description of the governance structure of the audit firm	Appendix F
d) a description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning	Appendix H
(e) an indication of when the last quality assurance review referred to in Article 26 was carried out	Appendix H
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 K
(g) a statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted	Appendix G
(h) a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13 of Directive 2006/43/EC	Appendix H
(i) information concerning the basis for the partners' remuneration in audit firms	Appendix F

APPENDIX E: LEGAL STRUCTURE AND OWNERSHIP

BDO LLP

BDO LLP is a limited liability partnership, incorporated in the UK and is owned by its members (who are often referred to as partners). At 2 July 2021 there were 269 members.

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

BDO Northern Ireland is an independent partnership.

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

BDO INTERNATIONAL

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

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

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

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

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

The Global Leadership Team is tasked with coordinating the activities of the BDO network. It is headed by the CEO and comprises the Global COO (also Global Head of Advisory), the Global Heads of Audit & Assurance, Tax (also Global Head of People), Business Development & Marketing, IT, Risk, Quality & Governance (also Secretary of BDO International Limited) and the regional CEOs of EMEA, the Americas (also Head of Business Services & Outsourcing) and Asia Pacific.

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

Each of BDO International Limited, Brussels Worldwide Services BV and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients. BDO is the brand name for the BDO network and for each of the BDO member firms.



The global aggregated turnover for BDO member firms (including their exclusive Alliances) in 167 countries for the year ended 30 September 2020 was in excess of \$10.3bn. Partner and staff numbers at 30 September 2020 were some 91,054 working out of 1,658 offices worldwide.

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

KEY FEATURES OF THE MEMBER FIRM NETWORK AGREEMENT

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

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

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

APPENDIX F: LEADERSHIP, GOVERNANCE AND BOARDS

THE LEADERSHIP TEAM

The executive members of the Leadership Team at 2 July 2021 were:



PAUL ENGLAND
MANAGING PARTNER

Paul was elected as Managing Partner, starting his first four-year term in October 2016. He was re-elected to serve a second

four-year term commencing October 2020. Paul and his Leadership Team are responsible for the overall strategic direction of the firm, its financial performance and business model.

Paul has served on the Leadership Team since 5 July 2008. Paul is also a member of BDO International's Global Board which sets and monitors strategy for the International network.



ANDY BUTTERWORTH
CHIEF OPERATING OFFICER
AND HEAD OF TAX

Andy works alongside the Managing Partner and Finance Partner in the operational

running of the firm. He also chairs our Operations Board and is responsible for Practice Management Department (PMD) budgets and performance. He was also a member of our Quality and Risk Management Committee until March 2021. Andy has served on the Leadership Team since October 2016.



SIMON GALLAGHER
HEAD OF ADVISORY SERVICES

Simon leads the Advisory Services Stream having joined following the merger with Moore Stephens in February

2019. Before joining BDO, Simon was Managing Partner of Moore Stephens LLP. Simon has over 20 years' professional experience of insurance both within and outside the accounting profession, including the role of head of corporate accounting and control at a major insurance group. Simon also served on the Quality and Risk Management Committee until March 2021.



CHRIS GROVE
HEAD OF TRANSACTION
SERVICES

Chris leads the Transaction Services team, having previously worked in Business Recovery.

Chris is a past Chair of BDO's International Corporate Finance Group and a past member of the firm's Partnership Council; he was appointed to the Leadership Team in October 2016. Chris also chairs the firm's Unifying Culture (U) Board.



SCOTT KNIGHT
HEAD OF BUSINESS
ASSURANCE

Scott has responsibility for the development and delivery of Audit and Assurance strategy,

including sales and people plans, risk and quality, technical/knowledge sharing/best practice and business model/P&L. He is a Business Assurance Partner and was appointed to serve on the Leadership Team on 1 April 2014. Scott is also a member of the firm's Operations Board. He served on the Quality and Risk Management Committee until March 2021.



GERVASE MACGREGOR
LEADERSHIP TEAM, RISK AND
REPUTATION

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

provision of education and ensuring adherence.

He is responsible for all claims and regulatory matters involving the firm. He is also the firm's MLRO and MLCP.

He is a forensic services partner and has served on the Leadership Team since 5 July 2008.



JON RANDALL
HEAD OF TRANSFORMATION

Jon has served on the Leadership Team since he joined BDO following the merger with Moore Stephens in February

2019. Jon led the team working on the integration of Moore Stephens and BDO. Jon is now focused on BDO's transformation agenda and leads the firm's transformation team. Jon is also a member of the firm's Operations Board.

Jon was formerly the Chief Operating Officer at Moore Stephens and prior to that at RSM (Baker Tilly) where he also undertook roles as London Regional Managing Partner and National Head of Tax.



WENDY WALTON
LEADERSHIP TEAM

Wendy has been with BDO for 34 years, joining as an A level trainee in 1987. Wendy joined the Leadership Team on 1

October 2016 and has specific responsibility for our Partner Engagement Strategy and Partner Development.

APPENDIX F: LEADERSHIP, GOVERNANCE AND BOARDS



INDEPENDENT NON-EXECUTIVES

SIMON FIGGIS

INDEPENDENT NON-EXECUTIVE

Simon is a former partner of KPMG, where he was Head of Business Assurance Quality and Risk Management, overseeing quality in 19 countries across Europe and the Middle East. Simon chairs the Public Interest Committee and is a member of the QRMC.

Simon was until recently a member of the Executive Committee of the Army Board, where he chaired the Audit and Risk Committee. He is a trustee of the Marine Society and Sea Cadets. Simon is also a trustee of a multi-academy trust, Creative Education Trust, responsible for 17 schools.

Simon was appointed as an INE on 1 October 2013.

RUSSELL KING

INDEPENDENT NON-EXECUTIVE

Russell brings a broad experience in business strategy/development, human resources, government relations, and sustainable development.

His specialties include experience in mining and consumer goods.

Russell holds non-executive posts at FTSE firm, Ricardo, as well as AiM-listed Hummingbird Resources where he is Non-Executive Chairman. Russell is also a Fellow at Windsor Leadership.

Russell was appointed as an INE on 1 July 2017.

JEFF RANDALL

INDEPENDENT NON-EXECUTIVE

Jeff Randall, a former business journalist, is an iNED at Fundsmith, the fund management company, and a member of CVC Rugby's advisory board. He is also a visiting fellow at Oxford University's business school and an honorary professor at Nottingham University's school of economics.

Jeff was a director of Babcock International (2014-20), where he chaired the remuneration committee for six years.

