



# Investing for impact

Transparency Report  
October 2024



# Transparency Report 2024

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We are part of a global BDO network delivering reported revenues of **US\$14 billion** in 2023.



2023/2024 REVENUE RESULTS:

**£1.015bn**

OFFICES **18** | PEOPLE **7,731**

Our UK firm's revenue for the financial year ended 5 July 2024 (FY24) was **£1.015 billion**; the first time it's broken the £1bn mark.



As at 5 July 2024, we had **7,731<sup>1</sup>** people working for us, including **335 equity partners**.

Our primary regulator is the **Financial Reporting Council** but certain business areas / sectors are subject to regulation by other bodies, both in the UK and abroad.



AUDIT

Our **audit** practice represents just over **one third of our business**.

We have **fully complied** with the applicable requirements of the **Audit Firm Governance Code**.



From 1 October 2024, **Mark Shaw** is **BDO's Managing Partner**, with a new Leadership Team in place.



The Transparency Report, **as a retrospective of FY24**, focuses on the work of **Paul England** and his Leadership Team whose term of office ended on 30 September 2024.



1. including 335 equity partners but excluding casual workers

# Context

## A summary of this report

### Messages from the top

Read the views of our national leaders and our Independent Non Executives (INEs). We detail important governance and leadership matters, including the election of our next Managing Partner.

We have much to be proud of across the firm but much to keep making progress on, including the Audit Quality Review (AQR) grades of our most complex audits (which we were deeply disappointed by this year) and in how we're able to evaluate our System of Quality Management (SoQM) under the new International Standard of Quality Management (UK) 1 (ISQM(UK)1), which required us to redesign our system during FY24.

Whilst our latest ISQM(UK)1 conclusion shows progress in implementing and testing our SoQM in recent months, we need to keep investing for impact.

### About us

Read about how we operate our firm under a strategic framework that starts with our core purpose: helping you succeed.

Critical elements to unlocking that success are our culture, our people and their skills development – and so we detail our latest people programmes, talent development and digital skills, including Artificial Intelligence (AI) and data.

### Governance

Read about the impact of our Governance and Leadership boards this year, the boardroom topics that have been on their agendas, and how we've expanded our focus on quality still further through these, and new, bodies.

Management and oversight bodies have continued to assess the firm's strategy in light of activity in the professional services market and the wider economic environment and have conducted self-assessments to support their own effectiveness.



### Audit quality – guided by our processes

Read about the ongoing development of our processes, policies and controls, emerging from our quality plan. We include our deep disappointment with this year's external AQR grades. We've been investing in audit quality for a number of years and had expected to see improvement by now.

But this is taking longer, and we also know that addressing our wider SoQM is required. We detail multiple initiatives we're taking, including increased focus on root cause analysis, increased levels of supervision of PIE audits, audit portfolio reviews, and many others.

### Audit quality – powered by our people

Read about how we're creating High Performing Teams, as well as the importance of psychological safety within Audit teams, how our people can better challenge management and how we better understand each other through cultural intelligence training.

We detail the progress we're making in our Learning and Development (L&D) programmes, and how we celebrate good performance including via an annual Audit Awards ceremony.

### Ethics and independence

Read how our commitment to ethics and independence underpins all our work. Adhering to ethical standards and risk management practices supports the resilience of the firm and is central to maintaining trust and confidence.

This year's enhancements include more work on our 'Speaking Up' and 'Listening Up' programmes, as well as further evolution of our approach to non-financial misconduct.

### Risk management

Read how we've improved our internal controls framework and strengthened our three lines of defence, including enhancing our own internal audit function. More work to come in these areas this year.



# Leadership Message

## Welcome to BDO's transparency report 2024

**In an increasingly complex geopolitical and business environment, BDO's role includes consistently delivering high-quality audits and assurance to our audited entities.**

We recognise the importance of transparency in building trust and confidence in our work.

Our Transparency Report 2024 therefore sets out the specific actions we are taking and progress we have made to-date under our multi-year Audit Quality Transformation programme, which has been specifically designed to help us carry out consistently high-quality audits.



**Matthew White**  
Senior Partner



**Paul Eagland**  
Managing Partner



**Scott Knight**  
Partner, Head of Audit

### Commitment to quality

Our commitment to serving the public interest through high-quality audits remains the number one priority of BDO's Leadership Team (LT), Audit Executive and Partnership Council (PC).

To this end, our multi-year investment strategy focuses on two specific aspects of our Audit business: firstly, to build a quality Audit stream; and secondly, to ensure we deliver consistently high-quality individual audits.

Given our record levels of investment into our people, methodologies and training, it was deeply disappointing not to have seen an improvement in the Audit Quality Review (AQR) grades we were given by the Financial Reporting Council (FRC) this year.

While we remain confident that our multi-year plan - which is regularly shared and discussed with the FRC - is the right course of action to take, it is evident further work is necessary to ensure we consistently satisfy our own standards and the FRC's requirements.

The senior leadership within the firm recognise that they must take responsibility for the disappointing AQR ratings. This responsibility was reflected in their performance reviews this year and has also impacted profit share for some senior leaders within the firm.

In light of our decline in the 2024 AQR rankings, an internal review was conducted towards the end of this year, independent of our Audit Executive, to establish whether there were any additional factors at play which, if addressed, could help improve our audit quality.

This review is just one part of a far bigger, comprehensive programme of action we have taken which includes boosting resources for Public Interest Entity (PIE) and other audits with increased risk, strengthening our central infrastructure and expanding our Professional Judgement Framework (PJF) to continue to embed greater challenge and drive consistent audit quality across all our audits.

### International Standard on Quality Management

We recognise that a robust SoQM is the bedrock on which consistent high-quality audits are delivered.

Last year the FRC introduced a new quality management standard - ISQM(UK)1, with the aim of strengthening firms' systems of quality management for audits and other assurance or related services engagements. Following a rigorous internal evaluation of our first year under the standard, we concluded in December 2023 under paragraph 54(c) of the standard that we were unable to achieve reasonable assurance that the objectives of the SoQM were being met. We communicated this outcome to various stakeholders, including the FRC, certain audited entities, and BDO International.

We also recognised that the limitations in the design of our quality management system may have subsequently limited the effectiveness of the actions we had taken to improve our audit quality in the past few years.

Since then, we have invested in an additional team of approximately 30 specialists, methodically reviewed and enhanced the design of our systems, launched additional audit quality processes and made them a central part of our LT's personal objectives and performance appraisals. We applied to the FRC for a waiver under PIE Auditor Registration Regulations to allow us to remediate the SoQM, and we have reported regularly to the FRC on our progress and mitigating activities.

In September 2024, we evaluated our SoQM under ISQM(UK)1 as at 30 June 2024 and concluded, under paragraph 54(b) of the standard, that it now provides reasonable assurance that the objectives of the SoQM are being achieved, except for matters related to identified deficiencies that have a severe but not pervasive effect on the design, implementation, and operation of the SoQM. We highlight the deficiencies we have identified throughout the report. The FRC's findings on our own reconfigured SoQM will be included in the next public report on BDO in 2025.

# Leadership Message

Welcome to BDO's transparency report 2024



## Investments in our people

Our greatest asset will always be our people, and we are determined to attract, recruit, develop and retain the best talent in the market.

The past three years have seen record levels of targeted re-investment into the firm, with a significant focus on enhancing our central quality infrastructure. In our Audit stream, we have invested heavily in new hires including partners with sector specialisms, to ensure we have the breadth and depth of expertise required.

This is not just about the numbers of people. Our investment in people means we are creating highly skilled, well-paid jobs across the country.

We want our people to have meaningful careers in a learning environment where they feel supported to succeed with a shared purpose to consistently perform high-quality engagements.

This year, we launched our Audit Culture programme to emphasise the importance of the right mindset and behaviours aligned to quality and serving the public interest.

You can read more in this report about our actions here, and we will build on this platform to embed these behaviours into everything we do.

It is essential our engagement teams have the requisite technical knowledge and professional scepticism to feel confident in their persistent challenge of management until the appropriate conclusions are reached – and we recognise both the culture and the tone must be set from the top to provide role modelling which instils the right values.

## Controlled responsible growth

We will continue to pursue a strategy of controlled responsible growth and will not take on work which jeopardises our commitment to sustained quality improvements.

As part of this approach, we're increasingly discerning about which audits we pitch for, while also taking into account the need to serve the public interest. Most importantly, we seek to audit entities whose leadership teams strive for effective systems and controls, value the true purpose of an audit and welcome robust challenge from our Audit teams.

In addition, we only accept requests to tender when we know we have teams with the requisite capability and capacity to deliver. Our tender approval platform - established to control the volume and shape of our portfolio growth - assesses factors such as strategic fit, risk profile and economic return so that audit quality is not compromised.

## Leadership transition

Paul Eagland's two terms as Managing Partner came to an end on 30 September 2024. On behalf of the firm, we thank Paul for his excellent leadership and wish him the best for his future roles.

On 1 October 2024, Mark Shaw succeeded Paul Eagland as our Managing Partner following a vote of equity partners in May this year. He has worked closely alongside Paul and our Senior Partner, Matthew White, over the last few months to ensure a smooth transition in leadership for the business and our people. Mark has held numerous senior leadership positions at BDO since 2008, including National Head of Business Restructuring, and has served as a member of our Advisory Executive and Quality and Risk Executive (QRE).

Mark and his LT will prioritise achieving balanced growth - with quality, culture, wellbeing and serving the public interest at its heart. They are committed to the audit quality agenda and ensuring not only that we do things right, but that we also do the right thing. These priorities were core to the manifesto on which Mark was elected.

## Looking to the future

Auditing has undoubtedly become more complex. The pandemic, geopolitical risks and global economics have also made forward-looking assessments more challenging. In addition, investors are increasingly looking for companies to provide transparency in non-financial reporting areas, such as Environmental, Social and Governance (ESG) and how climate change will impact the future of their investments.

We will continue to invest in our people, training, and technologies to meet these evolving demands. Underpinning everything we do will be an unwavering focus on ensuring sustained quality improvements to deliver world class audits and independent assurance to serve the public interest.

Signed for and on behalf of the Statutory Auditor in October 2024

**Senior Partner**  
for and on behalf of BDO LLP

# Message from our Independent Non-Executives

## Positive, constructive challenge

**Our role as Independent Non-Executives (INEs) and as members of the Public Interest Committee (PIC) and the other oversight bodies is to provide positive constructive challenge to the firm with a focus on public interest.**

The AFGC has the following objectives:

- ▶ To promote audit quality
- ▶ To ensure firms take account of the public interest in their decision-making, particularly in Audit
- ▶ To safeguard the sustainability and resilience of audit practices and of firms as a whole.

The AFGC came into effect for BDO from FY24.



**Eamonn McGrath**  
INE



**David Matthews**  
INE



**Jane Guyett**  
INE



As INEs, we have the requirements of the AFGC at the forefront of our minds as we discharge our responsibilities and they form the starting point for our PIC agendas.

The PIC currently consists of the firm's three INEs (four INEs prior to March 2024). It met six times during the year and senior members of the firm were invited to attend each meeting, including the Senior Partner, Managing Partner, Head of Audit, Head of Quality and Risk and Ethics Partner. At the PIC, we are able to dive more deeply into areas of relevant public interest. We are able to exchange views and challenge on matters of public interest with the executive management members present. Topics discussed during the year are set out in [the Governance section on page 20](#).

During FY24, Eamonn McGrath and David Matthews were additionally members of the Audit Board (AB) and Jane Guyett and Russell King (until his retirement) were members of the Business Interest Oversight Board (BIOB) and Nomination Committee (NomCo).

Jane was also a member of the Audit Committee (AC) and David has attended the Quality and Risk PC sub-committee as an observer.

We would like to take the opportunity to thank our colleague Russell King who retired as an INE in February. His experience and advice was invaluable to the PIC and the INEs individually. The firm is recruiting a replacement INE.

In the interim, Eamonn has also become a temporary member of BIOB and NomCo and David has been nominated as the INE with responsibility for engaging with the firm's people, in accordance with the AFGC. This includes attending Non Financial Conduct Partner Panel meetings which consider potential non financial conduct issues relating to partners.

But, as the AFGC indicates, there is a great deal more to an INE's role than formal meetings. We all regularly meet informally with senior members of the firm to maintain open and frank dialogue. This includes regular discussions with the Senior Partner, Managing Partner, Ethics Partner, Head of Audit and Head of Audit Quality and Risk as well as the ISQM(UK)1 and Root Cause Analysis (RCA) lead partners. We also met with the new Head of Internal Audit. The INEs have also maintained our programme of office visits with five regional offices and six sectors within the London Audit Group visited over the course of the financial year. We attend meetings of the PC twice a year and, during FY24, we attended the Partner Conference and two of us attended the Audit Summer School.

At the Summer School, we sat on a panel and answered questions from the Audit staff on the role of an INE and the public interest.

We meet regularly together in private sessions to share information. We also have access to the firm's reporting packs and presentations shared with LT, the oversight bodies and the FRC via the Diligent Board platform. Any requests from us for additional information have been actioned by relevant individuals within a reasonable timeframe.

From an external perspective, the INEs met members of the Audit Committee Chairs' Independent Forum as part of our stakeholder engagement this year. As in previous years, the INEs also met with the FRC twice in the last 12 months and participated in its roundtables with the INEs from the other major firms. Arising from one of the roundtables, we had an additional meeting, at our request, with the FRC to discuss developments in audit culture.

These are the interactions which help us embed a focus on audit quality and public interest into all layers of the firm.

# Message from our Independent Non-Executives

## Positive, constructive challenge

### ISQM(UK)1

After its rigorous assessment of the SoQM in December 2023 we were disappointed that the firm was unable to conclude with reasonable assurance that the objectives of the SoQM were being met.

However, since then, we have been impressed by the resources applied to the design, remediation and testing of the firm's revised SoQM as required by ISQM(UK)1.

The structure of the new programme has also been reviewed by the Internal Audit function with the objective of identifying whether the programme was set up effectively to maximise its impact in this redesign period.

Internal Audit reported their findings to us. Progress reports relating to the new programme have been presented to each PIC and AB meeting and we have challenged the team on the project plan.

We also met regularly with the ISQM(UK)1 programme lead and the Head of Quality and Risk. After consideration with LT, we are satisfied with the appropriateness of the firm's conclusion that it has an adequate SoQM where identified deficiencies are severe but not pervasive.

We have already encouraged the new Managing Partner to work diligently and efficiently towards remediating the identified deficiencies so that the firm has reasonable assurance that the objectives of its SoQM are being met.

### Audit quality

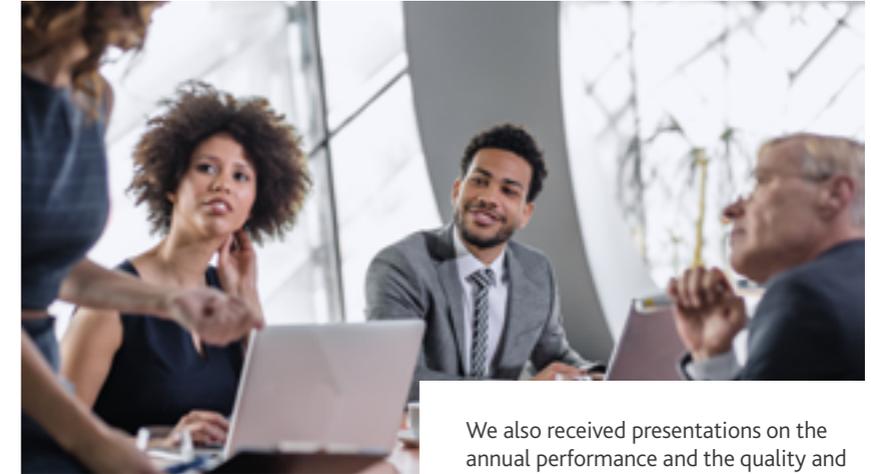
As referenced by the FRC in their recent AQR Report: "The firm has committed to improve and has invested significantly." It is our view that BDO is on a journey of transformation with respect to audit quality. The work carried out this year in relation to the firm's SoQM is part of that journey. It takes time for positive results to be sustainably seen. The INEs recognise this but are still nonetheless extremely disappointed and frustrated with the most recently reported AQR grades which have not improved compared to the previous year, and indeed have worsened in spite of the investments made and the initiatives introduced.

We share the FRC's view that the firm must significantly improve its audit quality. We have challenged the LT to look again at the effectiveness of the initiatives they have undertaken to improve audit quality. The Standback Review initiated by the Senior Partner and the AB towards the end of FY24 is an additional but vital initiative to assess why improvements are not yet resulting in improved outcomes, as is the continuing investment in the RCA function.

The INEs endorse senior leadership's recognition that they must take responsibility for the disappointing AQR grades and that this has been reflected in their performance reviews for the year. We also endorse the adverse impact on profit share for some senior leaders within the firm as a result of these performance reviews. We will support the new Managing Partner and the new LT, particularly the new Head of Audit, as they make resultant necessary changes to improve audit quality.

We continue to promote high-quality auditing. It is undeniably in the public interest to have a competitive audit market and BDO, as the largest firm outside the Big Four, has a significant part to play in this.

As INEs, we continue to reinforce this at every opportunity in formal meetings and informal settings. Our role is to encourage the firm's leadership and partners to continue to make the changes but also to provide support along the way. Audit quality is on every agenda of the PIC and the AB.



Through both these oversight bodies, we have overseen the progress made with respect to the Single Quality Plan (SQP) and helped to guide the future development of this plan, recognising that there is still a significant amount of work to do in making sure that the actions in the SQP are specifically targeted to address issues identified, and that strong governance is applied to monitoring completion and effectiveness of the actions.

The PIC is also charged with providing oversight and challenge on how the firm maintains an appropriate and sustainable portfolio of work. INEs are regular attendees at BDO's Acceptance and Continuance Panels, which look to identify and evaluate any potential risks of a client or audited entity relationship.

We recognise the public interest aspects of these decisions but are satisfied that the firm should not accept audited entities or clients that bring undue risks of resource strain or reputation challenges.

We also received presentations on the annual performance and the quality and risk grading process for Audit partners (AB) and non-Audit partners (BIOB) and attended one of the PC meetings in July 2023 which was held to review the partner profit share process for the financial period ending 30 June 2023. We were able to challenge the basis of allocating profit share to Audit partners and satisfied ourselves that audit quality was considered during each individual's profit share setting process.

With respect to the profit share review in July 2024, we ensured that the poor AQR grades were reflected in profit share allocations for senior leaders within the firm where appropriate, including those individuals in senior management positions. As reported by the FRC in this year's AQR report, the firm has made significant investments in audit quality and we recognise its commitment to this.

However, we now need to see the results of the investments reflected in the AQR grades and other quality review processes. Our primary focus will remain on this.

# Message from our Independent Non-Executives

## Positive, constructive challenge

### Managing Partner election

As highlighted in the Leadership Message, during the year an election was held to choose a new Managing Partner. Before the process started, we were briefed by the Senior Partner and, once underway, we were provided with progress updates during our PIC meetings and via our attendance at a PC meeting.

During the process, we held formal meetings with all candidates individually and each of us attended one of the election hustings.

We were satisfied that the process was carried out in accordance with the firm's constitution which allowed partners to engage with the candidates and assess them through an open and fair process.

We have worked previously with Mark Shaw, the new Managing Partner, in his prior Quality and Risk role. Going forward, we look forward to working with him. We offer him our congratulations.

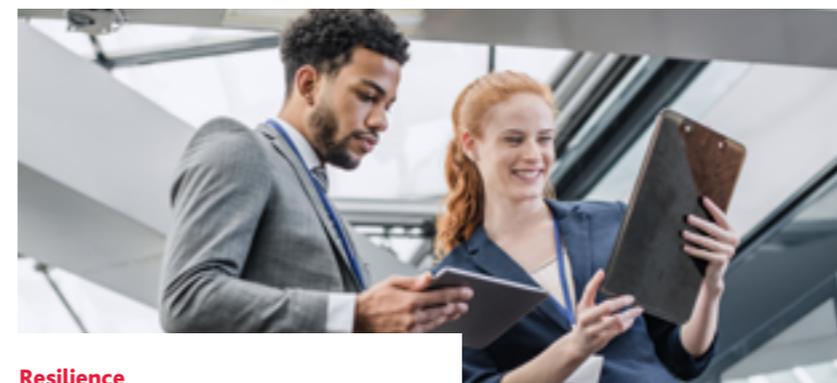
We would like to add our thanks to Paul Eagland, the outgoing Managing Partner. He has overseen significant change at BDO and he has been very supportive of the INEs.



### Culture & People

BDO is a people-focused business. As such, understanding the culture of the firm and how it faces ethical challenges are important areas of focus for us. The PIC and the AB receive regular updates on people matters and once a year receive the results of the culture surveys of the whole firm and the Audit stream. During the course of FY24, we've considered culture in our recruitment processes, including the challenges of recruiting from diverse backgrounds, particularly large numbers of people whose experience has been gained overseas, and the impact this has on the firm's culture. More detail about the firm's culture, and the culture in the Audit stream, is included in the About Us and Audit Quality sections of this report.

The Head of Ethics attends each PIC meeting and regularly updates the INEs on whistleblowing incidents, non-financial conduct matters and any trends arising in these areas. He provides a full formal update on these areas twice a year. Between meetings he also raises individual matters with us as required on an ad-hoc basis.



### Resilience

Our goal is to have a view on both the resilience of the Audit stream and of the wider firm.

We receive regular feedback from the BIOB on the financial health of the whole firm, including updates on bank facility renewals and insurance claims. We are also involved in the annual principal risks review, a process whereby the executive management of the firm reflects on the changes in the risk environment, identifies potential issues and measures the level of local and global risk the firm is facing. We also receive specific feedback from the AB on the financial health of the Audit stream.

In addition to financial resilience, this year we have sought to understand the broad range of resilience challenges faced by the firm. For example, to gain an understanding of UK resilience we seek to monitor the resilience of BDO Global and the resilience of other member firms within the network.

The new Head of Internal Audit presented to the PIC on his transformation of the Internal Audit function, the results of his FY24 audit work and his plan for next year – an important third line of defence which supports the wider resilience of the firm.

### Looking forward

Even though the firm has continued to make investments in audit quality, there is still much more to do to see the impact in sustainable audit quality. We shall be monitoring progress in relation to this during the course of FY25. From an external perspective, following the 2024 General Election, it is clear that the new Government will proceed with extensive consultation regarding an enhanced regulator, the Audit Reporting and Governance Authority (ARGA). We would support any such move.

Finally, we are encouraged by the commitments already made by the new Managing Partner and the new Head of Audit with respect to investing in and embedding a SoQM in compliance with ISQM(UK)1 which will drive audit quality. We look forward to working with the new team as they face the challenges ahead.

Our commitment to the public interest and the role of BDO as a systemically important part of the marketplace remains.

# About Us

## The key components

In this section, we consider some of the key components which bring us together as a firm, focusing particularly on our strategic framework, our firmwide people initiatives and our whole firm's culture.

We consider our Audit-specific people and culture initiatives separately in the Audit Quality section. At the end of this section we then look to the future world of work and outline our approach to the evolving digital landscape, recognising the likely significance of AI in that space. Throughout this section and our report as a whole, our intention is to give a better understanding of the firm's position, performance and prospects, both from a firmwide perspective and an Audit perspective.



### Strategic framework

Although we are a £1bn firm, we have one strategic framework, around which the whole UK firm orientates. The framework, which is also aligned to our global network, provides us with a clear and consistent direction for building our future together.

Our strategic framework is the entirety of our core purpose, vision, values, our commitments to high quality, independence, ethics and serving the public interest, and our business strategy BUILD. It is our why, where, how and what, and collectively it governs all our strategic decision-making, actions and resources across the UK firm, including at a stream, region, sector and operational level via forward-looking strategic plans.

To signal a deliberate tone from the top – and to aid consistent communication – we explain our strategic framework in our core master slide deck, owned and socialised by the Managing Partner.

Our vision guides us to be a sustainable and responsible business; to grow responsibly by making investments and decisions aligned to our strategic framework, to be sustainably profitable by responsibly managing our finances and through sustainably profitable revenue streams and operate our business in a way that preserves the environment and considers our social impact for current and future generations through our ESG commitments. Our LT is clear that we will, and do, forego revenue growth if it negatively impacts quality or our culture.



At the core of our strategic framework, we are committed to serving the public interest by consistently performing quality engagements. We continue to work to make sure that our ongoing prioritisation and investment in this area positions us to respond strongly to the standards that we, our marketplace and our regulators set.

In the last 12 months, we have been working more deliberately and cohesively towards this by the oversight, leadership and management layers of the business and the INEs working together, using both the AFGC and ISQM(UK)1 as an external guide. We have active commitment across the LT, as well as two LT Sponsors responsible for overseeing quality, risk and ethics in the firm.

In 2024, we strengthened governance in these areas, aiming to bring together central and stream teams to enhance collaboration and oversight.

Throughout FY24, we have increased leadership communications on our design, implementation and operation of our SoQM as part of our firmwide priority programme.

This has included dedicated messaging about our SoQM at our annual conferences for partners, directors and principals, as well as all-partner and stream-specific engagement sessions, and dedicated ISQM(UK)1 programme communications.



A clear and shared focus on high quality

# About Us

## The key components

### Purpose and values

This year, we have ensured that we have one LT member holistically responsible for our culture, values and purpose.

### Core Purpose

At the heart of our firm is a simple yet powerful purpose: helping you succeed. We know we need to be tuned into the needs and expectations of those involved in our business: our people, the business world and society.

Now in the eighth year of our core purpose, it is embedded in why we do, and how we deliver, our programmes. Three examples from FY24 include:

- ▶ Each person has been offered a Success Conversation with a senior person from across the firm, to look at what success means to them and how we can help them achieve it

- ▶ The ongoing evolution of our Sustainability and ESG strategy, which includes our Net-Zero programme
- ▶ And, given the importance of tone at the top, we held core purpose workshops in October, November and May specifically for partners who have joined us over recent years.



### Values

We are at our best when we all act in line with our values and commitments. Our values are the cultural glue of our firm. They guide our behaviour by giving us a sense of what's important and what's right.

They represent something we all have in common. Something that binds us together as a community. They are non-negotiable for us in order for us to be a responsible and enduring business.

They work alongside the specific behaviours required in each of our business streams to deliver quality engagements to their clients or audited entities.

**Our Values Wheel illustrates what our values are:**



Read more about our core purpose and values in our annual [Culture and Impact Report](#), available on [bdo.co.uk](#).

# About Us

## People and culture

### Our people initiatives

We are proud to be a people-powered business, and our culture is created by the daily interactions between our 7,731 colleagues.

Sharing ideas, opinions, knowledge, best practice and advice is what drives our business, so we encourage everyone to speak openly, and listen to others.



We believe everyone has the right to be supported by people who will help them thrive and to succeed, and to have the same responsibility in return.

Our people are the key to delivering audit quality, serving the public interest and ensuring the sustainability of the firm. That's why we have designed and implemented various people initiatives that align with our strategic framework, and that help our people grow, thrive, and make a difference. Some of these initiatives are:

**Investing in L&D:** We want our people to have the skills, knowledge and expertise they need to provide high-quality audits and other services to our clients and audited entities, and to achieve their personal and professional goals.

We offer a range of learning opportunities, from formal training, coaching and mentoring, to secondments and self-directed learning. We also evaluate and improve our firmwide learning offering to make sure it has a positive impact on our people's performance and motivation.

**We are committed to a culture that emphasises the importance of quality and ethics in everything we do,** from how we conduct our professional work to how we interact with our clients and audited entities, regulators, and stakeholders. We have clear policies and procedures that guide our people's professional behaviour and decision-making, such as our Code of Conduct and Independence Policy.

We also empower our people to speak up and report any concerns or issues they may encounter, and we support and protect them when they do so

**Enhancing employee engagement and wellbeing:** We know that our people are our most important asset, and we want them to feel engaged, inspired and motivated by their work. We regularly seek and act on feedback from our people, through channels such as our employee engagement survey and our performance review process.

We also provide our people with the resources and support they need to maintain their physical, mental, and emotional wellbeing, such as our Employee Assistance Programme, Digicare+ app and our Wellbeing Champions.

**Supporting Equality, Diversity & Inclusion (ED&I):** We value and respect the diversity of our people and the perspectives they bring to work. Through our Be Yourself strategy, we aim to create an inclusive environment where everyone can be themselves and contribute to their full potential. We have multiple programmes to foster ED&I, such as our employee networks, our Flexible Working Policy and our agile working framework (WORKABLE).

We also monitor, measure and publish our progress and performance on ED&I indicators, such as representation, engagement, retention of diverse talent and gender and ethnicity pay gaps.



# About Us

## People and culture

Two years on from the introduction of our People Manager Accreditation, we have continued to evolve the support we provide to the 2,463 People Managers across the firm. In the last year, we have listened to feedback from our People Managers and have added additional topics to the suite of support available to them, including managing underperformance, sickness and probation.



Additionally, we host the People Manager Café, a monthly lunchtime forum where People Managers can table topics for discussion, ranging from current challenges to areas of interest they wish to explore further. These sessions are invaluable for gaining insights from peers who have navigated similar scenarios. The community also encompasses a quarterly People Manager Book Club.

Success Conversations for our people continue to be a firmwide priority and are distinct from performance reviews as they involve a broad ranging discussion, with a senior member of the firm, to

establish what success looks like for the individual and how this is best aligned to the firm's strategic framework, commercial model and, more locally, their business plans.



We've established an online community for our People Managers to come together, share experiences and learn from one another. This is a dedicated page on Viva Engage (our internal social media platform) which provides monthly briefings on relevant updates and topics. These include training opportunities and updates on activities such as year-end processes.

We have created guidance and training for both hosts and participants. Success Conversations are focused on providing our people with the opportunity to talk through their career aspirations.



### Taking our people into account

We place immense value on the insights and feedback from our colleagues; it's part of our People Proposition.

In our most recent firmwide engagement survey, 74% of our colleagues took the opportunity to share their thoughts with us, covering topics such as wellbeing, our commitment to quality, our hybrid working model (WORKABLE) and our strategies for transformation and change, among others. Through this survey, leaders throughout BDO, spanning different locations and sectors, gain an insight into their teams' sentiments.

Our technology plays a pivotal role in organising the survey data, highlighting key themes, strengths, and areas for improvement, all based on our team's collective input.



At a local level, local leaders identify action plans based on the insights.

At a national level, HR and LT review the results to inform how existing or new programmes need to evolve, and assess how to continue to deliver meaningful, positive change through the firm's strategic framework.



# About Us

## People and culture

### Our Unifying Culture

We are steadfast in our belief that high-quality, impactful work is a result of nurturing an environment where our employees can thrive and be themselves. To achieve this, it's crucial that they are engaged, motivated, and feel psychologically safe at work.

In our 2023 Transparency Report, we referenced a white paper prepared by our Unifying Culture Board (U Board) to inform us as we gear up for the future and the influences on our culture. Through 2024, insights from the paper were discussed with various Governance and Leadership bodies. Our U Board worked with PC to ensure 'culture' was included in the Managing Partner manifesto criteria ahead of the Managing Partner election and we briefed candidates on cultural matters.

Our U Board continued to act as senior allies, including attendance at and/or the hosting of various network and regional events, and actively contributed to and supported the 2024 refresh of the Race Action Plan and Gender Balance Action Plan, with the ED&I team and relevant networks.

The Board participated in the approval and delivery of the firm's inaugural Social Impact Awards. Each U Board member was on at least one judging panel and approved the evolution to an even more comprehensive 'Culture and Impact Awards' for Summer/Autumn 2024.

We've continued to channel our efforts into our three cultural priorities: Be Yourself, Wellbeing, and Citizenship. This year, we've welcomed a new Unifying Culture lead, tasked with synergising these three cultural priorities.

Our Unifying Culture is steered by our U Board, a LT advisory Board, ensuring a seamless integration of our people-centric and firmwide priorities, aligning them with our overarching objectives as an organisation.



### Be Yourself

We recognise that fostering a true sense of belonging and psychological safety is key to motivating, engaging, and retaining the talented individuals who deliver our high-quality work.

'Be Yourself' is our blueprint for embedding ED&I within BDO. Our goal is to create a workplace where everyone feels they belong and can be their authentic selves. We're transparent about our ambitions and the steps we're taking to enhance representation, especially at senior levels, with a focus on gender and ethnicity.

As at the end of FY24, we have recorded the percentage of our partners who are female and those from ethnic minority groups, including those who identify as black. These details are outlined in our [Culture and Impact Report](#).

This year, our 'Be Yourself' strategy has led us to update our Gender Balance Plan and our Race Action Plan. We've placed a special emphasis on raising bystander awareness, promoting allyship, and enhancing our Celebrating Ethnic Diversity and Roots (CEDAR) network mentoring programme.

### BE YOURSELF



Leaders who are open-minded, listen to your voice and are actively taking steps to support, role-model, champion and sponsor the development of diverse talent in their teams.

An inclusive culture where we are transparent about our progress, our success and our areas of new and continued focus. Looking beyond our firm, working with our professional bodies, and peers to drive systemic change in our profession.

An employer brand that appeals to quality, diverse candidates, who broaden the firm's horizons and add to our diversity of thinking. Achieved through an inclusive selection process, which leaves all candidates with a first-class experience regardless of outcome.

A career that is based upon equality; access to inclusive, fair opportunities, underpinned by robust data-informed processes and with support available through a mentoring and coaching environment.

### underpinned by our Core Purpose, Values and Behaviours

Our broader efforts include ongoing participation in the 30% Club mentoring programme, supporting a number of women and individuals with protected characteristics. Our 12 networks (each representing a different community)

have been instrumental in hosting a variety of events that support colleagues, encompassing religion, ethnicity, gender, and other diversity characteristics. Notable events this year included a firmwide Ramadan fasting

challenge, a Holocaust Memorial Day event, an International Women's Day event themed "Inspire Inclusion", a Black History Month celebration and numerous listening sessions covering topics from female career progression to neurodiversity.

# About Us

## People and culture



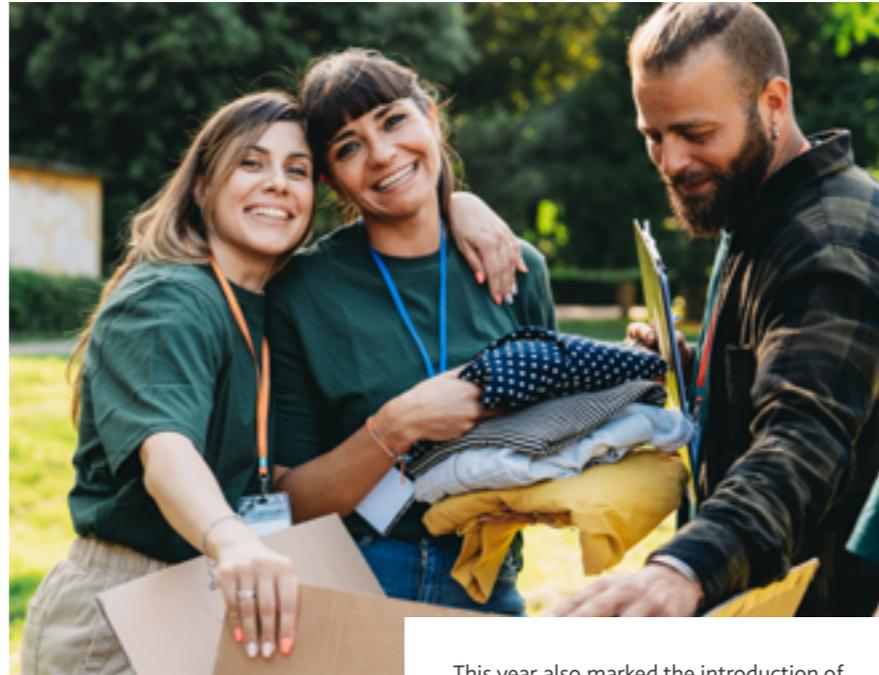
### Wellbeing

We understand that wellbeing is a personal journey, unique to each individual. Our goal is to foster an environment where our people can flourish, both in their careers and in their personal lives.

This past year has been particularly exciting as we've developed our Be Well, Stay Well framework. This framework is built around five key pillars: Healthy Mind, Healthy Body, Financial Wellbeing, Social Wellbeing, and Healthy Work, each designed to support our team's holistic health.

We've also continued to invest in our network of Wellbeing Champions and Mental Health First Aiders. Their dedication enables us to offer a wealth of resources, events, and programmes that contribute positively to our colleagues' wellbeing, both at work and beyond. You can read more about our wellbeing initiatives in our [Culture & Impact Report](#).

Our on-going focus on Wellbeing continues and we have enhanced our health benefits to offer a dedicated pathway to wellbeing support including Digicare+ which includes unlimited access to virtual GP appointments and a new menopause support service.



### Citizenship

At BDO, Citizenship and Social Impact are integral to our roles, not just activities reserved for after-hours. We strive to deepen our employees' understanding of the value of serving the public interest and to enhance our social impact initiatives, ensuring our efforts are well communicated.

We support our colleagues in a variety of ways, including through our networks, offering 5+5 Citizenship days, Matched Giving, and more. In FY24, we launched our Social Impact Awards to publicly acknowledge the incredible contributions of our people, with 243 nominations received.

This year also marked the introduction of our new Social Mobility network, 'Bridge'. This network is designed to engage our people in social mobility-related activities, broaden their understanding of the issue, and provide support and insights into the challenges faced by individuals from lower socio-economic backgrounds entering the professional world. 'Bridge' aims to spark dialogue and raise awareness about the significance of social mobility.

We've maintained our dedication to various outreach efforts, including partnerships with Teach First and Rise, as well as programmes led by our Early in Careers (EiC) team, all of which demonstrates our ongoing commitment to Social Impact.

### Attracting and managing talent

Our clients and audited entities come with a spectrum of ambitions and challenges, leading to stimulating and rewarding work, both in the UK and on the global stage. We offer a wealth of experiences and growth opportunities providing a solid foundation for our people's career development.

In our Experienced Hire division, we've seen a substantial number of applications, particularly for Audit roles, leading to a significant number of external hires.

Our Direct Sourcing team has achieved considerable impact in the market increasing our profile and demonstrating a clear financial advantage. We've brought to light the authentic experiences of our people in areas like Audit and Tax, sharing their stories to connect with potential candidates and affirm BDO's reputation as an organisation that truly values its people. Our strategic partnerships with preferred resourcing suppliers have been strengthened. Following a comprehensive review, we've streamlined our supplier list, fostering more focused and effective collaborations with industry specialists.

Our September 2023 EiC intake included a substantial number of hires across various programmes, with a significant portion in Audit.

The interest was overwhelming, with applications exceeding 32,000. We're dedicated to nurturing a diverse talent pool and have implemented several initiatives to enhance social mobility and socio-economic diversity. This included a new partnership with Springpod for virtual work experience modules, enhancing our early outreach and ensuring accessibility for all. Our Outreach strategy continues to evolve, with strengthened partnerships with organisations like Teach First, Enactus, and Uptree to broaden our market reach and attract exceptional talent.

In response to technological advancements and changing student preferences, we've introduced a new assessment process that includes an in-person interview for school leaver and graduate roles. We've expanded our assessment toolkit and enhanced our measures to detect potential cheating. Our mandatory Assessor Training now includes guidance on recognising and probing for quality. We've also improved our candidate experience by fully integrating our Online Assessment tool, streamlining the process for candidates, and enhancing our internal efficiency. Lastly, we've collaborated with Smarty Train to conduct a market comparison of our EiC programme, covering the entire process from candidate experience to attraction strategies.



# About Us

## People and culture

### Learning and Development progress

We're committed to fostering the growth of our people, from those just starting as trainees, all the way to those who rise to become managers and partners. We're here to ensure they have the tools and support they need to thrive at every stage of their career journey.