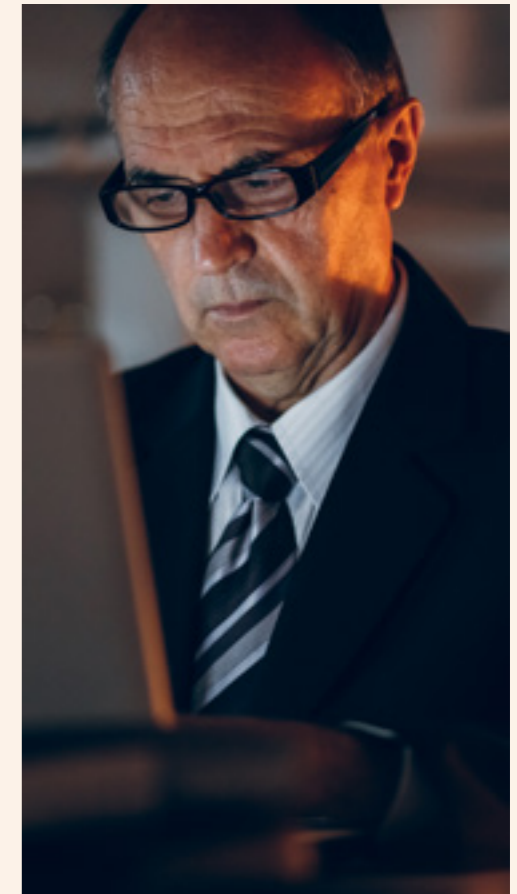
Before retiring in 2014 from a 35-year career in financial journalism, Jeff was a business presenter on Sky News and editor-at-large for the Daily Telegraph.

Jeff was appointed as an INE on 1 July 2017.

APPENDIX F: LEADERSHIP, GOVERNANCE AND BOARDS

BOARDS AND COMMITTEES

BODY	COMPOSITION	RESPONSIBILITIES
Leadership Team	<ul style="list-style-type: none"> ▶ Paul Eagland – Managing Partner (Chair) ▶ Seven executive members appointed by the Managing Partner ▶ Three Independent Non-Executives (INEs) (non-voting members) * refer also to the note about COVID-19 arrangements ▶ The Senior Partner ordinarily attends. 	<ul style="list-style-type: none"> ▶ Provides strategic leadership with emphasis on the firm's clients and markets and our people ▶ Sets the culture of the firm through its tone at the top ▶ Profit sharing.
Public Interest Committee (PIC)	<ul style="list-style-type: none"> ▶ Simon Figgis – INE (Chair) ▶ Russell King – INE ▶ Jeff Randall – INE ▶ David Isherwood – Ethics Partner. <p>Ordinarily in attendance:</p> <ul style="list-style-type: none"> ▶ Paul Eagland – Managing Partner ▶ Ryan Ferguson – Head of Audit Quality and Risk ▶ Scott Knight – Head of Business Assurance ▶ Iain Lowson – Head of Quality and Risk Management ▶ Gervase MacGregor – Leadership Team, Quality and Risk ▶ Matthew White - Senior Partner. 	<ul style="list-style-type: none"> ▶ Considers public interest matters that affect the firm, with a goal of enhancing stakeholder confidence in the public interest aspects of the firm's activities.
Partnership Council	<ul style="list-style-type: none"> ▶ Matthew White – Senior Partner (Chair) ▶ Paul Eagland – Managing Partner ▶ One representative from the Leadership Team who may attend by invitation of the Managing Partner ▶ 14 elected partners (four-year term, maximum two terms). 	<ul style="list-style-type: none"> ▶ Overall responsibility for equity and governance matters; including the accountability and oversight of management ▶ New admissions and exits from the partnership.



APPENDIX F: LEADERSHIP, GOVERNANCE AND BOARDS



BODY	COMPOSITION	RESPONSIBILITIES
Audit Committee	<ul style="list-style-type: none"> ▶ Nick Carter-Pegg (Chair) ▶ Jeff Harris ▶ Tim West ▶ Matthew White. 	<ul style="list-style-type: none"> ▶ Meets with the external auditors and management to provide a forum for the external auditors' reporting ▶ Assesses and monitors the independence of auditors ▶ Reviews and monitors the integrity of the firm's financial statements including key judgements made by management ▶ Considers the effectiveness of the internal controls maintained and monitored by management as well as reviewing management's prioritisation of key operational risks ▶ Oversees Internal Audit.
Quality and Risk Management Committee (QRMC)	<ul style="list-style-type: none"> ▶ Iain Lawson – Head of Quality and Risk Management (Chair) ▶ Chris Chapple – Head of Tax Technical and Risk * ▶ Ryan Ferguson – Head of Audit Quality and Risk * ▶ Simon Figgis – Independent Non-Executive ▶ Angela Foyle – Partner, Economic Crime Team ▶ Kevin Haywood Crouch – Forensic Services Partner * ▶ Nicole Kissun – Head of Technical Standards Group ▶ Mark Shaw – Head of Business Restructuring * ▶ Matthew Tait – Business Restructuring Partner. 	<ul style="list-style-type: none"> ▶ Ensures appropriate strategies and plans are drawn up, implemented and monitored to manage risk effectively and to deliver quality services consistent with the firm's strategy ▶ Understanding and monitoring all risks facing BDO as a business (be they strategic, reputational, financial or operational) and for scrutinising the processes in place within the business for managing and mitigating these risks.

* These four partners became members of the committee in April 2021 replacing the three Heads of Stream (Andy Butterworth, Simon Gallagher, Scott Knight) who stepped down in March 2021.

APPENDIX F: LEADERSHIP, GOVERNANCE AND BOARDS

BODY	COMPOSITION	RESPONSIBILITIES
Audit Stream Executive (ASE) (4 July 2020 – 31 January 2021)	<ul style="list-style-type: none"> ▶ Scott Knight – Head of Business Assurance ▶ Nicole Kissun – Head of Technical Standards Group ▶ Angela Lynch – Operations Director for the National Audit Stream ▶ Eight partners from a range of sectors and regional offices. 	<ul style="list-style-type: none"> ▶ Ensured audit quality remains at the top of our agenda ▶ Developed and delivered the national Audit Stream strategy ▶ Monitored commercial and regulatory activity in the audit market ▶ Supported practitioners to be successful in the market, creating a culture of consultation and support ▶ Set Audit Stream policies and procedures ▶ Provided oversight of quality, licensing and rotation.
Audit Executive (AE) (replaced the ASE as from 1 February 2021)	<ul style="list-style-type: none"> ▶ Scott Knight – Head of Business Assurance ▶ Ryan Ferguson – Head of Audit Quality and Risk ▶ Julian Frost – Clients and Markets ▶ Simon Brooker – People, Resourcing and Unifying Culture ▶ Iain Henderson – International ▶ Andrea Bishop – Transformation and Digital ▶ Mark Cardiff – Resourcing 2.0. 	<ul style="list-style-type: none"> ▶ Sets, monitors and drives strategy in line with the firm's strategic framework BUILD
Audit Strategy Council (ASC) established 1 February 2021	<ul style="list-style-type: none"> ▶ Scott Knight – Head of Business Assurance ▶ 9 Partners from the Audit Stream. 	<ul style="list-style-type: none"> ▶ Provides strategic challenge and advice to the Executive while providing a two-way communication channel with the audit stream



APPENDIX F: LEADERSHIP, GOVERNANCE AND BOARDS

GOVERNANCE POLICY AND PROCEDURES

MANAGING PARTNER AND LEADERSHIP TEAM

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

Upon election, the Managing Partner appoints the partners who serve on the LT who are then approved by the partners. The INEs were also members of the LT, prior to new COVID-19 measures detailed below. The Managing Partner may make subsequent changes to membership of the LT (save for the INEs) with the consent of the Partnership Council.

The LT is responsible for the development and implementation of strategy and for the management of the firm. Formal meetings were held monthly moving to bi-monthly from January 2021 and are chaired by the Managing Partner. The Managing Partner has a duty to keep the Partnership Council apprised of any matters of

substance that affect the strategic direction of the firm and to refer key management decisions to the Partnership Council for discussion and, where appropriate, for referral by the Partnership Council to the partners..

Paul Eagland was re-elected for a second term from 1 October 2020.

SENIOR PARTNER

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

The Senior Partner is not eligible for election for more than two consecutive terms in such office. The Senior Partner is a non-executive position. The Senior Partner is responsible for our governance as well as acting as a senior representative for, and ambassador of, the firm. The Senior Partner chairs the Partnership Council and takes responsibility for managing all Partnership Council duties. The Senior Partner attends LT meetings in a non-executive capacity to facilitate the governance oversight role of the Partnership Council.

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

PARTNERSHIP COUNCIL

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

The Partnership Council also oversee the appointment of INEs.

INDEPENDENT NON-EXECUTIVES

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

The Partnership Council implicitly reviews the effectiveness of the INEs via their contribution at the annual meeting and the visibility to the Senior Partner who observes INEs at LT meetings.

The INEs are invited to attend a meeting of the Partnership Council an annual basis without executive members of the LT in attendance and have the right to meet with each other on a private basis.

In addition, INEs have the right to initiate direct access to the Partnership Council at any other time in order to report and agree a course of action in relation to any fundamental disagreements with the executive members of the LT. Where ultimately the disagreement cannot be resolved and results in the resignation of an INE they also have the right to report this resignation publicly.

At present, the INEs are contracted to BDO on a rolling one-year term, which is reviewed each year by the Partnership Council. In order to offer greater certainty to the firm and the INEs, while still complying with the nine-year term limit set out in the AFGC, the Partnership Council agreed during the year to move to terms of three years as this is deemed more appropriate. The contract can be renewed for a second term to give a total tenure of six years. Nine years would remain the maximum tenure for any INE.

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

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

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

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

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

INE	TOTAL REMUNERATION
Simon Figgis	£90,000
Russell King	£85,000
Jeff Randall	£85,000

Each INE served for a full 12 months during FY21. All salaries effective 1 October 2020.

APPENDIX F: LEADERSHIP, GOVERNANCE AND BOARDS

LEADERSHIP AND GOVERNANCE MEETING ATTENDANCE IN THE PERIOD 4 JULY 2020 TO 2 JULY 2021

STATUTORY AUDIT		LEADERSHIP TEAM	PARTNERSHIP COUNCIL	PUBLIC INTEREST COMMITTEE	AUDIT COMMITTEE	QUALITY AND RISK MANAGEMENT COMMITTEE
NUMBER OF MEETINGS HELD SINCE 3 JULY 2020		8	11	8	3	14 (including three "special purpose meetings/away days")
NAME						
Paul Eagland	Managing Partner	8	11	8 in attendance		
Andy Butterworth	Chief Operating Officer and Head of Tax	8	1 in attendance			11
Wendy Walton	Head of Global Private Client Services	8	4 in attendance			
Scott Knight	Head of Business Assurance	8	2 in attendance	8 in attendance		11
Simon Gallagher	Head of Advisory	8	10			9
Jon Randall	Head of Transformation	8				
Gervase MacGregor	Leadership Team, Risk and Reputation	7	2 in attendance	7 in attendance		
Chris Grove	Head of Transaction Services	8	1 in attendance			
Simon Figgis	INE	6	2 in attendance	8	1	14
Jeff Randall	INE	6	2 in attendance	8		
Russell King	INE	6	2 in attendance	8		
Matthew White	Senior Partner	8 in attendance	11	8 in attendance	3	
Jeff Harris	Corporate Finance Partner		11		3	
Nick Carter-Pegg	Chair of the Audit Committee		11		3	
Pauline McGee	Partner, Quality and Risk Management				3	
Stuart Collins	Finance Partner (from 4 July 2020)	5 in attendance	2 in attendance		3	
Iain Henderson	Audit Partner		11			
Mark Sherfield	Finance Partner (until 3 July 2020)	4 in attendance	2 in attendance			

APPENDIX F: LEADERSHIP, GOVERNANCE AND BOARDS

LEADERSHIP AND GOVERNANCE MEETING ATTENDANCE IN THE PERIOD 4 JULY 2020 TO 2 JULY 2021

STATUTORY AUDIT		LEADERSHIP TEAM	PARTNERSHIP COUNCIL	PUBLIC INTEREST COMMITTEE	AUDIT COMMITTEE	QUALITY AND RISK MANAGEMENT COMMITTEE
NUMBER OF MEETINGS HELD SINCE 3 JULY 2020		8	11	8	3	14 (including three "special purpose meetings/away days")
NAME						
Jo Gilbey	Tax Partner		10			
Ian Bingham	Tax Partner (Partnership Council term ended 30 September 2020)		2			
Geraint Jones	Audit Partner		11			
David Pooler	Tax Partner		11			
Julien Rye	Audit Partner		11			
Andrew Viner	Audit Partner		11			
Suk Aulak	Partner		11			
Sarah Moss	Tax Partner		9			
Sarah Rayment	Advisory Partner		10			
Michael Simms	Audit Partner		11			
Tony Spillett	Tax Partner		11			
Tim West	Audit Partner		11		3	
David Isherwood	Ethics Partner	6 in attendance		8		
Iain Lawson	Head of Quality and Risk Management	8 in attendance	1 in attendance	8 in attendance	2	13
Nicole Kissun	Head of Technical Standards Group					14
Angela Foyle	Partner, Economic Crime Team					12
Russell Field	Audit Partner (retired from the firm 30 September 2020)		2			
Matthew Tait	Business Restructuring Partner					8