In FY24, we welcomed over 600 trainees from diverse backgrounds, including graduates and school leavers to join our Audit, Tax, or Advisory teams. Our training programmes, which lead to recognised professional qualifications, are designed to equip them with both the technical know-how and the business acumen required to produce high-quality work.

Our trainees don't just learn in theory they apply their knowledge in real-world scenarios, which helps them develop the necessary skills and behaviours to succeed. We are proud to say that our trainees have outperformed the published Insitute of Chartered Accountants in England and Wales (ICAEW) pass rate percentages in the last four sittings of the Advanced level ACA exams (July 2022, Nov 2022, July 2023, Nov 2023).



This year we also celebrated two ICAEW prize winners. From the outset, our trainees are encouraged to build their professional network, starting with a firmwide face-to-face induction. This is followed by ongoing initiatives like the Tax Academy, which regularly brings together trainees from across the nation for further learning and networking.

The central People Development team have conducted 127 courses for almost 2,000 colleagues across the firm to deliver the firm's core curriculum (individual streams deliver their own specific training over and above this). This includes our Welcome to BDO induction and a variety of programmes aimed at enhancing everyday business skills and leadership capabilities.

Moreover, we continued to actively roll out BDO's Career Development Programme (CDP), which aligns with our Achieving My Potential framework.

Throughout FY24, we held 30 programmes for senior managers, managers, and senior/assistant managers, supporting 325 employees in this development journey.

This initiative is designed to help high-potential employees cultivate the behaviours and competencies needed for their next career step. Looking ahead, we are evolving our existing CDP model to a new approach which will make learning and resources available to a larger group of our people and will focus on those critical skills and mindsets to support high performance which are expected at each level.

This learning and related resources will be available from September 2024 for all levels, with CDPs for senior managers continuing to run until January 2025 as part of a transition approach.

### Progression of talent

We're dedicated to developing our partners and those on the path to Partnership.

Our aim is to ensure our senior leaders are set up for success – providing them with the opportunities they need to develop their leadership skills and take on new challenges.



Over the past year, we've brought this commitment to life through a series of tailored development programmes. We ran a CDP for our high-potential directors, which included coaching, skills-based workshops and an immersive development centre. Our new partners were supported in their roles with our 'Welcome to Partnership' programme.

Looking ahead, we're excited about the upcoming launch of our new Equity Partner programme in the summer of 2024.



### Reward and recognition of our people

We're committed to valuing colleagues through our Reward and Recognition programme. This isn't just about financial incentives: it encompasses a variety of essential and optional benefits that cater to protection, personal choice, and Wellbeing. Our approach to reward and recognition is centred on excellence, celebrating, in particular, individual commitments to quality in delivering engagements for clients and audited entities.

When shaping our reward strategy, we take a broad view. We weigh up various elements, including the economic landscape and market conditions, as well as internal dynamics like the firm's performance and our investment plans. At BDO, we believe in the power of immediate praise for outstanding work. Our Spotlight Awards are designed to acknowledge exceptional efforts and are available to all employees in the firm. In FY24, we were thrilled to present 7,998 instant awards and 2,333 quarterly awards, celebrating the achievements that make us who we are.

### Reward and recognition of our partners

Partner remuneration is reviewed annually and the process includes consideration of the partner's role, their quality and risk grading (which is assessed annually) including, in relation to Audit partners, the findings from internal and external inspections of audit engagements.

All partners are included within the remuneration review, including partners with LT roles and oversight roles and the same criteria are applied to all partners at all levels.

An additional level of review was introduced in FY23 in relation to members of the PC in that their remuneration was also the subject of a discussion between the Senior Partner and an INE, with the INE providing an objective view within the context of ensuring that the remuneration for these partners supported and promoted effective challenge of the executive management of the firm.

# About Us

## Our digital future



### Digital Board

Our Digital Board is a firmwide formal board whose purpose is to centralise all Digital Mindset activities and operate as a working group of the firm's Operations Board. It has representation from the Practice Management Departments (PMDs), Tax, Audit and Advisory. There is a formal remit and Terms of Reference, which encompass:

- ▶ Promoting and accelerating a Digital Mindset
- ▶ Steering strategic innovation, firmwide
- ▶ Ownership of digital products, including:
  - making better use of what we have – cross-fertilisation
  - digital product prioritisation, business cases and sign-off & tracking benefits
  - linking into international & global initiatives.

We have a dedicated Innovation and Digital Office to champion and lead our Digital Mindset initiatives, in conjunction with our overall firm and stream strategies. Our Audit, Tax and Advisory Labs take the challenges from the business and co-develop ideas and products to agreed standards, business cases and regulations.

Our dedicated digital product function then runs these digital tools to an agreed quality and performance level, and retires, upgrades, or replaces as required through the lifecycle of the product..

Examples of digital products developed through this process are:

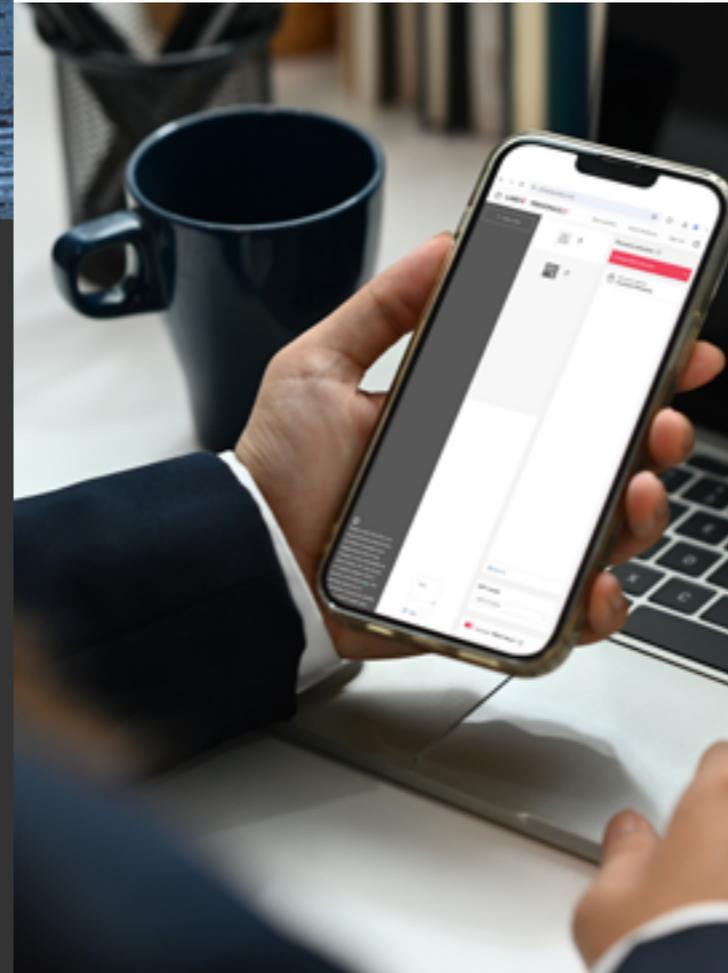
- ▶ Sample Generator - provides consistent and trusted audit samples
- ▶ Taxonomy Mapping Engine - uses AI to intelligently map transaction types
- ▶ Engagement Team Confirmations - provides an approvals and workflow system to obtain and evidence independence of auditors ahead of starting an audit.

Our BDO Labs programme has captured and evaluated hundreds of the firm's ideas, carried out approximately 60 experiments in the past year, and launched seven digital products.

Through our ISQM(UK)1 remediation programme we noted a need to refresh the certification of all automated tools used in audits, and to update this periodically. We commenced a programme to undertake this during the year and made good progress although it was not all complete as at 30 June 2024.

Additionally, we recognised a need to provide Audit teams with guidance about steps to undertake when using automated tools that have not been centrally certified. This guidance has been released subsequent to our evaluation date.

## PERSONAS



### Artificial Intelligence

AI has been in use at BDO for some time; however, the latest wave of Generative AI technologies has presented huge new opportunities as well as threats to the firm, our people, and our clients and audited entities.

The Digital Board, Information Security Committee and Operations Board consider both these areas and actively manage our proposed plans, our execution against these plans and the risks and issues across the whole firm.

Our Generative AI strategy has been agreed, with an emphasis on:

- ▶ Our guiding principles
- ▶ Our governance model
- ▶ Measuring and tracking our investments
- ▶ Responsible AI framework

This has resulted in us launching our own in-house generative AI solution, "Personas", that is based on the Open AI service from Microsoft. It is similar in functionality to ChatGPT and other conversational AI products, but operating wholly within BDO's environment.

It is available to everyone at BDO and supported by appropriate training and communications.



# About Us

## Our digital future

### Data Governance

Data governance is a critical component in the firm's data strategy which is owned and driven by the Data Office.

Our data governance framework is a structured approach to establishing a culture of data management at BDO (see image below). Data is a critical strategic asset for BDO; -we rely on data to drive our operational processes, to deliver our client engagements and audits, to respond to our regulators and to innovate and develop new propositions and services.



### Our data governance framework is made up of:

- ▶ Policies: provide the guidelines for using, protecting, and managing data, ensuring consistency and compliance
- ▶ Processes: refers to the procedures for communication, collaboration and managing data, including data collection, storage, protection, and usage
- ▶ Roles and Responsibilities: refers to the organisational structure, roles, and responsibilities of those involved in data governance, including those who own, collect, store, manage, and use data
- ▶ Technology: refers to the tools and systems used to support data governance, such as data management platforms and security solutions.

### The firm's Data Policy is applicable to:

- ▶ All BDO partners and employees, including permanent and fixed-term employees, contractors, consultants, temporary staff; and third-party organisations processing BDO data or working on BDO business activities
- ▶ All data and information in BDO systems and applications.

Enhancing our management of data is essential to the effective running of the SoQM under ISQM(UK)1. The SoQM relies on many different types of data, either to operate controls or to test them. Some of the systems and data that we have identified as being relevant to our SoQM were not set up with that purpose originally and therefore the data is not fully usable or easily accessible for that purpose. Our focus on data governance will assist us in remediating deficiencies identified within our SoQM this year.



### Looking forward

Looking forward, FY25 sees us transition to a new Managing Partner, Mark Shaw, and a new LT.

Mark starts his tenure wanting to build on our heritage and look to our future. We look forward to reporting on the first year of Mark's tenure in next year's Transparency Report.



# Governance

## The impact of good governance

An effective system of governance sets the firm up to ensure it is making the right decisions, at the right time, in the right way, with quality always at the centre.

### Overview to governance at BDO

Our ultimate governing body, PC, is formed of the Senior Partner (the Chair) and 12 elected equity partners. PC, or one of its sub-boards or committees, interacts regularly with the Managing Partner, members of LT and relevant business and operational leaders from around the firm all of whom attend meetings to present their activity, proposed plans and strategic focus.

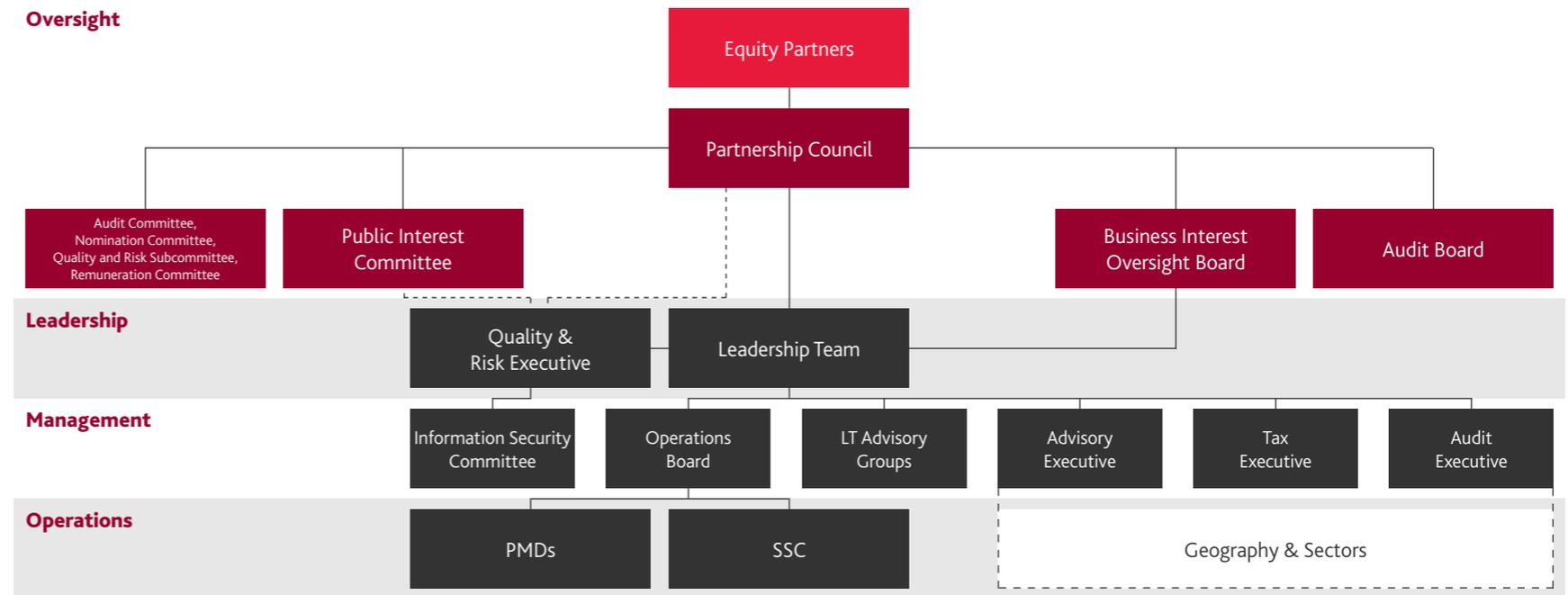
This interaction between oversight and leadership enables healthy effective challenge and debate with a focus on audit quality, safeguarding the resilience of the firm and the public interest. PC approval is ultimately required for the whole firm's strategy.

PC delegates some areas of responsibility to the BIOB, the AB, the AC and the newly formed Quality and Risk Sub-Committee (Q&RSC). The make-up of these bodies is set out on the following pages.

As required, PC will also establish additional working groups and carry out specific projects or areas of focused work.



BDO governance structure as at 5 July 2024



# Governance

## The impact of good governance

### Partnership Council (PC)

PC is the most senior Governance body within the firm and is chaired by the Senior Partner. In addition to the Senior Partner, it comprises 12 members, all of whom are equity partners elected by their fellow equity partners. PC members initially serve a four-year term, following which they may stand for re-election. At the end of their consecutive second term, they must stand down. There have not been any changes to the membership of PC this year. Short biographies for PC members as at 5 July 2024 are set out at [Appendix E](#).

The Senior Partner is elected by the partners 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. PC meets monthly, with meetings split between long-form formal meetings and shorter agile meetings to discuss hot topics which require swifter attention. Additional meetings may be called at any time to address any urgent matters as they arise, ensuring PC remains dynamic.

PC's purpose is to ensure the firm's management activities align to its purpose, values and strategic framework. It also protects the equity interests of the partners, recognising the interests of both individuals and the collective body of equity partners. It has overall responsibility for governance matters.

This year, to fulfil that purpose, it has considered the following topics:

- ▶ Firm strategy and development plans
- ▶ Quality at a firmwide level (including the firm's approach to and delivery of ISQM(UK)1)
- ▶ Sustainability and ESG, including the firm's decarbonisation progress
- ▶ Profit share process
- ▶ Partner succession and the partner promotion process
- ▶ Progress against adherence to the AFGC.

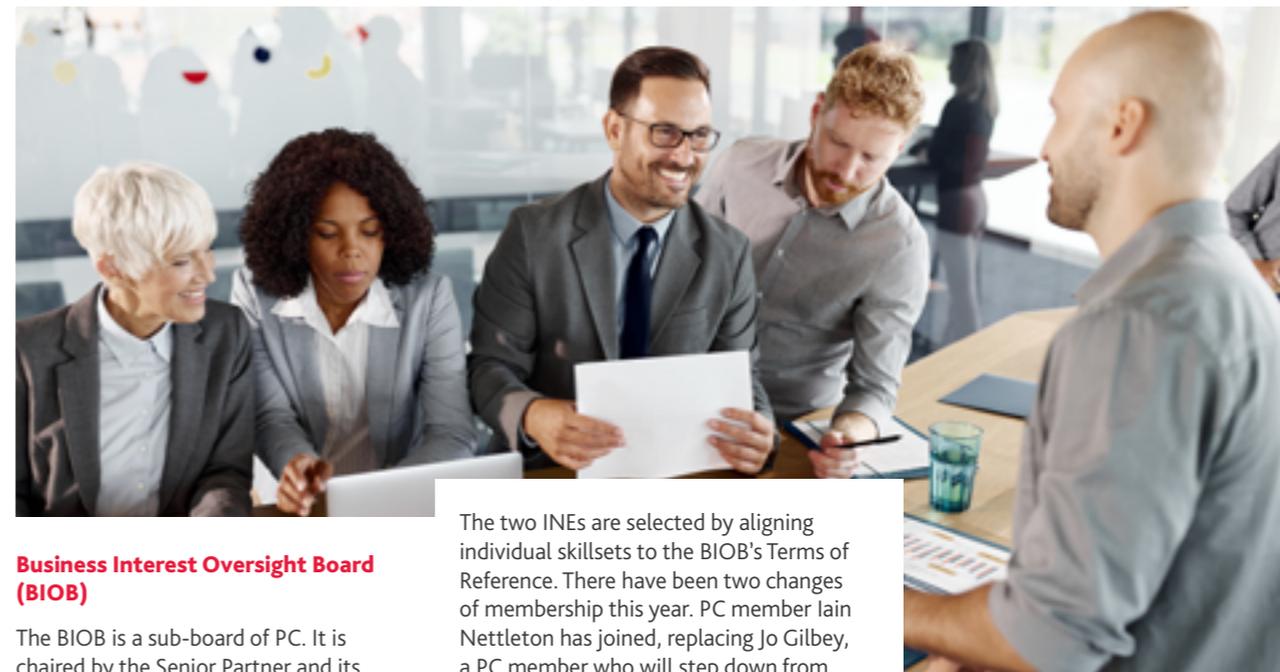
It also receives regular formal updates from the sub-committees and smaller Boards which report to it and matters discussed at LT.

It can raise questions and challenges based on these updates, for further consideration by the relevant body.

Twice a year, the firm's INEs attend a PC meeting and they provide their views on the firm's management, regulatory matters and compliance with the AFGC.

PC has a number of Boards and Committees which report into it. The AB, BIOB, Q&RSC and AC are the most significant and active of these and they are each considered in turn below.

The NomCo and the Remuneration Committee (RemCo) meet more infrequently and in accordance with their Terms of Reference. RemCo meets during the profit share process each year to oversee the performance review process and related profit sharing for the Senior Partner, Managing Partner and the members of LT. NomCo meets, as required, to consider the appointment of new INEs and a new Managing Partner and Senior Partner. This year NomCo has met more regularly to deliver the Managing Partner election on behalf of PC and also to oversee the recruitment process for a new INE.



### Business Interest Oversight Board (BIOB)

The BIOB is a sub-board of PC. It is chaired by the Senior Partner and its members comprise the Ethics Partner, two INEs and two members of PC. It meets every other month but can also be convened at short notice should the need arise.

The PC members are selected by a formal interview conducted by the Senior Partner and the two INEs who sit on BIOB. BIOB PC members then serve a two-year term, following which they can stand for re-selection for a further two-year term as long as they have been elected as PC members for that period as well. The INEs, Ethics Partner and Senior Partner will remain members for the length of their respective terms of office.

The two INEs are selected by aligning individual skillsets to the BIOB's Terms of Reference. There have been two changes of membership this year. PC member Iain Nettleton has joined, replacing Jo Gilbey, a PC member who will step down from PC during FY25. In addition, INE Eamonn McGrath has joined the board as an interim appointment until a fourth INE is recruited in FY25. Eamonn replaced Russell King whose INE appointment ceased on 29 February 2024. Short biographies for BIOB members as at 5 July 2024 are set out at [Appendix E](#).