APPENDIX F: LEADERSHIP, GOVERNANCE AND BOARDS

LEADERSHIP AND GOVERNANCE MEETING ATTENDANCE IN THE PERIOD 4 JULY 2020 TO 2 JULY 2021

STATUTORY AUDIT		LEADERSHIP TEAM	PARTNERSHIP COUNCIL	PUBLIC INTEREST COMMITTEE	AUDIT COMMITTEE	QUALITY AND RISK MANAGEMENT COMMITTEE
NUMBER OF MEETINGS HELD SINCE 3 JULY 2020		8	11	8	3	14 (including three "special purpose meetings/away days")
NAME						
Chris Chapple	Tax, Quality and Risk					3
Ryan Ferguson	Audit, Quality and Risk	1 in attendance		3 in attendance		2
Kevin Haywood Crouch	Advisory, Quality and Risk					2
Mark Shaw	Advisory, Quality and Risk					3

Due to COVID-19, Governance arrangements were altered, with effect from April 2020 INEs stopped attending Leadership Team (LT) meetings and Gervase MacGregor and Matthew White started attending PIC meetings. The INEs were re-invited to join Leadership Team meetings from October 2020 as non-voting members. The INEs were therefore eligible to attend 6 LT meetings during FY21.

APPENDIX G: ETHICS AND INDEPENDENCE

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

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

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

FINANCIAL INTEREST AND RELATIONSHIPS

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

Additionally, the firm, covered persons (as defined by the FRC) and persons closely associated with them may only enter into business relationships with any of the firm's audited entities or their affiliates where they:

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

Employment-type relationships with an audited entity are relatively rare but in order to protect objectivity, approval procedures are in place before any such situation can be established.

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

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

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

Where our monitoring procedures identify breaches, these are rectified as soon as possible and the individual is subject to our sanctions policy. Following each instance, a detailed review and a Root Cause Analysis (RCA) of the circumstances in each case is undertaken by the Ethics Team. No instances where the firm's independence was judged to be compromised was identified this year. Although the number of breaches is small in comparison to our partner and employee population one breach is one too many. The firm is in the final stages of implementing a new financial interest compliance system.

LONG ASSOCIATION

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

- ▶ The Audit Partner on a listed or Public Interest Entity (PIE) audit client rotates after five years except in exceptional circumstances, where rotation can be extended to occur after seven years. Where an extension of the rotation period occurs additional safeguards will be put in place and approval for the extension will be obtained from the Ethics Partner
- ▶ Local Public Sector auditors are appointed by the Public Sector Audit Appointments Limited (PSAA) on a five-year basis
- ▶ Audit teams are required to plan the rotation of other partners and senior staff involved in the audit to achieve a gradual rotation to preserve audit quality
- ▶ For non-listed audited entities, the Audit Partner will normally rotate off the audit after ten years. Where rotation is extended beyond ten years, a rotation plan will be agreed with the firm's Ethics Partner and additional safeguards put in place

Rotation data is held on our firm's Audit Monitoring Database (AMD), which is reviewed periodically by the Responsible Individual and details confirmed or updated. Rotation in relation to PIE and other listed audited entities is also monitored by the Ethics Team.

APPENDIX G: ETHICS AND INDEPENDENCE

NON-AUDIT SERVICES (NAS) AND CONTINGENT FEES

Following the release of the Revised Ethical Standard 2019, the provision of all non-audit services, except for those on the permitted list as per paragraph 5.40 of the Standard, are prohibited for audited entities which meet the definition of a Public Interest Entity (PIE). Non-audit services proposed for all other types of audited entities must first be approved by the respective audit partner who, in consultation with the Ethics Team, will undertake a threats and safeguards assessment. Services and fees are approved via the firm's client take-on system and are also monitored monthly through the review of reports obtained from the firm's billing system. All non-audit services are assessed against the objective, reasonable and informed third party test. It is firm policy not to provide non-audit services to Local Public Sector audit clients. The firm's relationship risk review requires project partners to consider the impact of the prospective project's fees on the partners' portfolio.

BRIBES, GIFTS AND HOSPITALITY

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

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

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

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

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

CLIENT ACCEPTANCE AND CONFLICTS OF INTEREST

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

The provision and approval of non-audit services is specifically reviewed at an engagement level as part of our independent inspections programme conducted on a selection of audit files.

INDEPENDENCE OF INES

To identify whether there are any conflicts of interest between the firm and the INEs, the Ethics Team undertake quarterly monitoring on the INE's personal and financial relationships against the firm's clients. Where a conflict is identified, appropriate safeguards are applied.

APPENDIX H: INTERNAL QUALITY CONTROL SYSTEMS

LEADERSHIP RESPONSIBILITIES FOR QUALITY WITHIN THE FIRM

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

We have clearly established responsibilities for the Managing Partner, the Senior Partner and other senior personnel. The Managing Partner establishes various boards and committees, as detailed in Appendix F, to implement our strategy and manage operational issues.

Along with our management team, the Head of Quality and Risk Management (QRM) supported by the Ethics Partner reinforces the appropriate 'tone at the top' by instilling professional and ethical values. The Audit Stream 'tone at the top' is set by the Head of Business Assurance, supported by the Audit Executive (AE).

The national Audit Stream is supported by the Technical Standards Group (TSG) and the QRM Team. TSG, led by the Head of Technical, is inter alia responsible for the following:

- ▶ Maintaining technical manuals for the audit stream and communicating developments to partners and staff
- ▶ Helping maintain the quality of our assurance practice at the highest standards prevailing in the profession
- ▶ Consulting with local office partners and other professionals seeking technical advice
- ▶ Overseeing our technical continuing professional education programmes.

Ryan Ferguson, Head of Audit Risk and Quality, who is also the Audit Compliance Partner, is responsible for the following:

- ▶ Implementation of the Audit Quality Plan
- ▶ Monitoring of independence
- ▶ Monitoring the quality of our auditing work
- ▶ Evaluating our quality control policies and procedures.



ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS

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

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

- ▶ Consideration of the entity's business including its geographical spread and the industry it operates in
- ▶ Evaluation of information concerning the entity, its management and its owners including obtaining evidence of the identity of the owners and officers of the business
- ▶ Considering information regarding the character and reputation of the prospective client and key personnel
- ▶ Assessing the risks of money laundering or economic crime concerning the potential client

- ▶ Assessment of potential independence risks and potential conflicts of interest
- ▶ If relevant, inquiry of the previous auditor regarding the reasons for the change in auditor and if there is any reason why we should not accept the appointment
- ▶ Assessment of our ability to serve the prospective engagement
- ▶ Review filings of the company, including prior year financial statements.