The BIOB's purpose is to hold management to account and provide appropriate challenge in relation to financial matters, the strategy for the Tax and Advisory streams and the work of the Operations Board, which oversees the firm's PMDs.

This year, to fulfil that purpose, it has considered the following topics:

- ▶ Operations Board priorities, projects and strategy
- ▶ Review of Tax stream strategy
- ▶ Quality matters arising from the Tax and Advisory streams
- ▶ Approval of the budget for the financial year and financial progress throughout the year
- ▶ IT strategy and the firm's cyber information security provision
- ▶ Partner pipelines for Tax, Advisory and Central partners.

# Governance

## The impact of good governance

### Audit Board (AB)

The AB is an oversight board which reports to PC. It is chaired by the Senior Partner and its members comprise the Head of Audit, two INEs (both of whom come from Big Four audit backgrounds) and an additional Audit partner selected by the Head of Audit in agreement with the Senior Partner (ensuring the appropriate skillsets). The AB meets every other month but can also be convened at short notice should the need arise.

The Head of Audit, the INEs and the Senior Partner will remain members for their respective terms of office. The additional Audit partner may, from time to time, be rotated at the discretion of the Head of Audit, in consultation with the Senior Partner, but has remained consistent this year. There have been no changes to the membership of the AB this year. Short biographies for AB members as at 5 July 2024 are set out at [Appendix E](#).

The AB's purpose is to oversee the strategy, performance and operations of the firm's Audit stream. This year, to fulfil that purpose, it has considered the following topics:

- ▶ Audit stream's strategy
- ▶ Audit quality, with a particular focus on the firm's audit quality infrastructure and the SQP
- ▶ Culture of quality including High Performing Teams and Audit Behaviours
- ▶ Individual quality matters as and when they arise
- ▶ Approach to setting audit methodologies
- ▶ Public Sector audit
- ▶ Audit stream budget and financial progress throughout the year
- ▶ Audit stream partner pipeline
- ▶ Plan for the Audit stream Summer School and other training programmes.



### Audit Committee (AC)

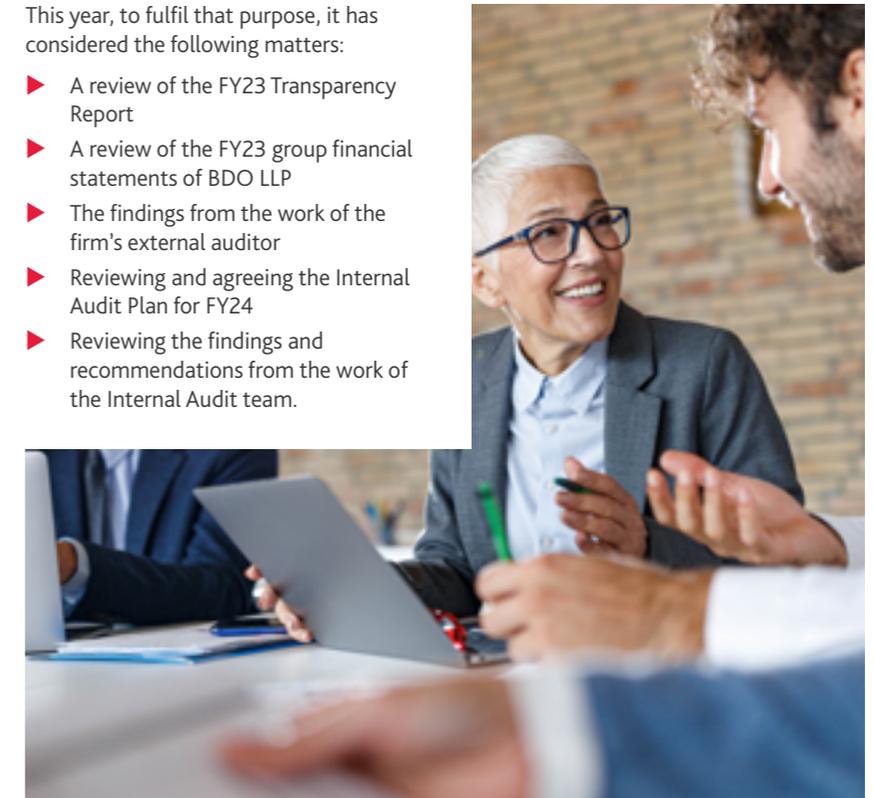
The AC is a sub-committee of the PC. It is chaired by a member of the PC and its members comprise two further members of the PC (proposed by the Senior Partner by reference to relevant skillsets for the role and approved by PC), the Senior Partner and one of the firm's INEs. It usually meets five times a year, planned to align with the firm's reporting cycle.

All the AC members will remain members for their respective terms of office. During the year, Arbinder Chatwal was appointed Chair of the AC in advance of outgoing Chair, Nick Carter-Pegg, stepping down at the end of his term as a PC member on 30 September 2024. Short biographies for the AC members as at 5 July 2024 are included at [Appendix E](#).

The AC is responsible for independent oversight of the firm's financial reporting, interaction with the external auditors and oversight of the firm's internal audit function.

This year, to fulfil that purpose, it has considered the following matters:

- ▶ A review of the FY23 Transparency Report
- ▶ A review of the FY23 group financial statements of BDO LLP
- ▶ The findings from the work of the firm's external auditor
- ▶ Reviewing and agreeing the Internal Audit Plan for FY24
- ▶ Reviewing the findings and recommendations from the work of the Internal Audit team.



# Governance

## The impact of good governance

### Quality and Risk Subcommittee (Q&RSC)

A newly formed body for FY24, the Q&RSC is a sub-committee of PC and has been formed to provide PC with appropriate oversight and governance of quality and risk matters relating to the management of the whole firm (recognising that the AB and the BIOB review stream quality and risk matters for the Audit stream and the Tax and Advisory streams respectively). The Q&RSC undertakes deep dive reviews into quality and risk activity within the firm, making recommendations for decisions to be made by PC.

Membership is comprised of the Senior Partner, two members drawn from PC and the Director of the Office of the Senior Partner. One of the firm's INEs is invited to attend as an observer. The LT member responsible for quality and risk is invited to attend meetings regularly to report on key activity and progress made against firmwide quality and risk plans, including ISQM(UK)1, the firm's principal risks and risk appetite.

The first meeting took place in November 2023, with meetings now scheduled to take place at least six times per year. Short biographies for the Q&RSC members as at 5 July 2024 are set out at [Appendix E](#).

This year, to fulfil its purpose, the Q&RSC has considered the following topics:

- ▶ The firm's work re-designing, implementing and testing its ISQM(UK)1 programme
- ▶ The risk appetite statement and Enterprise Risk Management (ERM) policy
- ▶ Principal risks and the firm's approach to managing these.



### Public Interest Committee (PIC)

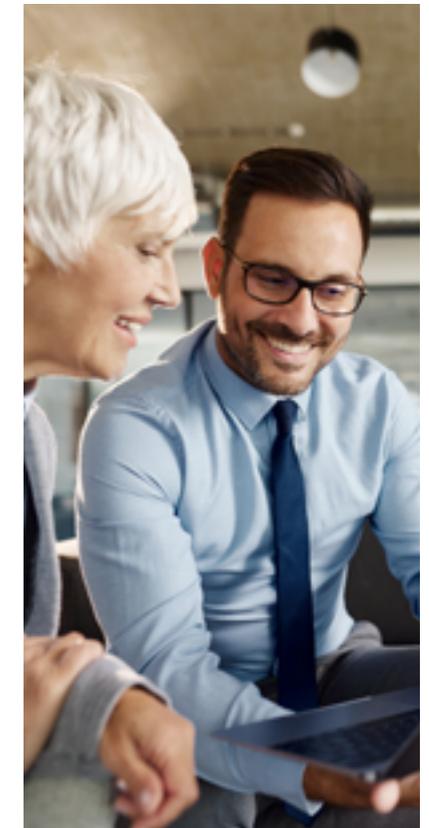
The PIC membership comprises the firm's INEs and it is chaired by Eamonn McGrath. It meets every other month but can also be convened at short notice should the need arise.

The INEs are members of the PIC for their respective terms of office. During the course of this year, Russell King retired as an INE on 29 February 2024 and the firm had three INEs for the remainder of FY24. A recruitment process is underway to replace Russell. Short biographies for the INEs as at 5 July 2024 are set out at [Appendix E](#).

The purpose of the PIC is to enable the INEs to perform their duties under the AFGC, to consider public interest matters that affect the firm and to enhance stakeholder confidence in the public interest aspects of the firm's activities.

This year, to fulfil that purpose, it has considered the following topics:

- ▶ Reputation and resilience
- ▶ Whole-firm culture through a public interest lens
- ▶ Ethics and whistleblowing matters
- ▶ Audit quality, with a particular emphasis on the AQR report and the firm's audit supervision letter from the FRC and the related public interest impact
- ▶ ESG and AI – the firm's current position and plans for future development in both these areas
- ▶ Transparency Report 2023 and the schematic and approach for the FY24 report
- ▶ Succession planning with a focus on the Managing Partner election
- ▶ The firm's progress with the redesign of its ISQM(UK)1 programme
- ▶ Interactions with the regulator and other external stakeholders
- ▶ Global Board initiatives and other BDO network matters
- ▶ Feedback received from office visits.



# Governance

## The impact of good governance

### Leadership Team (LT)

The LT is the Leadership body within the governance structure which provides executive leadership to the firm. It is chaired by the Managing Partner who then selects their slate of individuals to serve on the LT which is then approved by the PC. The Managing Partner is elected by the partners 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. There is no minimum or maximum number of members of the LT and, as at 5 July 2024, there are eight equity partner members, including the Managing Partner.

The composition must, however, reflect the needs of the business in terms of skills and behavioural attributes. There is no limit to the number of terms that a partner may serve on the LT. There have been no changes to the LT membership during the course of FY24.

Short biographies of all LT members as at 5 July 2024 are set out at [Appendix E](#).

The purpose of the LT is to design and drive strategy for the firm, promote the firm's brand and culture, take ultimate responsibility for the firm's SoQM and support the firm's partners and people to succeed. In pursuing this purpose, the LT oversees other bodies within the management and leadership layers of the governance structure.

This year, to fulfil its purpose, it has considered the following topics:

- ▶ The firm's SoQM and ISQM(UK)1
- ▶ Implications for the firm's strategy as a result of professional services market activity and the economic environment
- ▶ Commercial management
- ▶ Partner engagement and development
- ▶ Stream and firmwide strategic updates
- ▶ Sustainability and Net-Zero ambitions.

There have been regular standing agenda items to discuss quality and risk matters, strategic priority updates, partner matters, BDO Global updates, budgets and reforecasts, and other finance and operations matters.

As well as the regular 'business as usual' meetings (generally held twice per month during the year), the LT also meet to undertake annual profit sharing for the equity partners in the summer and hold specific strategy days across the year to support the ongoing development of our strategic framework and strategy.



### AFGC compliance

We have fully complied with the requirements of the AFGC and our statement confirming this compliance is set out at [Appendix G](#).

# Governance

## The impact of good governance

### Governance Key Performance Indicators (KPIs)

We have continued to monitor progress against our governance KPIs which were implemented in FY23.

During the year we added a KPI regarding the annual self-assessment process for the oversight bodies which has been implemented for PC, BIOB, AB, AC, Q&RSC and PIC.

KPI	Status	Performance	KPI	Status	Performance
<b>Board composition</b>			<b>Board effectiveness</b>		
The following KPIs apply to each oversight body individually:		The Terms of Reference have been followed for each body and meeting attendance has exceeded the KPI (see <a href="#">Appendix E</a> ). INEs have been matched appropriately to the oversight bodies with regard to their skill sets and expertise. PC members are elected based on manifestos in which they set out their skillset and the expertise they would bring to an oversight position and following discussion with existing PC members who check the suitability of the candidates.	▶ The Governance bodies' responsibilities will be separate from the responsibilities of the Leadership and Management bodies	✓	Annual meeting planners and individual meeting agendas take into account each body's Terms of Reference and the requirements of the AFGC. There is clear delineation between the responsibilities set out in the oversight bodies' Terms of Reference and those for the bodies at Leadership and Management level, with an emphasis on constructive challenge and holding management to account at the oversight level.
▶ Each body should be constituted in accordance with its Terms of Reference	✓		▶ Each Governance body considers the matters delegated to it in its own Terms of Reference	✓	
▶ Members of each body should attend at least 75% of the meetings held during the year	✓		▶ Collectively, the Governance bodies fulfil the requirements of the AFGC, in particular with regard to taking account of the public interest in their decision-making, promoting audit quality and safeguarding the sustainability and resilience of the audit practice and the firm as a whole	✓	
▶ Relative to the responsibilities required for each body, members should collectively bring the appropriate skillset, knowledge and expertise.	✓		▶ Each Governance body prepares comprehensive minutes of matters discussed and agreed at each meeting	✓	Minutes are prepared for each meeting and circulated to members for approval shortly after the meeting and an action log is maintained for each body and updated between meetings.
			▶ Actions agreed at each meeting are logged and followed up appropriately	✓	
			▶ Each Governance body will have an annual effectiveness review, the results of which will be discussed and actions implemented where necessary	✓	An update on the annual effectiveness review of the Governance bodies, which commenced in 2023, has been provided at <a href="#">page 24</a>
			▶ The Board and its committees as well as the Public Interest Committee will have an externally facilitated evaluation every three years (this is scheduled to take place in 2025).	✓	

# Governance

## The impact of good governance

KPI	Status	Performance	KPI	Status	Performance	KPI	Status	Performance
<b>Quality and risk</b> Collectively, the oversight bodies review and, where appropriate, challenge:			<b>Our values and culture</b> Collectively, the Governance bodies review:			<b>Our stakeholders</b>		
<ul style="list-style-type: none"> <li>▶ the firm's monitoring of ISQM(UK)1</li> </ul>	✓	During the year, the PC, the PIC and the Q&RSC have overseen the redesign, implementation and testing of the firm's SoQM in line with ISQM(UK)1	<ul style="list-style-type: none"> <li>▶ The results of people surveys conducted throughout the year and make recommendations based on these results to Leadership and Management</li> </ul>	✓	The AB and the PIC have considered the results of surveys and recommended actions for the LT's consideration. The PIC and the AB have also reviewed the firm's work on culture and, particularly, its continued development of its audit culture and Audit Specific Behaviours to support High Performing Teams.	<ul style="list-style-type: none"> <li>▶ The Senior Partner (who is ultimately responsible for the firm's governance) meets with the firm's Regulator twice a year</li> </ul>	✓	Regular meetings have taken place between the INEs and the FRC and also between the FRC and the Managing Partner, Head of Audit and Senior Partner (both as a group and individually).
<ul style="list-style-type: none"> <li>▶ the firm's monitoring of its internal controls (including financial, operational and compliance controls) and, particularly, any notable failings in this area</li> </ul>	✓	The AC reviewed the firm's approach to its internal controls framework, discussing potential improvements to this framework with the Head of Internal Audit	<ul style="list-style-type: none"> <li>▶ The work of the Culture Committee and the Audit Culture Committee and make appropriate recommendations.</li> </ul>	✓		<ul style="list-style-type: none"> <li>▶ The Governance bodies between them provide input into, review and comment upon the Transparency Report which is then shared with the public at large on the firm's website annually</li> </ul>	✓	The Transparency Report was reviewed extensively by the AC, the AB and the PIC and substantive comments were received from a number of senior stakeholders within the oversight and leadership levels of the firm.
<ul style="list-style-type: none"> <li>▶ the firm's approach to identifying and mitigating its principal risks.</li> </ul>	✓	The INEs provided input into the firm's principal risks review, the approach to which was then considered by the Q&RSC.				<ul style="list-style-type: none"> <li>▶ The firm appropriately leverages the skills and expertise of the INEs by positioning them effectively within the governance structure so that they can provide external perspective to the firm's reports, consultations and decision making</li> </ul>	✓	The INEs provided input into the firm's principal risks review, the approach to which was then considered by the Q&RSC.
						<ul style="list-style-type: none"> <li>▶ The INEs meet with the Regulator throughout the course of the year and participate in roundtables organised by the Regulator.</li> </ul>	✓	

# Governance

## The impact of good governance

### Self-assessments for the oversight bodies – implemented and underway

The first annual self-assessments for the oversight bodies constituted as at 1 July 2023 took place in Autumn 2023, allowing the oversight bodies to take the time to step back and consider their work, configuration and where they may want to make further enhancements. The second series of annual self-assessments will take place in FY25, with the intention to provide a comparable question set to allow for year-on-year comparison.

PC are responsible for reviewing the overall results of the annual self-assessment reviews and have chosen to lead on the additional training requests identified, with training programmes starting to be rolled out in FY24. PC noted their satisfaction that, as a whole, the oversight bodies feel they are able to carry out their duties to a good standard.

### Governance at a global level

The Managing Partner sits on the BDO Global Board and attended eight in person and/or hybrid meetings during the year, with some additional calls scheduled from time to time.

During the course of the year, the Global Board has considered a number of governance-related topics including:

- ▶ Quality
- ▶ The implementation of International Standard of Quality Management 1
- ▶ Member firm admissions and departures
- ▶ Implications for the network as a result of professional services market activity
- ▶ Global vision – the new global vision was launched in April 2024
- ▶ Global independence matters

- ▶ Referral mechanisms
- ▶ Outsourcing delivery models
- ▶ Technology, including the strategic partnership with Microsoft which was announced in October 2023
- ▶ Regulatory matters
- ▶ Sustainability, both environmental sustainability initiatives and also sustainability of the network in its broader sense.

The PIC has received regular updates from the Managing Partner on Global Board meetings to understand the matters under consideration at a Global network level and, as part of this, has considered implications for the resilience of the network and the larger member firms within it.



### Training programme

Further training requirements for the oversight bodies remain under constant review to ensure that we remain equipped to the challenge of providing good governance for the firm. This year that has included: ESG matters, with focus on the role of the board as well as upskilling our members regarding carbon fundamentals and climate trends; enhancing soft skills around effective challenge; and the effective running of a board.

### Looking forward

As the firm continues to grow, similarly our governance processes will not stand still. As we look to FY25 and the firm's transition to new leadership, we will work with the new Managing Partner and his LT to continue to enhance the firm's governance. For the oversight bodies themselves, we will look to provide more targeted governance training to enhance decision making within the firm.

# Audit Quality

## Building our bedrock

**We recognise that a SoQM designed in line with the requirements of ISQM(UK)1 is the bedrock on which consistent high-quality auditing is built.**

**During FY24, we rigorously assessed our SoQM and reported to the FRC that the design of our SoQM had a number of weaknesses and did not meet the objectives of ISQM(UK)1.**

As a result and led by the LT, we commenced a thorough remediation programme, in Autumn 2023, to redesign our SoQM in accordance with ISQM(UK)1. This has been the top strategic priority for the firm throughout FY24 and progress on the programme has been scrutinised at every LT meeting. Collective accountability for our SoQM is recognised by LT.

All LT members and members of our Audit leadership set personal objectives relating to their individual responsibility for ISQM(UK)1 which they were measured against in their 2024 performance reviews.

Our programme began with a review of the quality objectives that form part of our SoQM, followed by revisiting our risk assessment to identify the risks to meeting these quality objectives. We have documented every significant process which forms part of our SoQM and assessed the design to determine whether it appropriately mitigates the relevant quality risks. This has resulted in enhancements and improvements to our processes and controls which we believe will improve how we manage audit quality.

We have also identified the need for additional processes which we believe will have a significant impact on managing audit quality and designed and implemented these during the programme. These processes are described throughout this report.

The remediation programme was rapid, intense and detailed and the pace and volume of change we implemented over the course of FY24 has been huge.