The acceptance and continuation of all engagements requires an approval process that is appropriate to the perceived risk. 'High risk' assurance engagements require pre-approval by the Head of Business Assurance and in certain circumstances by a Client Acceptance Panel. When a Client Acceptance Panel is convened it will constitute at least two executive members of the Leadership Team or Stream Lead Partners and one or more of the Head of Quality and Risk Management, the Head of the QRM Team, the MLRO, Ethics Partner or INEs (or any reasonable substitute in the case of their absence). The panel will comprise at least three members. In addition, where there is a money laundering concern, either the MLRO (or appropriate deputy from the Economic Crime Group) should always be present.

APPENDIX H: INTERNAL QUALITY CONTROL SYSTEMS

HUMAN RESOURCES AND DEVELOPMENT

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

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

Procedures and policies related to personnel are contained on our intranet and provide clarity and coherence on goals, structures, vision and accepted behaviours of BDO employees.

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

Clear job descriptions: tasks, responsibilities and expectations

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

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

The job description contains the following information:

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

Recruitment procedure

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

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

Grades and levels: explanation and theoretical timeline, career path (specialism or upward)

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

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

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

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

Partner compensation, including those working on local public sector audits, is reviewed regularly which includes consideration of the partner's role and consideration of the findings from internal and external inspections of audit engagements alongside a suite of Audit Quality Indicators.

APPENDIX H: INTERNAL QUALITY CONTROL SYSTEMS

Workforce planning, succession management

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

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

A current profile of staff's technical proficiency is obtained by personal knowledge and by reviewing evaluations of their performance by their superiors on previous engagements. This profile is used to assess the suitability of the staff member for specific subsequent assignments.

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

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

Succession management enables the employee:

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



CONTINUOUS PERFORMANCE APPRAISAL AND ENGAGEMENT SURVEYS

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

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

We provide regular engagement surveys to monitor employee engagement.

Development plan and training policy

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

It includes both the technical expertise and skills to meet the needs of the higher demands of the market. At the same time integrity, objectivity, professional scepticism and willingness to take a firm stand are essential attributes of professionals.

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

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

- ▶ Technical competence in a chosen field of expertise
- ▶ Strong sense of what it means to act in the public interest
- ▶ Pride in self, the firm and the profession
- ▶ Strong personal skills in managing and engaging staff and in leading engagements.

These are mandatory requirements for partnership.

APPENDIX H: INTERNAL QUALITY CONTROL SYSTEMS

Engagement performance in the audit stream

Common methodology

Our policies and procedures are designed to ensure that audits meet all applicable professional standards, regulatory requirements and that we issue reports that are appropriate in the circumstances. To achieve this and to promote consistency in the approach to auditing and related fundamental application of professional scepticism and judgement throughout the BDO network, BDO International has developed the common BDO Audit Methodology, related software tools and other standard forms of documentation. This methodology is fully compliant with International Standards on Auditing.

APT, BDO International's in-house audit software, remains BDO's single largest global project of its kind and its evolution continues. With further substantial audit methodology and IT investment, the next generation of APT was rolled out and utilised for December 2019 year ends onwards. By designing APT to take advantage of recent technological advances, we will be able to:

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

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

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

Our Financial Analyser tool was the first step in the BDO Advantage journey. Audit journal adjustments are a key part of the audit and are often difficult to cover. BDO Advantage makes it easier for the audit team to identify the journals that are large or unusual and support the process of auditing them. Since developing the Financial Analyser the firm has issued a further four analysers: Customer Analyser; Supplier Analyser; Bank Analyser and Payroll Analyser.

Internal quality control systems supervision and review

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

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

- ▶ The work is performed in accordance with applicable standards and regulations
- ▶ Significant matters have been raised for further consideration and appropriately addressed
- ▶ Appropriate consultations have taken place
- ▶ The planned work has been reviewed and that the objective of all planned work has been achieved
- ▶ The work performed, and the evidence obtained, supports the conclusions reached.

The documentation present on the audit file enables an experienced auditor to understand the significant matters arising on the audit as well as the nature, timing and extent of the procedures undertaken, the results of those procedures and the evidence obtained.

An engagement quality control review is performed for audits of public listed entities and certain other high-risk engagements. The Engagement Quality Control Reviewer (EQCR) will be familiar with the auditing and reporting practices used during the engagement and be knowledgeable and familiar with the audited entity's industry, but is not part of the audit engagement team. They will be an experienced Responsible Individual and not unduly influenced by the views of a particular engagement partner.

The EQCR will not be actively involved in making ongoing decisions relating to the engagement and will not be involved in performing the engagement. Engagement quality control reviewers are selected from a list of approved reviewers, as determined by the Head of QRM and Head of Audit Quality and Risk. The firm has a dedicated partner responsible for the selection and training of EQCRs.

Consultation

Our culture encourages consultation with experienced partners and other specialists where appropriate. We have a process in place for Responsible Individuals (RIs) and teams to follow when consulting and seeking a 'firm' opinion, support on a technical issue, judgement or risk.

Training

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

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

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

APPENDIX H: INTERNAL QUALITY CONTROL SYSTEMS

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

All partners and staff working on local public sector assignments receive specialist local audit work training on an annual basis to ensure they remain competent to work in this specialist area

As result of COVID-19 all training has been converted to online platforms enabling those delivering our training to interact with the attendees and engage them in high-quality training. Feedback received from partners and staff has been positive in respect of the new platforms, especially in that it provided greater flexibility. We continue to monitor whether to return to face to face training at an appropriate time.

Responsibility for audit quality

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

The LT has delegated the design and implementation of this system to the AE, but the work of the AE is subject to review and approval by the LT prior to implementation.

The Head of Business Assurance sits on the LT and the Head of Audit Quality and Risk and Head of Quality and Risk Management attend for agenda items regarding quality. Audit quality is a standing item on the agenda of every LT meeting. The Head of Business Assurance provides a monthly update on audit quality issues to the LT.

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

In March 2021, the AE enhanced and relaunched the firm's Audit Quality Plan (AQP). The plan brings together the various inputs that form part of our cycle of continuous improvement, being findings from both external and internal reviews (including good practice), root cause analysis, as well as potential indicators of issues from live files identified by the Elite Squad and EQCRs which go to identifying actions that we need to take to drive improvements in our audit quality.

The actions required include the issue of, or amendments to, existing guidance as well as providing direction for the annual training programmes. In addition, the AE also consider emerging topics which impact on the overall plan.

MONITORING AND DOCUMENTATION OF THE SYSTEM OF QUALITY CONTROL

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

Our quality control system includes an annual programme of inspections of audit files (the Audit Quality Assurance Review). This is designed by the AE and approved by the QRMC and the LT.