A SoQM takes time to embed and mature and we know that we have more work to do over the next year and into the future. This will include further implementation of controls to enhance our SoQM, as well as allowing time for some of the new processes and controls implemented in FY24 to deliver on their design objectives, providing enough evidence for us to be able to test them fully.

Our new SoQM will provide us with better data, thereby driving more targeted actions to deliver consistently high-quality audits. Our evaluation of our SoQM as at 30 June 2024 is set out on [page 86](#).



# Audit Quality

## Building our bedrock

### Leadership focus on audit quality

We launched our Audit Quality Transformation programme in FY22 to deliver change and create an environment and culture within the Audit stream that enables our people to deliver consistent high-quality audits. The programme is overseen by the Audit Executive, LT and the firm's Governance bodies and is central to our firm's strategic framework.

We have previously reported on the substantial investments made to strengthen our central audit quality infrastructure; with a focus on our culture of challenge, additional resources in the Audit stream and a drive to improve the quality of our audit portfolio.



However, we are deeply disappointed by our recent AQR grades, which deteriorated relative to the previous year, and the continuation of recurring findings in several areas. We recognise we must do much more to improve audit quality.

The investment programme was critical and has provided the capacity and skills we required but we must now continue to embed our investment in people, in the important quality functions we have created and drive the right audit behaviours to realise our objectives. Equally, our actions must continue to be deliberate, consistently applied by all and regularly tested for effectiveness.

Leaders throughout the firm have engaged with our ISQM(UK)1 remediation programme throughout the year. However, given the maturity of the SoQM under ISQM(UK)1, many leaders responsible for aspects of the SoQM do not currently have a holistic understanding of it since the SoQM was developed bottom-up through the period. Given the maturity of the

framework, there was no single tool or means of displaying the complete framework at a point in time. A natural evolution of the programme will be to ensure that the SoQM is an essential component of leadership discussion and decision-making. This knowledge needs to transfer to leaders of SoQM components in FY25.

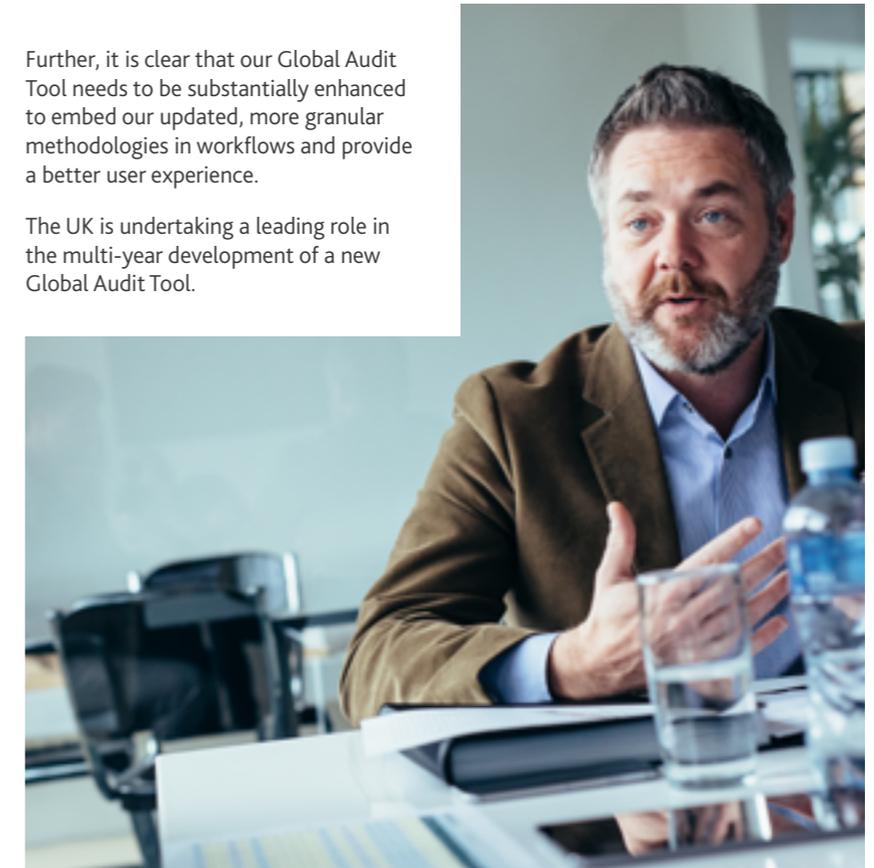
Quality and SoQM matters have always formed part of the agenda for the Audit Executive. However, the discussion of these by the Audit Executive has been without the benefit of the structure of the SoQM. In addition, information flow to the Audit Executive, with clarity about the purpose for presenting that information and its linkage to the SoQM, does not always work smoothly. This has limited its ability to make appropriate decisions on quality matters. We are working to remediate this during FY25 so that our SoQM is at the heart of our decision-making over quality matters and will allow us to realise the benefit of our investments.

Our investment in the Audit Quality Directorate (AQD) and central functions more widely has contributed to a cultural shift within the Audit stream, creating drivers of change within our SoQM and a focus on continuous improvement. This cultural shift has been accelerated by our High Performing Teams programme and the investment in lateral hires within the Audit stream which have brought about positive, fresh thinking and encouraged us to challenge how we do things and embrace change.

Our RCA, stand-back assessments and analysis tells us that looking forward our focus must be on embedding the changes made to date, governance of action plans and focusing on support for our Audit teams. We commenced a strategic review of L&D in late FY23 and are developing revised learning curricula to embed our updated methodologies and reinforce expected behaviours, supported by increased standardisation. Our High Performing Teams programme will continue to embed and drive the right Audit Specific Behaviours.

Further, it is clear that our Global Audit Tool needs to be substantially enhanced to embed our updated, more granular methodologies in workflows and provide a better user experience.

The UK is undertaking a leading role in the multi-year development of a new Global Audit Tool.



# Audit Quality

## Building our bedrock

### Internal and external inspection results

#### External inspection results

Our Leadership Message sets out our deep disappointment with the external inspection results and the continued recurring findings which were reported by the FRC in July 2024. Details of those results are included at [Appendix C](#).

#### Internal inspection results

A critical element of our SoQM is the monitoring provided by our Practice Review (PR) programme that involves inspection of completed audit engagements to evaluate the quality of audit work performed.

A PR programme which is completed on a timely basis and provides robust depth of challenge is key to identifying areas for improvement and best practice. It provides a key input to our RCA programme and subsequent action plan development within the Audit stream.

Results of the PRs are incorporated into performance reviews and development of personal objectives that prioritise quality. Increasing the depth and consistency of the PRs and reducing the time taken to complete the annual programme was a key priority in FY24.

Changes in the year have included:

- ▶ Implementation of the new PR Framework & Policy, including requirements to complete reviews within 70 days and clear and regular internal reporting to leadership. These enhancements reduced the average length of time taken to complete PRs by 55% to 78 days. In the 2024 cycle, the requirement is to complete each inspection within 56 days
- ▶ Implementation of moderation panels, responsible for grading all inspections to enhance the consistency, objectivity and effectiveness of the grading process

- ▶ Integrating the Central PR team within the Regulatory Support team (which supports the AQR review process), thereby broadening the experience of both teams by giving the Central PR team direct exposure to the AQR review process
- ▶ Continued investment through additional recruitment for the Central PR team, adding Financial Services (FS) specialist resources and involving subject matter experts where appropriate to add greater depth and challenge to inspections.

We have undertaken an effectiveness review of the PR programme, led by a partner outside the PR function, which concluded that the revised programme has been designed effectively to identify audit quality issues and drive improvements.

Areas for further enhancement and actions will be addressed.

The PR programme uses the same grading approach as the FRC's inspections and, as a consequence of the changes implemented to increase the robustness of the programme, the results from the 2023 PR programme showed a reduction relative to the prior year in the proportion of engagements meeting our expected level of audit quality which we must address urgently (see table below).



Grade	2023 number	2023 (%)	2022 (%)	2021 (%)
1 - Good	16	56%	67%	72%
2 - Acceptable, limited improvements	39	27%	16%	16%
3 - Improvements required	17	17%	17%	12%
4 - Significant improvements required	98	100%	100%	100%
Total				

# Audit Quality

## Building our bedrock

Under our PR, every Responsible Individual (RI) and Key Audit Partner (KAP) is inspected at least once every two years, with RIs and KAPs who receive an adverse inspection grading (grade 3 or 4) subject to inspection in the subsequent year. The rating is specifically considered in each individual's performance evaluation and reward and progression outcomes with reporting to the firm's Leadership and Governance bodies on how quality has been reflected in this assessment.

Due to the persistent and significant backlog of local audit opinions applicable to all firms in this market, none of the PR numbers presented in the 2023 cycle above related to KAPs (2 files reviewed in the 2022 cycle).

Overall, the areas which gave rise to the most key findings are set out in the table below. The recurring areas are highlighted in red.

Most frequent Key Findings 2023	No.	Most frequent Key Findings 2022	No.
Audit of revenue	30	Audit of revenue	40
Audit of estimates	15	Audit of estimates	26
Financial statement errors	7	Financial statement errors	16
Journal testing	28	Fraud considerations	16
Going concern	10	Going concern	12

Actions to address the findings arising in 2023 feed into the Single Quality Action Plan (SQAP) where accountability and responsibility for the actions is monitored. We have carried out RCA on a proportion of PRs as well as some thematics by topic in accordance with the RCA framework and used this to inform some of the changes and enhancements that have been made to our SoQM and the SQAP during the year.



### Audit Quality Indicators (AQIs)

AQIs provide valuable insights using data to indicate whether we are producing, or reasonably expect to be able to produce, high-quality audits. We use AQIs as metrics to provide greater information to the users of audit services and wider stakeholders, both internal and external to the firm. This enables greater consideration of what drives both consistent high-quality audits and a high-quality Audit stream. AQIs can be assessed both at a firmwide and engagement level.

At an Audit stream level, in addition to annual reporting of prescribed AQIs to the FRC (in accordance with their Consultation in June 2022) and our global function, a suite of AQIs is produced monthly and reported quarterly to our Audit Leadership teams, linked to the SQP.

These include those related to the sufficiency of resources allocated to audits, training completion rates, the project management of audits and the adoption of new/emerging technology. An area of particular focus has been project management and the AQIs related to early planning through the achievement of audit planning milestones. While improved year-on-year, this AQI remains notably behind target and we are implementing actions to strengthen the monitoring and interventions.

We continue to re-assess our selection of firmwide quality indicators parallel to the evolution of our SQP and are in the process of producing automated dashboards to facilitate real-time analysis and timely intervention.

Through our ISQM(UK)1 evaluation, we concluded that we need to use AQIs more proactively to manage the progress of audits as well as the amount of time spent on audits by RIs and Engagement Quality Reviewers (EQRs), through central interventions on individual engagements.

At an engagement level, from our participation in the FRC's engagement level AQI pilot, we are understanding more about the information which Audit Committee Chairs are interested in.

We are also expanding our AQI reporting capabilities via our automated dashboards described above to allow the production of engagement-level metrics, both via centralised 'Insights' dashboards and individualised real-time reports to Audit teams and continue to support the exploration of 'good practice' in the use of AQIs.

We also note that, in addition to AQIs, there are many other metrics and management information that can provide insight into our SoQM at a firmwide level.



# Audit Quality

## Building our bedrock

### RCA

Our RCA programme is a key pillar of our SoQM and an important part of our continuous improvement cycle. As part of the monitoring and remediation process, RCA allows us to identify causal factors which are then, in turn, considered when designing and implementing remedial actions to address identified deficiencies, enabling actions to be targeted and responsive.

In the year, we have continued to embed our RCA framework as per the milestones set out in the implementation plan. We have expanded the team to provide additional capacity to increase RCA coverage and related activities and the scope of the programme has been extended to enable the performance of RCA on a wide range of sources including quality findings from internal and external inspections, prior period adjustments and ethics breaches and to enhance the data point analysis for quality drivers.

An external behavioural expert has been engaged to support the identification of culture, mindset and behaviours and causal factors which have been mapped to the Audit Specific Behaviours and the High Performing Teams framework.

An internal effectiveness review of the RCA programme has been performed which concluded that the programme is appropriately designed. The enhancements suggested will be implemented in the next cycle.

We perform RCA by conducting interviews and focus groups with engagement team members, EQRs and specialists and experts where relevant and by analysing data points relating to the engagement. After causal factors have been identified, we aggregate the results to look for themes and trends across different engagements. An increased number of data points have been gathered in the cycle and compared with AQIs (where applicable) to provide additional insight on quality drivers and trends and correlations to quality.

In the year, we have enhanced our multi-level RCA taxonomy and developed a behavioural sub-taxonomy to monitor cultural, mindset and behavioural factors that may impact audit quality.

RCA was performed on the following engagements in the year:

- ▶ 13 engagements subject to AQR inspection and
- ▶ 11 individual PR inspected engagements (including one local audit engagement).

From the analysis of engagements where there were adverse findings from the PR process, thematic reviews were used to obtain wider coverage of adverse graded engagements, by analysing the most frequent key findings, and to investigate the causes for recurring findings. Thematic reviews were also initiated on firmwide aspects of our SoQM.

Causal factors identified in engagements with adverse findings were:

#### Resources

Team composition not being appropriately structured to respond to the risks in these audits, including consideration of the balance of competency, capability and experience across the team, and continuity from one year end to the next or within the year.

#### Mindset

Confirmation and oversimplification bias on these audits. Over-reliance on prior year approaches, and on specialists, experts and component auditors, without sufficient challenge or corroboration.

Focus on complex/new areas without sufficient focus on more routine areas of the audits.

#### Review

Ineffective review on these audits as a result of the reviewer being too close to the detail to stand back, lacking knowledge or experience of the areas of the audit or obtaining information over the work performed through discussion, rather than detailed review of the file.

Actions are being undertaken to mitigate these findings which are approved by the Action Committee and reported to the Audit Executive, the Chief Audit Risk Officer and the AB.

In relation to engagements with positive quality results, factors that have been consistently identified include:

- ▶ early and regular involvement of the RI and other senior staff;
- ▶ the engagement team physically working together with sufficient on the job learning and coaching;
- ▶ allocating clear roles and responsibilities in the project plan; and
- ▶ having the psychological safety within the engagement team to challenge each other and the entity.

In accordance with ISQM(UK)1, we have considered whether, individually or collectively, the identified causal factors may be indicative of potential deficiencies in the SoQM as part of our evaluation of our SoQM and RCA findings are formally reported to and considered by the Head of Monitoring & Remediation.

# Audit Quality

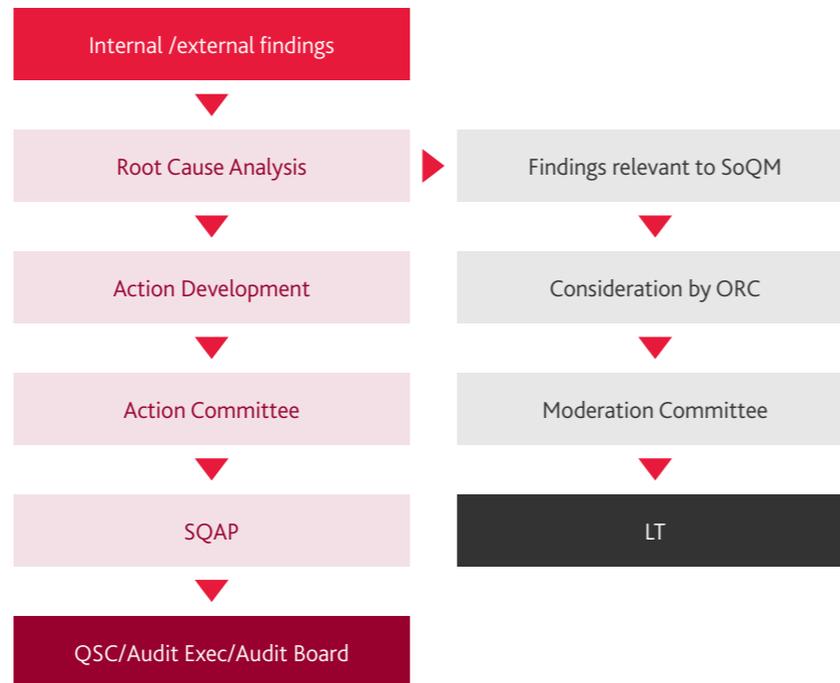
## Building our bedrock

### Action Committee

Formed in 2023, the Action Committee has been established to agree and challenge proposed actions that have been developed primarily in response to findings from PRs and external regulatory reviews.

It comprises partners and staff from the AQD and Audit stream and its purpose is to provide challenge of proposed actions and to formally agree the proposed actions. It ensures that the proposed actions that are to be included in the SQAP are:

- ▶ developed on a timely basis
- ▶ responsive to the relevant finding, within an appropriate time frame
- ▶ cognisant of other actions already in process or existing actions which may require some adaptation and
- ▶ acknowledged and accepted by the action owner.



The Action Committee works closely with the RCA team, to ensure that the action owners understand the causal factors underpinning the findings when assessing new actions or potential revisions to existing actions.

The Action Committee reports approved actions to the SQAP team for inclusion in the SQAP. In turn the Quality Steering Committee monitors the development of actions by the Action Committee and the implementation of actions within the SQAP on a monthly basis with reporting provided to the Audit Executive and Audit Board.

Further details on the SQAP are included on [page 32](#).



### PIE monitoring and supervision programme

In November 2023, in response to our first evaluation of our SoQM under ISQM(UK)1, we implemented a programme of enhanced central monitoring and supervision for our PIE audits, subsequently extended to certain other higher risk audits.

The purpose of this programme was to help safeguard audit quality for these engagements while we remediated our SoQM.

The programme, which is subject to regular reporting to the LT, has included, as examples:

- ▶ An assessment of the capacity and skillset of each Audit partner and EQR assigned to the engagements, subject to review and challenge by LT and the Chief Audit Risk Officer, with subsequent actions agreed such as reallocation of audits

- ▶ Assessment of the size, structure, capacity and skillset of the proposed engagement teams, consultations and engagement with specialists and experts and fortnightly monitoring of each engagement through local audit management in each office and sector to identify emerging risks and resulting actions
- ▶ A review of recurring audit quality findings at an engagement level with each of the RIs and EQRs and
- ▶ Central monitoring of actions raised from the programme.

The programme has supported enhanced LT scrutiny and monitoring of higher risk engagements while increasing the support available to Audit teams from the central audit quality infrastructure. We will continue to operate this programme until we are satisfied that our SoQM is operating effectively following the ISQM(UK)1 remediation plan.

# Audit Quality

## Building our bedrock

### Our Strategic Audit Quality Plan (AQP)

#### The plan and its purpose

We use our AQP, in conjunction with the detailed SQAP, to provide clarity to the Audit stream as to the prioritisation of audit quality in our strategic decision making, define and communicate key actions and focus areas and drive consistent high-quality auditing.

Our refreshed AQP was released to the stream in June 2024, following approval by the Audit Executive and the AB. It sets out priorities for both engagement teams and the Audit stream to drive improved audit quality.

The key focus areas at an engagement level, referred to as our "Big Rocks", are summarised on this page. In the year, we have added engagement with specialists and experts as a key focus area based on RCA findings and challenges identified through the PIE monitoring and supervision programme.

#### Four big rocks

When not audited robustly, the Big Rocks pose the most significant threat of failure of our audited entities and reputational damage to BDO.



#### Examples of actions in relation to each "Big Rock" include:

- ▶ **Audit of revenue** – extension of the Revenue Centre of Excellence scope to full revenue execution review and approval for a risk-based selection of audit engagements

- ▶ **Specialists and experts** - specific plan developed to enhance resource capacity and planning, precision of scoping and training for both Audit teams and specialists and experts
- ▶ **Going concern and viability** – Summer School 2024 sessions on Auditing the Future, focused on auditing judgements and estimates and sufficiency of evidence
- ▶ **Detecting material fraud** – enhancing standard templates for the audit of journals with accompanying training focused on mindset, risk assessment and strategy design.

'We Have a Challenge Mindset' is one of our four Audit Specific Behaviours and underpins effective challenge and scepticism and we will use our High Performing Teams framework to drive the adoption of our PJF to support the application of a challenge mindset at an engagement execution level.