Its purpose is to monitor compliance with our policies, procedures and standards and to ensure that audit work carried out in order to arrive at an appropriate opinion, is properly documented and of high quality.

INTERNAL AUDIT

Our internal audit function reports to the QRMC. The QRMC reviewed and approved the Internal Audit plan of activity for the year which is based on an overall three-year plan. The Internal Audit plan is based primarily on the firm's Top Risks and includes both service stream and PMD-specific reviews.

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

APPENDIX H: INTERNAL QUALITY CONTROL SYSTEMS

CONFLICTS OF INTEREST

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

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

International conflict of interest checks are performed using the network's computerised, conflict-checking system. The system initiates conflict checks for either separate countries, group of countries or worldwide, logs responses and keeps a detailed audit trail for future use.

Where potential conflicts of interest are identified, we either decline to accept an engagement or we put in place robust arrangements to make sure that the conflicts of interest are appropriately managed. Where appropriate, we seek informed consent from all parties and if required ensure that teams are separate and appropriate information barriers are in place. Where in our opinion, a conflict is not manageable, or where it cannot be managed to the satisfaction of all parties then we decline to act.

WHISTLEBLOWING

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

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

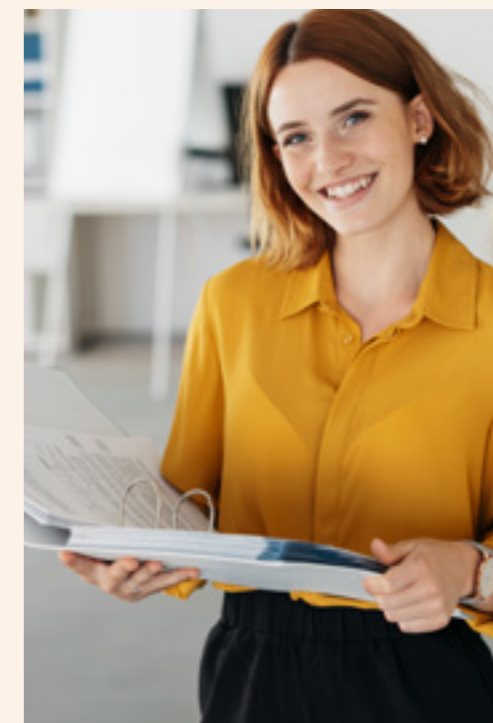
Wherever possible, we will discuss in confidence the disclosure of information and protect the identity of anyone disclosing information and, wherever appropriate, investigate the matter thoroughly. Any action taken as a result of whistleblowing will be dependent on the nature of the concern, and dealt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

Under our policy it is a requirement that all actions arising out of incidents of whistleblowing, including reports from any investigations, be reported to the Head of QRM who reports on incidents to the PIC.

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

People who wish to make a report [can do so here](#), or by phoning 0800 048 8361.

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



APPENDIX I: FINANCIAL INFORMATION



STATUTORY AUDIT	REVENUES 2020/21 £M	REVENUES 2019/20 £M
PIEs and Entities within a PIE group	36	20
Other Entities than above	240	226
Total audit fees	276	246
PERMITTED NAS	REVENUES 2020/21 £M	REVENUES 2019/20 £M
Audit clients	91	93
NAS	REVENUES 2020/21 £M	REVENUES 2019/20 £M
Other Entities	363	322

Note: All disclosures above are unaudited

1. Audit comprises statutory audit work and directly related services.
2. The annual combined turnover from statutory audits of the BDO EU/EEA audit firms was €605m (published September 2021).
3. The turnover representing the audit of local public bodies is £4.3m (PY£4.2m); it is the firm's policy not to provide non-audit services to local public bodies that we audit.

APPENDIX J: EU MEMBER FIRMS AS AT 15 OCTOBER 2020



COUNTRY	TERRITORY	NAME OF THE AUDIT FIRMS IN TERRITORY
AUSTRIA	Austria	<ul style="list-style-type: none"> ▶ BDO Salzburg GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft ▶ BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft ▶ BDO Steiermark GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft ▶ BDO Oberösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft ▶ BDO Audit GmbH, Vienna
BELGIUM	Belgium	▶ BDO Bedrijfsrevisoren BV / Réviseurs d'Entreprises SRL
BULGARIA	Bulgaria	▶ BDO Bulgaria OOD
CROATIA	Croatia	▶ BDO Croatia D.O.O.
	Albania	▶ BDO ALBANIA LLC
	Kosovo	▶ BDO KOSOVO
	Sarajevo	▶ BDO BH d.o.o. Sarajevo
CYPRUS	Cyprus	▶ BDO Limited
CZECH REPUBLIC	Czech Republic	<ul style="list-style-type: none"> ▶ BDO Audit s.r.o ▶ BDO Group s.r.o. ▶ BDO Czech Republic s.r.o.
DENMARK	Denmark	<ul style="list-style-type: none"> ▶ BDO Statsautoriseret revisionsaktieselskab ▶ BDO Holding V, Statsautoriseret Revisionsaktieselskab
ESTONIA	Estonia	▶ Aktsiaselts BDO Eesti
FINLAND	Finland	▶ BDO Oy
		▶ BDO Audiator Oy
		▶ Finnpartners BDO Oy

APPENDIX J: EU MEMBER FIRMS AS AT 15 OCTOBER 2020

COUNTRY	TERRITORY	NAME OF THE AUDIT FIRMS IN TERRITORY
FRANCE	France	<ul style="list-style-type: none"> ▶ BDO France ▶ BDO AUDIT DES ACTIVITES SOCIALES ▶ BDO PARIS ENTREPRISES ▶ BDO PARIS AUDIT PME ▶ BDO ATLANTIQUE ▶ BDO RENNES ▶ BDO LYON AUDIT ▶ BDO IDF ▶ BDO LES HERBIERS ▶ BDO FONTENAY LE COMTE ▶ BDO NANTES ▶ BDO LES ULIS ▶ BDO Paris Audit & Advisory ▶ BDO Méditerranée
GERMANY	Germany	<ul style="list-style-type: none"> ▶ BDO AG Wirtschaftsprüfungsgesellschaft ▶ BDO Oldenburg GmbH & Co KG Wirtschaftsprüfungsgesellschaft ▶ BDO DPI AG Wirtschaftsprüfungsgesellschaft ▶ BDO Dr. Daiber Audit GmbH Wirtschaftsprüfungsgesellschaft
GIBRALTAR	Gibraltar	<ul style="list-style-type: none"> ▶ BDO Limited
GREECE	Greece	<ul style="list-style-type: none"> ▶ BDO Limited ▶ BDO CERTIFIED PUBLIC ACCOUNTANTS S.A.