#### Priorities

At an Audit stream level, the AQP sets out a number of priority areas to strengthen and support delivery of consistent high-quality across the Audit practice including:

- ▶ The design and implementation of a multi-year standardisation programme focused on templates and tools to support consistent application of our methodologies, initially focused on areas of recurring findings
- ▶ Embedding changes identified through the 2023 strategic review of L&D with the development and launch of a revised learning curriculum, and
- ▶ Multi-year development of a new Audit Process Tool (APT) led by BDO Global to enhance workflows, embed sector methodologies and enable live updates to the tool in response to audit quality findings. The UK is undertaking a leading role in this project.

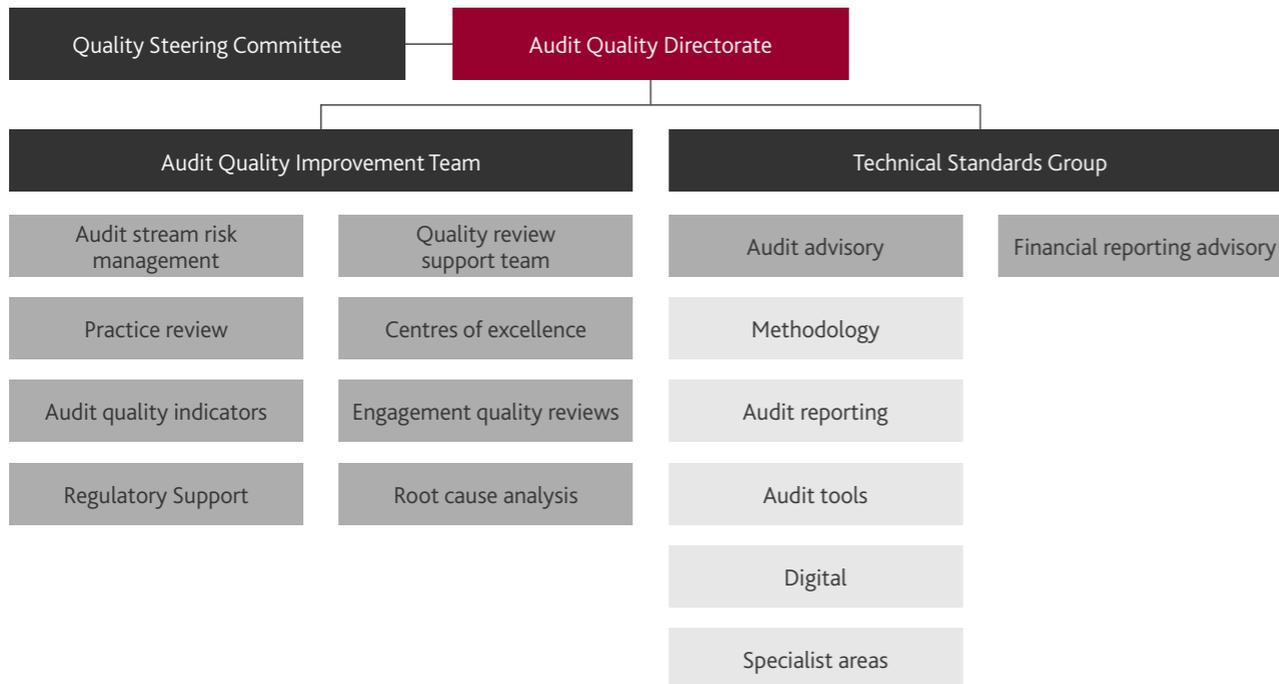
# Audit Quality

## Building our bedrock



### Audit Quality Directorate and Audit Quality Leaders Council

A key element of our Audit Quality Transformation programme has been the strengthening of our central audit quality infrastructure to support Audit teams, through our AQD, which comprises our Technical Standards Group (TSG) and Audit Quality Improvement team.



The investment in our central quality functions has seen a significant expansion in the AQD since its formation in late 2021. While investment in people has continued in the year, our focus has been on embedding the people who have joined and the teams and structures that have been established in recent years and has focused on connecting each aspect of the AQD to build a continuous improvement model as part of our SoQM. Key areas of focus have included:

- ▶ Increasing and improving the way audit quality data is collated and shared
- ▶ Formalising and improving processes and controls through the SoQM remediation programme with a particular focus on ensuring activities of each area of the AQD are appropriately connected to identify quality risks and respond and
- ▶ Enhancing governance over the design, implementation and monitoring of actions.

During FY24 we formed an Audit Quality Leaders Council (AQC) comprised of Audit Quality Lead partners across each office and sector. The AQC is responsible for providing leadership for all engagement teams delivering audits, both supporting the design and development of audit quality initiatives and embedding changes at a local level.

We continue to use our SQAP to support both the firm's overarching framework to drive audit quality, the AQP, and our response to regulatory findings, as it assists in monitoring the progress of key actions to improve audit quality. As part of our ISQM(UK)1 evaluation we have concluded that we need to enhance our management of actions, ensuring that they are appropriately closed according to the timetable set, that there is appropriate governance over any delays, and that the actions are sufficiently granular to ensure that actions are embedded.

We have developed an online SQAP tool that is now being used to monitor all actions included within the SQAP and enable analysis through different lenses. It forms the basis of all SQAP reporting to Governance and Leadership bodies.

The SQAP is maintained by the Regulatory Support Team and is subject to monitoring and oversight by the Quality Steering Committee which reviews the progress of the Action Committee and status of SQAP actions on a monthly basis considering AQIs, RCA reporting and other inputs.

The SQAP includes our priority areas and relevant actions are mapped to these priority areas. The priority areas continue to be reviewed every six months and these have been revised to take account of RCA findings, other stand-back analysis and AQIs. These priority areas currently include:

# Audit Quality

## Building our bedrock

Controlling growth and portfolio to manage the portfolio within the context of capacity and capability of the Audit stream

Project management and review

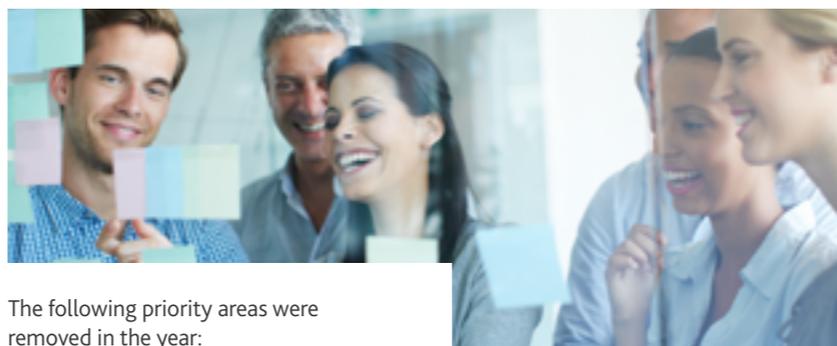
Strengthening challenge of management by providing engagement teams with the necessary skills and confidence

Enhancing the audit of revenue through provision of practical guidance and central support

Strengthening practical application of methodology and supporting front line Audit teams including through the enhancement of the global audit tool and training programmes

Strengthening the EQR function to provide increased challenge and support to teams

Linkage of reward and recognition with quality



The following priority areas were removed in the year:

- ▶ Strengthening PRs – There has been significant progress made on the timeliness, depth and challenge provided by the inspections
- ▶ RCA – RCA has made progress in recruitment and the design and implementation of a revised framework in the year.

Both areas remain as important functions with plans in place for continuous improvement.

During the year, we developed an initial effectiveness monitoring framework in respect of the SQAP, which considers both quantitative and qualitative information. As part of the framework,

we have assessed the priority areas for the implementation and effectiveness of the actions taken to date. The framework will continue to evolve as the programme develops and our ISQM(UK)1 evaluation has taken account of the fact that this effectiveness programme is not yet sufficiently mature.

These effectiveness assessments are subject to review and approval by the Head of Audit Quality and Risk and will be used to identify areas requiring potential changes to actions for consideration by the Action Committee as part of the continuous improvement cycle.

### Acceptance and continuance

As part of our strategic focus on controlled growth, improving our portfolio of audits and strengthening our SoQM, we continue to apply a rigorous assessment process to audits that we choose to tender for, with RIs required to submit an audit tender form (structured around the Four Lenses approach detailed in the graphic below) for review and approval at different levels depending on the risk profile and fee level.

This aligns to the firm's strategy of responsible growth and best quality revenue, and supports us with only taking on high-quality engagements, for which we are confident we have appropriate available resource, which will in turn enable us to deliver consistent high-quality audits.

We have implemented a new 'audit continuance' process and platform in the year to assess continuance on an engagement-by-engagement basis at the firm level using our Four Lenses approach detailed in the graphic on this page.

Phase One of this project was launched in April 2024 for PIE audits signed off in March 2024, and Phase Two launched in June 2024 for all audit engagements on a rolling basis.

The process and platform facilitates structured, centralised assessment of audit continuance, approval hierarchies and formal evidencing around our decisions allowing us to apply a firm lens to decisions about whether we continue to act for entities.



The new process involves the RI completing an audit continuance form via a web-based platform and submitting this for various levels of review and approval depending on the risk profile, resourcing requirements and certain other aspects of the engagement.

When the decision to continue an engagement is approved, we then ensure we have centrally understood and rated the risk and can therefore apply the appropriate risk management in delivering a high-quality audit.

The implementation of this tool is a significant step in the enhancement of our SoQM.

However, we expect it to take up to a year for all audited entities in our recurring book of business to have been assessed through this tool and for these assessments to be used to influence other aspects of our SoQM such as overall resourcing decisions.

# Audit Quality

## Building our bedrock



### Methodology and our audit tool

We apply a global audit methodology to our audits, supplemented by additional application guidance to meet additional UK legal and regulatory requirements. Audit teams use a globally developed and maintained tool, APT, to perform and evidence our audits.

We continue to support the development of global methodology through provision of specialists to global projects, such as the implementation of International Standard of Auditing (ISA) (UK) 600 (revised) which significantly changes how group audits will be performed in the future. Support is also provided through representation on the key global Audit Leadership bodies.

During the period, as detailed in the AQP section above, a multi-year global project was initiated to replace APT and to challenge and make changes, where appropriate, to our global audit methodology. The project is currently progressing through detailed design with the UK providing resources including partner and technical resources.

Although the final product will not be delivered for some years, areas will be identified which can be implemented more quickly to enhance audit quality.

Our audit methodology in the UK continues to evolve by:

- ▶ being responsive to findings from PRs, regulatory inspections and our own RCA and feedback from practitioners
- ▶ considering whether themes arising from an analysis of consultations and prior period adjustments may indicate changes to our methodology, or further guidance, would be beneficial
- ▶ considering how to incorporate best practice and
- ▶ responding to learning from the findings and best practices of other audit firms.

Our aim is to ensure Audit teams have the best possible methodology that is easy to access and apply, even in complex situations, which can be consistently applied in a scalable way, and which provides those teams with the confidence to deliver high-quality audits.

In turn, Audit teams must be supported by TSG consultation when the methodology requires particular interpretation or does not address specific circumstances.

We recognise that we need to do more to drive a consultation mindset in our Audit teams to encourage them to consult on judgemental areas, as well as making it clearer where consultation is mandatory, and build the relationship between TSG and Audit teams so that they are clear where to go for consultation.

During the period, a significant focus has been on the development and introduction of specific sector methodologies for Audit teams carrying out work in a number of key sectors in which we operate, with sector specialists continuing to make further enhancements in the coming year. A significant area of activity has been the development of enhanced FS methodologies, an area subject to positive comment by the FRC.

Other enhancements have included the further embedding of the PJF, together with enhancements in the areas of going concern, fraud, revenue and pension assets with projects underway to enhance our methodology and guidance with respect to materiality, sampling, auditor reporting and auditing inventory and the financial statements. Notwithstanding the enhancements we have made to our methodology, we recognise that we still have a programme of work to deliver and we need to enhance our controls around the delivery of changes to our methodology.

Looking to the future, as noted in the AQP section, we are seeking to standardise more of what Audit teams do to achieve better consistency. This also enables us to consider what more we can automate.

As part of their most recent inspections, the FRC performed their final supervision activities in respect of methodology under International Standard on Quality Control (UK)1 (ISQC(UK)1). The FRC reviewed the firm's processes for identifying methodology updates and training needs, and how these were designed, approved and then communicated to the Audit stream, and paid specific attention to revisions following changes to ISA(UK)240 and ISA(UK)315.

The FRC reported that they had no key findings or good practice to report. The FRC also included in their report that we had significantly improved all of our banking methodology and our ability to support Audit teams through improved granularity, adding illustrative risks, and more clarity on audit evidence.

Sector specific content has been added to the audit manual complemented by improved functionality.

The Methodology team regularly meets with all parts of AQD, members of the Audit stream, Audit stream L&D and others in the firm to understand findings and challenges to determine what actions are needed. As part of this process a Methodology partner chairs the Action Committee detailed on [page 30](#).

In respect of learning, we work collaboratively with Audit stream L&D throughout the year, not only to identify learning needs, but also to support the development, review and approval of learning materials ensuring technical compliance, and to assist in the delivery of learning sessions both face-to-face and virtual.



# Audit Quality

## Building our bedrock

### Engagement Quality Reviewers (EQRs)

The role of the EQR is one of the key elements in ensuring the firm's expectations regarding quality are met and embedded in audits at the engagement level, both those mandated as required by ISQM(UK)1 and those where the firm has judged there to be higher risk or public interest.

During the year, policies and guidance related to EQRs were reviewed and updated where necessary to ensure compliance with the International Standard of Quality Management (UK) 2 (ISQM(UK)2).

The available pool of EQRs was reviewed following the firm's annual quality and risk assessment process, with certain EQRs stood down in light of audit quality findings on the file inspections or restrictions implemented on the nature of their EQR roles.

This forms part of our measures to ensure we have the right people undertaking this key quality control role whilst also enabling individuals to focus on improving their audit quality by providing them with additional capacity where needed.

Additionally, each individual with a quality rating 'Requiring Improvement' as a result of performance of their EQR role was required to develop an action plan encompassing EQR responsibilities.

EQRs are generally rotated after four years, allowing overlap with RI terms of appointment while mitigating against familiarity threats that arise from longer periods of engagement.

Exceptions to this principle are made when the benefits to audit quality of continued involvement outweigh the threats arising from familiarity, particularly to avoid same year rotation of EQR and RI, and on more complex audits where there is a significant learning curve in undertaking the role.



EQRs are allocated by the EQR Appointments Partner who takes into consideration experience, both generally and with regard to engagement specifics, capacity information from the portfolio review which includes specific assessment of EQR roles, and direct engagement with an appointee to ensure they are comfortable with the appointment, both from a capacity and knowledge basis.

Additionally, through the audit acceptance process, the EQR Appointments Partner is notified of tenders and confirms the availability of an EQR with appropriate capacity and competence for the audit.

During the year, we have continued with EQR roundtables. Output from these roundtables led to the launch of a new mandatory tool to drive improvements in documentation through a tailored work programme for EQRs to encourage and capture their challenge.

The tool also supports evidencing how the EQR delegates and oversees the work of any EQR assistants that are being used. The Head of Audit Quality Improvement meets with EQRs on the most significant engagements on a regular basis to discuss their live engagements, provide support on areas such as technical or capacity issues and provide central intervention where required.

A training needs analysis for EQRs has been carried out during FY24 to formalise foundation training for new EQRs. This training has been delivered on a one-to-one basis previously and, following its relaunch, it will be a requirement for all EQRs to complete it, to act as a refresher of the principles and requirements that EQRs need to have in mind when undertaking the role, as well as meeting the requirements of ISQM(UK)2.

Additionally, mandatory annual training is being developed and will either be run as part of regular RI training or as part of the EQR roundtables which will continue as a forum for knowledge sharing.

# Audit Quality

## Building our bedrock

### Technology Risk Assurance

Technology Risk Assurance (TRA) specialists and experts work as part of an integrated team with core audit professionals to enable the delivery of audit procedures over complex technology risk areas and develop and utilise technology to support the execution of audit procedures by Audit teams. TRA's capabilities include technology controls testing, data analytics and IT development.

We have continued to invest in our TRA team, with 124 team members being promoted in the past year, including three appointments to partner. Furthermore, we have expanded the overall size of our team from 221 to 244 including the recruitment of two lateral hire partners. These investments support the audit quality objectives of the Audit stream and facilitate embedding TRA within sectors and offices.

We continue to deliver on our TRA Quality Plan, which complements the AQP and SQAP and focuses on TRA activities that will enhance audit quality and supports the principles of the High Performing Teams framework.

We have established an Emerging Technology group within TRA this year with selected members attending emerging technology training to enable TRA to further support the Audit stream in addressing audit risks in areas such as AI and cloud computing. The group will also support the upskilling of the broader TRA team and work closely with the AQD team on emerging audit risks from new technology.

Qualitative and quantitative effectiveness measures have been established to monitor the outcomes of the activities in the TRA Quality plan.

TRA collaborates extensively with the AQD teams in developing the firm's methodologies and templates and, this year, four managers were seconded to the PR team to support this key area.

Our annual TRA Academy was held in early summer. This is a nationwide training event to supplement the broader audit learning curriculum with areas of focus relevant to TRA's capabilities.

Additionally, specific "Hot Topic" sessions are held throughout the year covering areas of new methodology and guidance, plus areas of focus arising from feedback from internal and external reviews.

### Centres of Excellence

In line with our Audit Quality Transformation programme, we are expanding the audit centres of excellence (CoE) model to help Audit teams plan and execute high-quality audits while equipping them with transferrable skills. The CoEs seek to achieve this by:

- ▶ Supporting the development of audit methodology and sector specific application by the TSG methodology function in the CoE specialist areas
- ▶ Developing workpaper templates to achieve standardisation and consistency across complex audit areas within the CoE specialisms
- ▶ Driving innovation and use of digital audit techniques through collaboration with the TRA Data and BDO Labs Teams and
- ▶ Helping auditors develop specialist audit knowledge through coaching and practical guidance and provision of technical support.



### Established and operational - Revenue CoE

The Revenue CoE team has continued to be embedded into the Audit stream, to help support Audit teams through review and approval of audit strategies for individual engagements and identification of areas that require additional guidance, training, and practical implementation support.

We continue to invest in the team and increased the headcount from four in June 2023 to eight as at 5 July 2024 to ensure we have capacity to support more Audit teams. The increase in capacity enabled us to extend the scope of mandatory consultations on revenue approach to all audits subject to AQR inspection scope.

Highlights for the year:

- ▶ 107 revenue approach consultations conducted on December 2023 year-end PIEs
- ▶ 152 non-PIE audit engagements supported with the revenue audit approach
- ▶ 61 Audit teams supported in the planning and execution of digital audit techniques over revenue
- ▶ Six new guidance and practice aides and three new workpaper templates developed and published on the audit of revenue and digital techniques.

While we note revenue continues to be a focus area within both our internal and external regulatory reviews, we have seen a decrease in the number of key findings on revenue from the AQR reviews.

However, as part of measures to further improve the audit of revenue, the scope of the CoE involvement will be extended in FY25 to include review and approval of the execution of the audit of revenue strategy for audits identified centrally as higher risk.

# Audit Quality

## Building our bedrock

### New CoEs

#### Pensions CoE

During the year, we launched a Pensions CoE pilot supporting 14 PIE and other high risk engagements with December 2023 year ends. As we finalise full deployment plans, we have extended the pilot period to provide transition support for other PIE engagements with complex defined benefit pension schemes. Our aim is for the Pensions CoE to be fully operational for March 2025 year-end audits.