APPENDIX J: EU MEMBER FIRMS AS AT 15 OCTOBER 2020



COUNTRY	TERRITORY	NAME OF THE AUDIT FIRMS IN TERRITORY
HUNGARY	Hungary	▶ BDO Hungary Audit Ltd
ICELAND	Iceland	▶ BDO ehf.
IRELAND	Ireland	▶ BDO
ITALY	Italy	▶ BDO Italia S.p.A.
LATVIA	Latvia	▶ SIA BDO ASSURANCE
LIECHTENSTEIN	Liechtenstein	▶ BDO (Liechtenstein) AG
LITHUANIA	Lithuania	▶ BDO Auditas ir Apskaita, UAB
LUXEMBOURG	Luxembourg	▶ BDO Audit
MALTA	Malta	▶ BDO Malta CPAs
NETHERLANDS	Netherlands	▶ BDO Audit & Assurance B.V.
NORWAY	Norway	▶ BDO AS
POLAND	Poland	▶ BDO Spółka z ograniczoną odpowiedzialnością Sp. K. ▶ BDO Legal Latala i Wspólnicy Sp.K. (non-voting Firm)
PORTUGAL	Portugal	▶ BDO & Associados, SROC, Lda
ROMANIA	Romania	▶ BDO Audit SRL ▶ BDO Auditors & Accountants SRL ▶ BDO Auditors and Business Advisors SRL

APPENDIX J: EU MEMBER FIRMS AS AT 15 OCTOBER 2020

COUNTRY	TERRITORY	NAME OF THE AUDIT FIRMS IN TERRITORY
SLOVAK REPUBLIC	Slovak Republic	▶ BDO Audit, spol. s r.o.
SLOVENIA	Slovenia	▶ BDO Revizija d.o.o.
SPAIN	Spain	▶ BDO Auditores, S.L.P. ▶ BDO Audiberia Abogados y Asesores Tributarios, S.L.P.
SWEDEN	Sweden	▶ BDO AB ▶ BDO Göteborg AB ▶ BDO Göteborg Intressenter AB ▶ BDO Göteborg KB ▶ BDO Mälardalen AB ▶ BDO Mälardalen Intressenter AB ▶ BDO Norr AB ▶ BDO Norr Intressenter AB ▶ BDO Stockholm AB ▶ BDO Sweden AB ▶ BDO Syd AB ▶ BDO Syd Intressenter AB ▶ BDO Syd KB



APPENDIX K: PUBLIC INTEREST AUDIT CLIENTS

A list of UK registered public interest entities for the year ended 2 July 2021 is set out below. For the purposes of this transparency report, public interest entities are defined by The Statutory Auditors and Third Country Auditors Regulations 2016 as:

- a. an issuer whose transferable securities are admitted to trading on a regulated market,
- b. a credit institution within the meaning given by Article 4(1)(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council(f), other than one listed in Article 2 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and investment firms(g), or
- c. an insurance undertaking within the meaning given by Article 2(1) of Council Directive 1991/674/EEC of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings.

▶ A2D Funding II PLC

▶ A2D Funding PLC

▶ A2Dominion Housing Group Limited

▶ ABRI GROUP LIMITED

▶ Adriatic Metals Plc

▶ AJ Bell Plc

▶ Albion Development Vct Plc

▶ Albion Enterprise VCT PLC

▶ Albion Technology & General VCT PLC

▶ Albion Venture Capital Trust PLC

▶ Alliance Trust PLC

▶ Allied Minds PLC

▶ Alpha Plus Holdings plc

▶ AltynGold Plc

▶ Amati AIM VCT plc

▶ Amey Roads NI Financial PLC

▶ Anglo London Limited

▶ Anglo-Eastern Plantations Plc

▶ Arix Bioscience plc

▶ Augmentum Fintech PLC

▶ Autolink Holdings (M6) Ltd

▶ AVI Japan Opportunity Trust plc

▶ Axis Bank UK Ltd

▶ Baillie Gifford European Growth Trust plc

▶ Bar Mutual Indemnity Fund Limited

▶ Baring Emerging EMEA Opportunities Plc

▶ BHSF Group Limited

▶ Biotech Growth Trust Plc

▶ Bisichi Plc

▶ Blackfinch Spring VCT plc

▶ BMO Capital and Income Investment Trust plc

▶ BMO Global Smaller Companies plc

▶ Braemar Shipping Services plc

▶ British Friendly Society Limited

▶ British Smaller Companies VCT 2 Plc

▶ British Smaller Companies VCT PLC

▶ Cadogan Petroleum plc

▶ Caffyns Plc

▶ Calculus VCT plc

▶ Capital Gearing Trust plc

▶ Capital Hospitals (Holdings) Ltd.

▶ Catalyst Housing Limited

▶ Central Nottinghamshire Hospitals (Holdings) Limited

▶ Cirencester Friendly Society Limited

▶ ClearBank Limited

▶ CQS Natural Resources Growth and Income plc

▶ Creightons plc

▶ Crown Place VCT Plc

▶ Dentists' Provident Society Limited

▶ Derby Healthcare (Holdings) Limited

▶ Downing Four VCT Plc

▶ Downing One VCT plc

▶ Downing Strategic Micro-cap Investment Trust plc

▶ Draper Esprit VCT plc

▶ Earl Shilton Building Society

▶ Ecofin U.S. Renewables Infrastructure Trust Plc

▶ Ecology Building Society

▶ Empiric Student Property PLC

▶ Endeavour Mining Corporation

▶ Endeavour Sch Plc

▶ Fairmead Insurance Limited

▶ FHW Dalmore (Salford Pendleton Housing) Plc

▶ Foxtons Group Plc

▶ Futures Housing Group

▶ Galliford Try plc

▶ Gamesys Group Plc

▶ Genfinance II PLC

▶ GH Bank Limited

▶ Greencoat UK Wind PLC

▶ Gresham House Energy Storage Fund PLC

▶ Gresham House Renewable Energy VCT 1 plc

▶ Gresham House Renewable Energy VCT 2 plc

▶ Gresham Technologies plc

▶ Halfords Group PLC

▶ Hargreave Hale AIM VCT PLC

▶ Hastoe Housing Association Ltd

▶ Health Shield Friendly Society

▶ Henderson EuroTrust plc

APPENDIX K: PUBLIC INTEREST AUDIT CLIENTS

▶ Henderson Opportunities Trust plc

▶ Home REIT plc

▶ Housing 21

▶ HYVE Group PLC

▶ Impact Healthcare REIT plc

▶ Impax Environmental Markets plc

▶ Incommunities Group Limited

▶ Inland ZDP Plc

▶ IntegraFin Holdings plc

▶ International Transport Intermediaries Club Limited

▶ IOG PLC

▶ Ipswich Building Society

▶ JKX Oil & Gas plc

▶ JPMorgan China Growth & Income PLC

▶ JPMorgan Emerging Markets Investment Trust plc

▶ JPMorgan US Smaller Companies Investment Trust plc

▶ Juturna (European Loan Conduit No. 16) PLC

▶ Keele Residential Funding Plc

▶ Kingdom Bank Limited

▶ Kings Arms Yard VCT PLC

▶ Law Debenture Finance p.l.c.

▶ LendInvest plc

▶ Life Settlement Assets PLC

▶ LMS Capital plc

▶ Longhurst Group Limited

▶ Lookers Plc

▶ LXI REIT plc

▶ Mansfield Building Society

▶ Market Harborough Building Society

▶ McColl's Retail Group Plc

▶ Melton Mowbray Building Society

▶ Meridian Hospital Company Plc

▶ Metropolitan Thames Valley Housing

▶ Mitie Group plc

▶ Miton UK Microcap Trust plc

▶ Moat Homes Limited

▶ Mobeus Income & Growth 2 Vct Plc

▶ Mobeus Income & Growth 4 VCT PLC

▶ Mobeus Income & Growth VCT PLC

▶ Momentum Multi-Asset Value Trust Plc

▶ Montanaro UK Smaller Companies Investment Trust plc

▶ Murray International Trust plc

▶ Mustang Energy Plc

▶ NATS Holdings Limited

▶ Nippon Active Value Fund plc

▶ Norcross plc

▶ Notting Hill Genesis

▶ NRG Victory Reinsurance Limited

▶ Octagon Healthcare Group Limited

▶ Octopus AIM VCT 2 PLC

▶ Octopus AIM VCT PLC

▶ Octopus Apollo VCT PLC

▶ Octopus Titan VCT plc

▶ Optivo

▶ Oxbury Bank PLC

▶ Oxford Instruments plc

▶ Pacific Assets Trust Plc

▶ Pacific Horizon Investment Trust Plc

▶ Pacific Quay Finance plc

▶ Palace Capital PLC

▶ Pembroke VCT PLC

▶ Pensana Plc

▶ Peterborough (Progress Health) Plc

▶ Philippine National Bank (Europe) PLC

▶ ProVen Growth and Income VCT PLC

▶ Proven VCT PLC

▶ Recognise Bank Limited

▶ Record PLC

▶ Reliance Bank Limited

▶ Renewi Plc

▶ Residential Secure Income plc

▶ Richmond Housing Partnership

▶ River and Mercantile Group Plc

▶ Robert Walters Plc

▶ Saffron Building Society

▶ Shepherds Friendly Society Limited

▶ Smiths News Plc

▶ SolGold Plc

▶ Sovereign Health Care

▶ Sportech Plc

▶ Standard Life Private Equity Trust PLC

▶ Starr International (Europe) Limited

▶ Stonewater Limited

▶ Suecia Re & Marine insurance Company Limited

▶ Supermarket Income REIT Plc

▶ Sustainable Communities For Leeds Limited

▶ Teachers Building Society

▶ Ted Baker Plc

▶ Temple Bar Investment Trust plc

▶ The Ancient Order of Foresters Friendly Society

APPENDIX K: PUBLIC INTEREST AUDIT CLIENTS

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|--|---|--|
| ▶ The Britannia Steam Ship Insurance Association Limited | ▶ The Walsall Hospital Company (Holdings) Limited | ▶ United Kingdom Mutual Steam Ship Assurance Association Limited |
| ▶ The British Aviation Insurance Company Limited | ▶ Tipton & Coseley Building Society | ▶ UP Global Sourcing Holdings Plc |
| ▶ The Coventry and Rugby Hospital Company (Holdings) Limited | ▶ TOC Property Backed Lending Trust plc | ▶ Value and Indexed Property Income Services Limited |
| ▶ The Dentists' & General Mutual Benefit Society Limited | ▶ Together Housing Group Limited | ▶ Ventus 2 VCT plc |
| ▶ The Income & Growth VCT PLC | ▶ Town Centre Securities Plc | ▶ Ventus VCT plc |
| ▶ The London Steam-Ship Owners' Mutual Insurance Association Limited | ▶ Transform Schools (North Lanarkshire) Holdings Limited | ▶ Walker Crips Group Plc |
| ▶ The Mercantile Investment Trust plc | ▶ Transport Friendly Society Limited | ▶ Westfield Contributory Health Scheme Limited |
| ▶ The Merchants Trust plc | ▶ Treatt Plc | ▶ White City Property Finance Plc |
| ▶ The Original Holloway Friendly Society Limited | ▶ Triad Group Plc | ▶ Wincanton PLC |
| ▶ The Salvation Army International Trust | ▶ Trifast plc | ▶ XPS Pensions Group plc |
| ▶ The Scottish Lion Insurance Company Limited | ▶ Triple Point Energy Efficiency Infrastructure Co plc | ▶ Yarlington Treasury Service PLC |
| ▶ The Standard Club UK Limited | ▶ Triple Point Income Vct Plc | |
| ▶ The Unique Pub Finance Company Plc | ▶ Triple Point Social Housing REIT plc | |
| ▶ The United Kingdom Mutual War Risks Association Limited | ▶ Triple Point VCT 2011 PLC | |
| | ▶ Tritax Big Box REIT plc | |
| | ▶ Tudor Rose Mortgages 2020-1 Plc | |
| | ▶ Unicorn Aim Vct Plc | |
| | ▶ Union Bank UK plc | |
| | ▶ United Kingdom Freight, Demurrage & Defence Association | |

APPENDIX L: MAJOR LOCAL AUDITS

The organisations below are the only relevant authorities:

1. Which constitute a 'major local audit' for the purposes of Regulation 12 of The Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014 (SI 2014/1627); and
2. For which BDO LLP signed an audit report on its annual financial statements during the year ended 2 July 2021.

- ▶ Barking, Havering and Redbridge University Hospital NHS Trust
- ▶ City of London
- ▶ East and North Hertfordshire NHS Trust
- ▶ East London NHS FT
- ▶ Essex County Council
- ▶ London Borough of Barking and Dagenham
- ▶ London Borough of Barnet
- ▶ London Borough of Enfield
- ▶ London Borough of Haringey
- ▶ NHS Brent Clinical Commissioning Group
- ▶ NHS Central London CCG
- ▶ NHS Ealing Clinical Commissioning Group
- ▶ NHS East and North Hertfordshire Clinical Commissioning Group
- ▶ NHS East Sussex CCG
- ▶ NHS Herts Valleys Clinical Commissioning Group
- ▶ NHS Ipswich & East Suffolk CCG
- ▶ NHS West Suffolk CCG



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