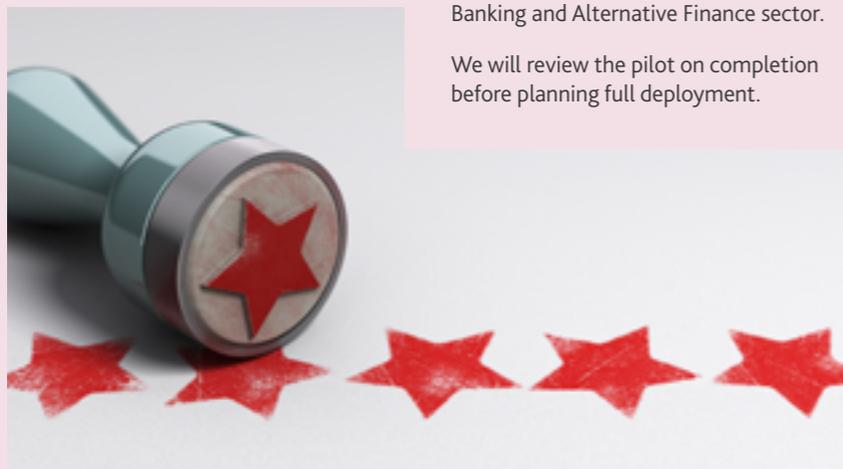
#### Valuations CoE

The Audit Executive has approved plans for a new Valuations CoE. A pilot has recently commenced with four team members who will initially focus on a scope of 20 engagements by the end of October 2024. The pilot results will be assessed during FY25.

#### Credit CoE

A pilot Credit CoE is currently underway focused on the audit of credit impairment for selected audited entities in the Banking and Alternative Finance sector.

We will review the pilot on completion before planning full deployment.



### Quality Review and Support Team (QRST)

The purpose of the Quality Review and Support Team (QRST) is to improve audit quality across all audit sectors and ensure that we consistently deliver high-quality audits.

QRST seeks to improve audit quality through:

- ▶ Coaching and supporting Audit engagement teams through all phases of the audit from planning through to completion
- ▶ The review and challenge of the engagement team's audit approach and documentation, to identify areas of improvement before the completion of the audit engagement
- ▶ Collating the emerging themes and good practice examples identified across all QRST reviews on a periodic basis, and sharing these with the Audit stream and key stakeholders such as the methodology and training teams.

QRST supports engagement teams delivering the firm's most complex audit engagements which include mainly, but not exclusively, AQR in-scope engagements. The QRST provides real-time support to engagement teams through in-flight reviews of audit files during all phases of the audit from planning through to completion.

In identifying the audit engagements to be supported, consideration is given to the risk profile, outcome of regulatory reviews (internal & external), and other qualitative factors identified in collaboration with the AQD and the Audit Executive such as partner quality and risk ratings and findings from the portfolio review. Looking forward, as the new audit continuance process embeds, QRST will further utilise the outputs to inform its risk-based selections.

We continue to invest in the QSRT function with headcount increased from 5 in October 2021 to 13 in July 2024 and recruitment is on-going. The increased investment has enabled us to enhance the scope and depth of the reviews. The scope of reviews captures all significant risk areas and other areas of focus based on regulatory requirements and internal data points such as PR recurring findings.

In addition to the full scope and focused reviews, the QRST performed in-flight thematic reviews in the year, covering payments and settlement process, International Financial Reporting Standard 13, audit of journals, audit of controls and IT General Controls, and the audit of inventory based on recurring findings from PRs and external inspections or to support monitoring of actions taken to enhance these areas.

This forms an important element of the QRST's involvement in the continuous improvement cycle which involves both inputting into the monitoring of effectiveness of actions taken by the Audit stream to improve quality and providing feedback on emerging themes to the Quality Steering Committee and functions within the AQD.

The QRST has seen significant expansion in recent years. Whilst positive correlation between the QRST involvement and quality outcomes was evident in external inspections in FY23 and in PRs in FY24, key findings have arisen in FY24 on a number of audits which had QRST involvement. Action plans are being developed in this area and an effectiveness review is being scheduled in the upcoming months.



# Audit Quality

## Building our bedrock

### Specialists and experts

As the complexity of audits increases, there has been an increase in the extent to which specialist and expert skills, knowledge and experience are required to drive high-quality audits, ranging from taxation through to the audit of complex valuations. Our RCA and ISQM(UK)1 remediation programme also identified that engagement with specialists and experts was an area that we needed to strengthen to achieve consistent high-quality outcomes leading to the review and redesign of various processes and controls in respect of the engagement of specialists and experts.

During FY24, we established a Specialists and Experts Project Delivery Group (PDG), overseen and monitored by a cross-stream Specialists and Experts Steering Committee. The PDG has responsibility and accountability for the detailed design and implementation of a quality improvement plan in this area focused on the following:

- ▶ Enhanced resource capacity and planning with additional recruitment, piloting of offshore resourcing in specific areas and tools to improve management information to inform resource planning and allocation
- ▶ Standardisation and policies to drive precision in scoping audit specialist and expert involvement, and
- ▶ Enhanced training for both Audit teams and specialists and experts.

We have made good progress on this in Tax and Forensics during the year, however we need to expand this work to cover all other internal specialists and experts during FY25.



### ESG in Audit and Non Financial assurance work – Audited Entities

The corporate reporting landscape and regulatory requirements around the world continued to evolve rapidly during FY24. We recognise the growing demand for transparent, accurate information about companies' carbon footprint, decarbonisation strategies and the impacts of climate change, as well as social metrics, on financial performance.

As signatories to the Net-Zero Service Providers' Alliance, part of the Glasgow Financial Alliance for Net-Zero, we are committed to planning and performing audits in accordance with professional standards and related guidance issued by standard setters, including as they relate to climate-related matters.

From a policy perspective, climate risk consideration is mandatory for every one of our audits.

We have continued to expand the Climate and Sustainability (C&S) technical team to support our Audit teams, creating a highly specialised group.

Additionally, during FY24, we further developed and adopted a sector-based approach to identification of the exposures of our audit portfolio to climate-related risks and introduced a policy for Audit teams to engage with the C&S team on a number of engagements depending on their climate risk rating.

We continue to enhance our approach to auditing the impacts of climate change by providing sector-specific guidance, illustrative cases, tools and technology and data enabled analytics solutions to the Audit teams.

We have started to increase (and will continue to increase) our capacity building activities through a combination of a secondment programme, growing our C&S Champions network, expanding the C&S Technical team centrally and in the regions, and integrating ESG considerations into training and learning programmes for Audit teams. In doing so, we continue to leverage our network capabilities at a European and global level, building upon the experience of other jurisdictions with more extensive reporting and regulatory requirements already in place.

Recognising rapid changes in the global regulatory landscape and addressing evolving standards, such as ISSA 5000, we have been supporting the development of BDO Global's sustainability assurance methodology.



# Audit Quality

## Building our bedrock

### Audit People and Culture

As we acknowledge throughout this report, people are at the heart of our business and, as such, are central in our drive to enhance audit quality.

We know that we can only succeed in our ambitions through having the right people, in the right place at the right time and with sufficient capacity to do what we ask of them.

This is true of those who work as RIs, our audit engagement teams, specialists, and experts and those who work within the SoQM, supporting Audit teams.



### Approval of RIs and ongoing monitoring

Candidates for promotion to director or lateral hire recruits at director and above are subject to approval by the Audit Executive and LT respectively and subject to a quality, risk and technical interview with a member of the Audit Executive and a Partner from the AQD.

In respect of both new directors and partners, the ICAEW RI licence application is subject to review and approval by our Audit Compliance Principal, considering the prospective RI's skills and experience, the quality, risk and technical interview findings and CPD.

Director RIs are granted a provisional audit licence and are required to have a Director Quality Reviewer on each engagement until they have demonstrated a sufficient track record of audit quality evidenced through the PR. In FY25 we are changing our process such that a candidate for director RI undergoes a PR before their nomination for promotion to director is approved by the Audit Executive. Lateral hire partners are subject to a PR in their first year.

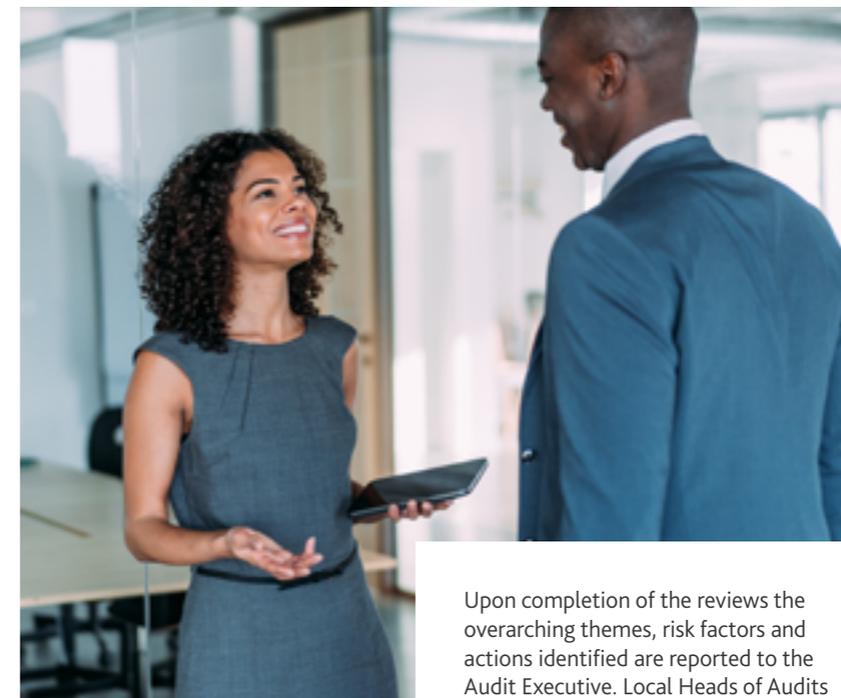
Controls have recently been implemented or enhanced to provide greater central oversight of RI allocation to individual engagements, including approval of initial portfolio allocations for new RIs, transfers in the normal course of activities and Head of Audit Quality and Risk approval for reallocations of AQR in-scope audits. This is focused on ensuring the allocated engagements are appropriate for the skills and experience of the individual RI. These are new processes during the year and we will therefore carefully monitor their impact on managing risk, and make further enhancements as needed.

RIs who receive an adverse PR or external inspection outcome must complete a quality improvement plan which is subject to review and approval by the Head of Audit Quality and Risk. The AQD undertakes a quality and risk assessment annually of all RIs. The assessment is underpinned by a quality and risk framework and considers internal and external inspections, ethical matters, risk issues and contributions to audit quality.

RIs who receive an adverse rating must complete an action plan which is subject to review and approval by the AQD. The plan includes remediation actions and the monitoring of the progress of these actions. While we have required action plans for a number of years, through our ISQM(UK)1 evaluation we concluded that further enhancements are required to the central monitoring of action plans.

During the year, we implemented a new procedure whereby on a monthly basis RIs that have received adverse inspection outcomes or investigations are reviewed by the Head of Audit Quality and Risk to determine whether additional central safeguarding actions are required such as restrictions on portfolio. The actions are monitored centrally with oversight by the Audit Executive.

Annually, the firm undertakes RI portfolio reviews to evaluate the capacity and competence of each RI to execute their portfolio, considering their RI, EQR and management roles as applicable.



Upon completion of the reviews the overarching themes, risk factors and actions identified are reported to the Audit Executive. Local Heads of Audits and Sector Leaders are responsible for implementing the actions agreed and AQD oversees progress on action plans and reports to the Audit Executive.

As part of our ISQM(UK)1 evaluation we determined that further improvements are required to strengthen processes and controls around the allocation of RIs to safeguard audit quality and we are currently developing a safeguarding framework which will introduce additional controls to support and monitor new RIs and RIs in their notice period prior to leaving the firm, alongside increased oversight of safeguards for RIs with adverse quality issues.

# Audit Quality

## Building our bedrock

### Our focus on High Performing Teams

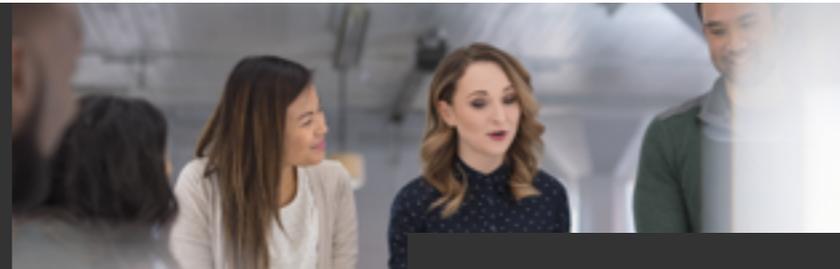
As reported last year, an Audit Culture Committee was established during FY23 and this Committee developed a framework for the Audit stream focused on High Performing Teams underpinned by four Audit Specific Behaviours. The High Performing Teams framework and the Audit Specific Behaviours have been a key part of the Audit stream focus on consistent high-quality audit outcomes since the beginning of FY24.

Since defining our High Performing Teams culture, we continue to embed the framework and the Audit Specific Behaviours as our culture of quality. This focus supports our delivery of consistent high-quality audits which serve the public interest. Our High Performing Teams 'launch' week in July 2023 was centrally led and supported locally to ensure as many direct culture and behaviour touchpoints as possible across the stream to begin the embedding of our focus on our framework and behaviours.



The initial traction was further supported through bringing to life the importance of a high-performance culture through keynote speakers from the world of sport during two sessions of Summer School as well as the framework acting as a golden thread throughout the sessions, focused on the culture of quality.

We have completed locally-led activities to bring to life the meaning of each of our Audit Specific Behaviours and generate traction around the importance of using these behaviours in our day-to-day interactions as auditors.

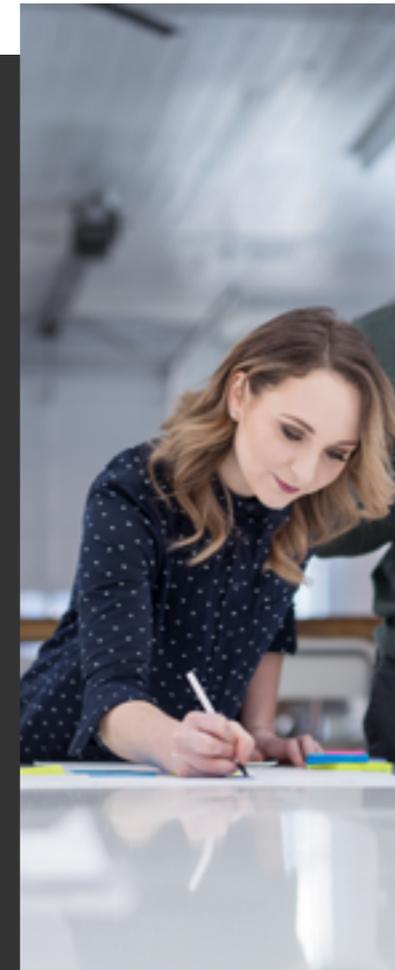


We have established a network of 'Influencers' comprised of partners and managers from each business area, whose roles are to bring to life, at a local level, these day-to-day interactions which embody High Performing Teams and the Audit Specific Behaviours. Our Influencers are also responsible for identifying themes locally and reporting back to help us prioritise additional areas of focus to assist us with embedding our culture of quality.

To strengthen our governance structure, we have established two additional bodies which report into our existing Audit Culture Committee: The Audit Culture Working Group and the Audit Culture Panel.

The Audit Culture Working Group comprises senior representatives from our Audit Directorates and its purpose is to encourage collaboration in ensuring stream priorities are connected back to our culture of quality. The Audit Culture Panel comprises audited entity-facing middle managers who provide independent feedback on culture priorities before they are implemented at scale.

As we continue to embed High Performing Teams, we are now beginning to assess the effectiveness of this cultural framework on our ability to deliver consistent high-quality audits, through the identification of initial key performance indicators which we will continue to measure on a periodic basis.



### Areas of focus

This year we have progressed several areas of focus, including:

- ▶ Highlighting the value of creating and maintaining psychological safety across teams and introducing a Cultural Intelligence training programme
- ▶ Focusing on the core area of project management through the delivery of training, tools and initiating our professional project management team who support on the most complex audits within our book of work. Successful project management is closely tied to our new Specialists and Experts Big Rock, which we reference on [page 31](#)
- ▶ Initiating proprietary research on the future of our audit profession through a 'Why BDO?' lens, recognising that we must continue to attract, develop, engage and retain our talent to support High Performing Teams and that our BDO culture provides us with a unique opportunity to do this.

Further detail on each of these areas is set out later in the section.

# Audit Quality

## Building our bedrock

### Effectiveness of our culture of quality

To understand progress on embedding our High Performing Teams framework we continue to assess both quantitative and qualitative data that comes from internal and external sources. To support this assessment, we reviewed the outputs from the FRC's inaugural 'Audit Firm Culture & Environment' survey, which was released privately to audit firms in late 2023.

We have also reviewed the results from the external Audit Feedback Programme pilot which captures feedback direct from our audited entities, their management teams and Governance bodies. These external data sets have been triangulated with our own internal data sources, such as the Listening Programme 2023 results, RCA findings, colleague feedback and internal gap analysis.

This triangulation reconfirmed our continued areas of focus and priority actions for FY25 to help us further embed the High Performing Teams framework and the Audit Specific Behaviours.

To more regularly validate our audit cultural change progress, we have launched a culture dashboard using existing topical KPIs to measure the effectiveness and embeddedness of our High Performing Teams framework and Audit Specific Behaviours. This management information will be reported to the Governance bodies on a quarterly basis and will provide a structured framework for evaluating our audit culture in a systematic manner.

By monitoring key metrics aligned to our Culture framework, we will pinpoint areas where the culture is thriving and nurture those areas that require focus to drive continuous improvement and high-quality outcomes. This dashboard will be crucial to the development of targeted culture interventions which strengthen the Audit Specific Behaviours across audit in FY25 and beyond.

### Future of the audit profession focus

Our focus on our High Performing Teams framework underpins much of how we translate the future of the audit profession to our teams. We have conducted our own proprietary research on the future of the profession to ensure we prioritise the areas that will continue to attract, develop, engage, motivate and retain our talented BDO colleagues.

We also recognise that really getting under the skin of this topic will require collaboration with the wider eco-system (e.g. other firms, regulatory bodies) to ensure there is a wider and a more meaningful impact for the profession as a whole and we are active in the relevant forums and working groups.

Within the Audit stream, where 'doing the right thing' is paramount, we need to create an environment for our people to thrive and deliver consistent high-quality audits. One such way of doing so is ensuring we assess and recognise individuals' contributions to audit quality, both through financial and non-financial incentives.

### Psychological safety training from manager to partner

Fostering a psychologically safe working environment is not just about creating a 'nice' workplace; it is crucial to significantly enhance high-quality outcomes through encouraging challenge. To aid embedding our High Performing Teams framework the Audit stream has engaged with Cognacity – global experts in mental health and performance – to deliver psychological safety workshops for Audit partners and directors throughout autumn 2023.

These workshops were focused on the importance of the role of a leader in creating the right 'tone at the top' and fostering a culture of psychological safety within their teams.

The stream ran 13 half day workshops (with an average of 16 partners and directors per session) throughout Autumn / Winter 2023 across five different UK locations.

These workshops covered the organisational benefits of creating a culture of psychological safety.

Sessions were delivered by the Cognacity experts setting out the definition of psychological safety in its academic context and the neuroscience behind it, with a specific 'deep dive' on dealing with cultural diversity of teams and how this can impact psychological safety.

Across Spring 2024, we have continued to roll these sessions out to all senior managers in the Audit stream, using the same format as for partners and directors.

Longer term, we will look to develop an approach to sustainably embed psychological safety into all internal training materials.



# Audit Quality

## Building our bedrock

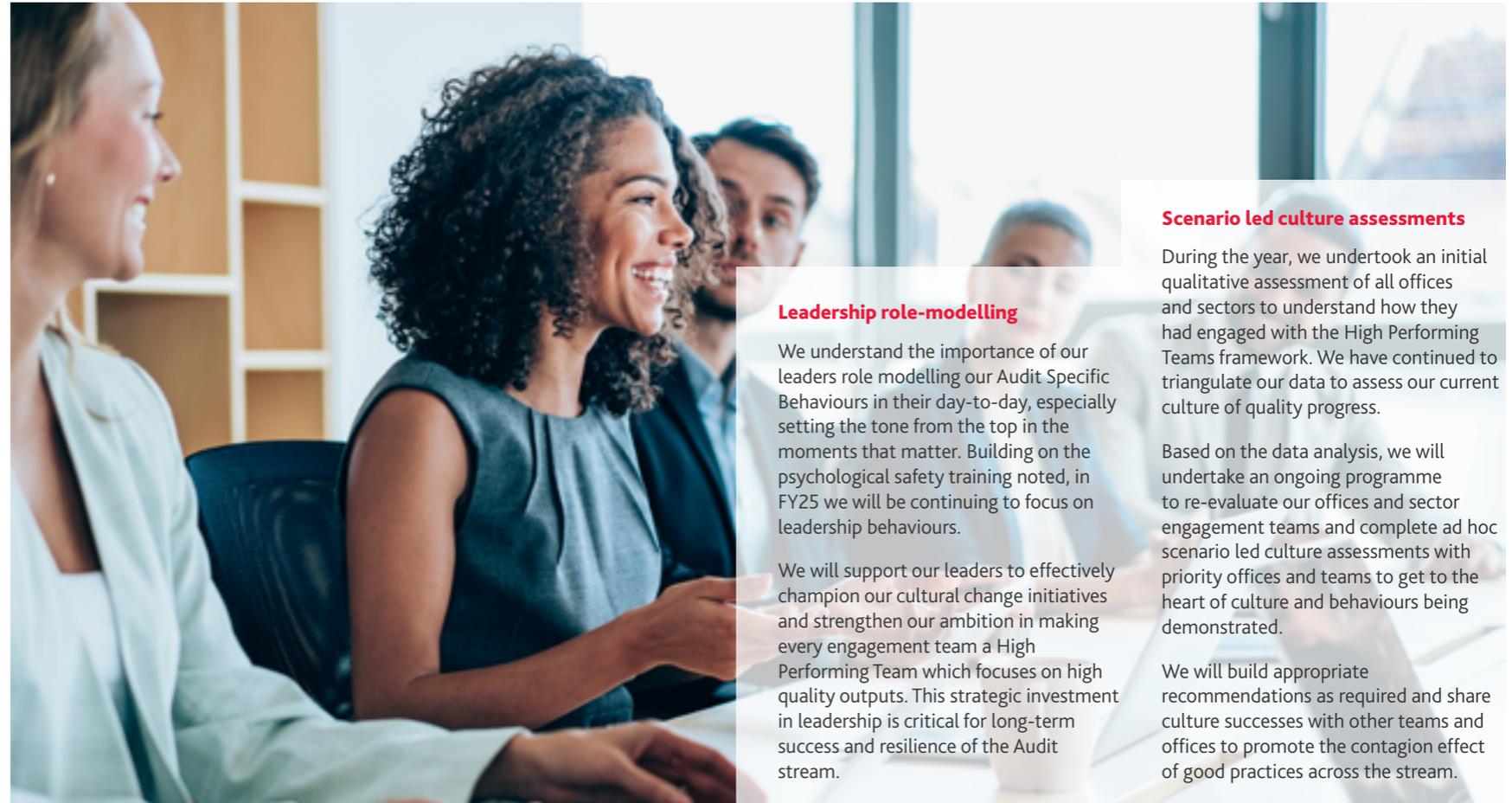


### Cultural Intelligence training

As part of Cognacity's Psychological Safety sessions, cultural differences were noted as having an impact on individual and team levels of psychological safety. For the Audit stream we are aiming to equip teams with the competencies needed to establish a culture of quality output while working across cultural boundaries (Cultural Intelligence or CQ), thus continuing to foster a culture of psychological safety for all individuals within the stream. It is important to note that 'culture' in this case does not simply mean people from different geographical locations, but considers broader factors such as gender, generation, religion, race, wider societal influences etc.

In January 2024, 16 individuals across a variety of teams/grades attended a full day pilot workshop run by the Cultural Intelligence Centre.

Following this pilot we have accredited a number of our Audit stream L&D team and senior people as CQ facilitators. In FY25 we will look to leverage our facilitators to roll out CQ workshops to RIs, as well as embedding the idea of CQ into the Audit L&D curriculum for a sustainable, longer-term approach.



### Leadership role-modelling

We understand the importance of our leaders role modelling our Audit Specific Behaviours in their day-to-day, especially setting the tone from the top in the moments that matter. Building on the psychological safety training noted, in FY25 we will be continuing to focus on leadership behaviours.

We will support our leaders to effectively champion our cultural change initiatives and strengthen our ambition in making every engagement team a High Performing Team which focuses on high quality outputs. This strategic investment in leadership is critical for long-term success and resilience of the Audit stream.

### Scenario led culture assessments

During the year, we undertook an initial qualitative assessment of all offices and sectors to understand how they had engaged with the High Performing Teams framework. We have continued to triangulate our data to assess our current culture of quality progress.

Based on the data analysis, we will undertake an ongoing programme to re-evaluate our offices and sector engagement teams and complete ad hoc scenario led culture assessments with priority offices and teams to get to the heart of culture and behaviours being demonstrated.

We will build appropriate recommendations as required and share culture successes with other teams and offices to promote the contagion effect of good practices across the stream.

# Audit Quality

## Building our bedrock

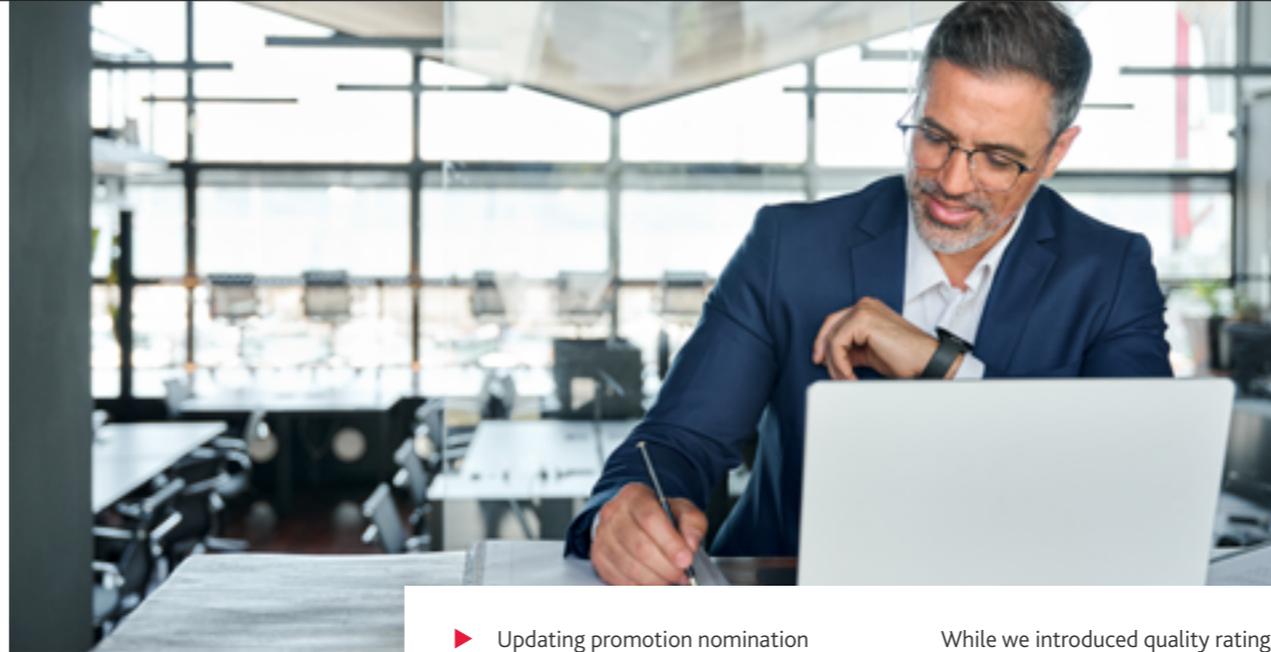
### Performance Management

In order to ensure we are consistently embedding High Performing Teams into the day-to-day behaviours of the Audit stream, we have further enhanced elements of the Performance Management process to reinforce its importance and encourage everyone within the Audit stream to demonstrate how they are contributing to the High Performing Teams key priorities of Quality, Commercial Management and Talent, and the Audit Specific Behaviours.



Our enhancements include the following:

- ▶ Extending our current requirement to complete a quality objective by now requiring everyone in the Audit stream to set a minimum of five SMART objectives with a requirement that three of these are focused on the High Performing Team priorities of Quality, Commercial Management and Talent
- ▶ Redesigning our feedback forms for all grades within Audit to ensure these are focused on High Performing Teams specifically drawing on the key Audit priorities of Quality, Commercial Management and Talent and the Audit Specific Behaviours
- ▶ Introducing anonymous upward feedback for managers, senior managers and directors, similar to the Partner Upward Feedback programme already in place, to provide an environment where junior members of Audit teams feel psychologically safe to provide honest feedback to these grades. The questions focused on the priorities of High Performing Teams with each manager and above provided with an individual report detailing the differences between their own responses and those from others, their strengths, areas of focus and opportunities for further development. The report is made available to support the Annual Review performance process and the upcoming objective setting process
- ▶ Updating promotion nomination forms for managers, senior managers and for directors to ensure candidates can evidence a meaningful contribution to quality with examples including secondments within our AQD, assuming a quality lead role or undertaking other quality-led initiatives
- ▶ Updating our Interim and Annual Review performance documentation for all grades to ensure our people can clearly demonstrate how they have contributed to High Performing Teams key priorities of Quality, Commercial Management and Talent so these are considered in their quality ratings (applicable to manager and senior managers), performance ratings and promotion outcomes.



While we introduced quality ratings to managers and senior managers in 2022, noting these have been in place for partners and directors for some years, we have continued to improve the robustness of the quality rating process through the use of data such as timely completion of firmwide mandatory and audit-required learning, internal and external quality gradings and broader contribution to quality.

For the final FY24 performance period we have further enhanced the data set referenced to include ethical breaches such as non-financial interest breaches and created a consistent firmwide approach on how breaches of this nature are considered during the Annual Review and reward process

- ▶ Continuing to operate a robust three-layered review and ratification process of all Audit Annual Review performance outcomes including a review by the Head of Audit People and Culture, a second review by Head of Audit Quality and Risk and a final review by the Head of Audit.

These reviews are data-focused, ensuring the documentation is of sufficient high-quality, supports the Audit stream requirements and principles are consistently applied. During this process we also scrutinise ED&I data to ensure we have been fair and consistent in our performance assessment, promotion and reward decisions.



# Audit Quality

## Building our bedrock

### Recruitment of quality talent

The recruitment of high-quality candidates is a continued area of focus for Audit.

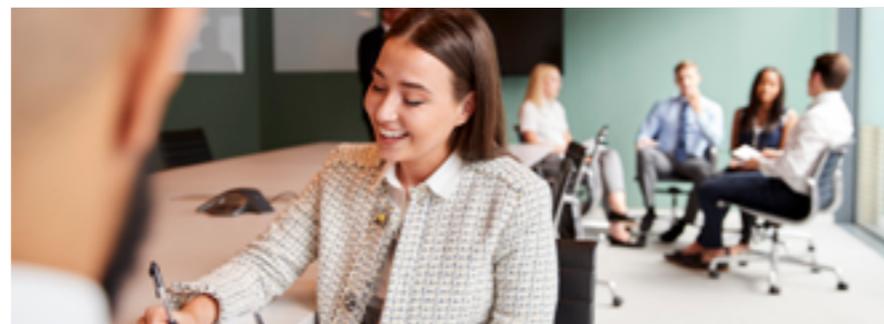
The EiC market is competitive and, according to Cibyl data, only 9% of graduates express an interest in roles in professional services. Other sector factors include that there has been a marked increase in international applications, growing concerns about exam failures and potential assessment cheating using AI. To mitigate such risks, we have re-worked our recruitment assessment toolkit, with High Performing Teams and quality forming the backbone of the questions being asked.

We have reinstated the 'in-person' interviews across the firm for graduate and school leaver candidates with only partners and director RIs conducting interviews, and mandated all assessors and interviewers attend training with focus on how to recognise and detect suspected cheating. We have also sought to streamline a national approach for our Internships and Industrial Placements to ensure they all share the same opportunities and experiences.

Looking forward, in FY25 we will be focused on more early engagement strategies such as Work Experience, Insight Days, Internships and Industrial Placements and will be seeking to invest further in such outreach activities.

Our Experienced Hire recruitment approach was also reviewed as part of our focus for quality candidates. This review included:

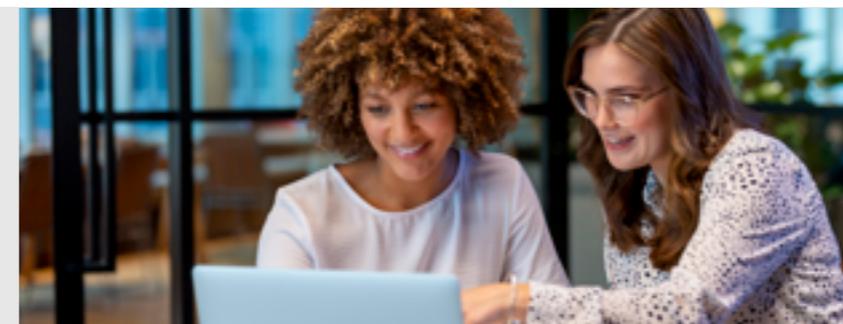
- ▶ A rewrite of the Audit interview question banks to ensure these were underpinned by High Performing Teams and the Audit Specific Behaviours
- ▶ A review and update of the technical skills toolkits
- ▶ The introduction of a question bank for quality and
- ▶ The mandatory requirement for all feedback documentation to be a sufficient quality standard prior to any offers being made.



### Onboarding new joiners

Having identified the quality talent to join our stream, it is important that we ensure that their onboarding is effective and supports our stream vision of quality. In FY24 we:

- ▶ Introduced a three-day face-to-face induction programme for experienced hires. This is run fortnightly, in line with our experienced hire start dates to ensure experienced hires attend the induction programme in their first two weeks. The programme primarily covers audit methodology and the use of APT. The in-person programme is delivered by our Audit stream L&D team as well as individuals from the stream who bring 'real-life' experience to the learning and help provide a supportive environment for our new joiners to better understand our approach and ask questions to aid their understanding
- ▶ Designed, delivered and hosted our Audit stream EiC Audit Welcome day for 442 new Graduates and School Leavers. The event built on the firmwide induction, bringing to life the Audit practice. The day served as a platform for the trainees to gain insights into the Audit stream's structure, our High Performing Teams and Audit Specific Behaviours, our vision and strategy, understand their important role in delivering consistent high-quality audits, establish valuable connections within their cohort and come away feeling proud to have joined BDO Audit. We have since used this blueprint to deliver an Audit Welcome to our SAICA joiners in February 2024
- ▶ Piloted and developed a lateral hire partner onboarding process for audit which sits alongside the firmwide induction for partners



Provided those that join us from overseas locations with additional support ahead of join date which covers not only information about BDO, but also practical advice for their new lives in the UK. Their buddies and people managers are also supported with resources on our dedicated intranet site to help our overseas new starters transition into their new roles with BDO.



As we look forward to FY25 we will be looking at how we can further embed High Performing Teams and the Audit Specific Behaviours throughout the three-day face-to-face induction for lateral hires. We will be undertaking pilots with certain Audit teams in offices on the induction and on-boarding process for the first 100 days, including the type of audit work new joiners are allocated to with guiding principles, reviewing the role of the buddy, providing clear guidance and ensuring this is recognised, and reviewing the role of the People Manager and how they support the new joiner.

Making continuous improvements to our Audit onboarding programme not only equips individuals with the essential tools, knowledge, and support they need to navigate their new roles effectively but also fosters a positive and engaging experience for our new joiners. By ensuring our new joiners have a sense of 'belonging' at BDO right from day one, we foster higher levels of engagement, productivity, and the delivery of consistent high-quality audits as part of a High Performing Team.

# Audit Quality

## Building our bedrock

### Financial and non-financial recognition

As part of our focus on High Performing Teams we have introduced non-financial recognition to recognise and celebrate our colleagues in the Audit stream. Such initiatives include bi-annual development and celebratory events for individuals who achieve milestone promotions to Audit manager, Audit senior manager and Audit director to align with our promotion cycle.

In November 2023 we also hosted our second annual Audit Awards ceremony where we celebrated exceptional displays of contributions to our quality agenda.

New for this year is a collaboration with The Blaze women's cricket team based at Trent Bridge in Nottingham. In May 2024, the cricket team delivered a two-day sports-oriented development and celebratory programme for a number of Audit colleagues who have consistently demonstrated exceptional performance across the year.



Get Connected ran for its second year in November 2023 and is an event that seeks to give participants the opportunity to hear from different business areas and understand more about how we work with our clients and audited entities. It also enables people to connect with different people and teams across the firm and hear about wider opportunities in support of the firm's priority 'Success Conversations'. This year we had 16 business areas within Audit and Advisory showcasing their offerings via virtual platforms.

We acknowledge the advantages of implementing initiatives that positively reinforce the behaviours and actions we deem crucial for consistently delivering high-quality outcomes. We continue to develop our suite of non-financial recognition initiatives as a priority.



### Listening programme

We opened our 2023 firmwide Listening Programme Survey for three weeks in December 2023. We saw an increased participation level for Audit at 74% - equivalent, at the time the survey closed, to 2,389 partners and staff sharing their feedback and insight on a range of topics.

We saw improvements in some of our focus areas such as people feeling more aligned and inspired by the firm and the Audit stream's strategic priorities and core purpose.

Audit also saw a significant improvement in Career Development, with people seeing a path for them to advance in their career, feeling supported through coaching and mentoring from their People Manager and receiving learning that is helping them to develop new skills. Whilst we observed improvements

in the scores for Workload and Wellbeing compared to the 2022 results, this remains an area of focus. Notably, the underlying themes behind Workload and Wellbeing have shifted and highlight the need to ensure that everyone possesses a sense of personal ownership and accountability.

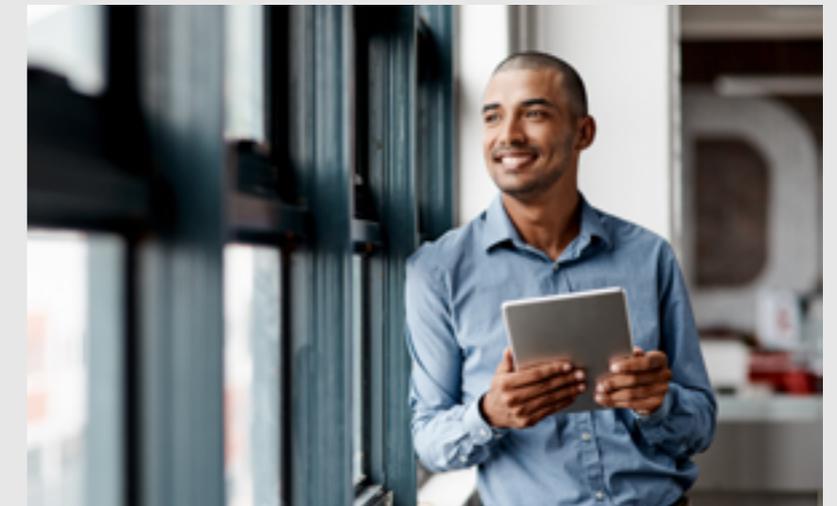
Overall, quality scored well in the 2023 Listening Programme results with people having a good understanding of what our focus on high quality, independence and ethics means at BDO and the importance of our role in our commitment to serving the public interest. We do recognise more could be done around psychological safety to promote an environment where mistakes are treated as an opportunity to learn rather than an opportunity to blame which will be addressed through the roll-out of the psychological safety training within the manager grades.

### Looking forward

Following our Listening Programme and other survey and data outputs from various sources including PRs, and RCA we have sought to ensure our Audit stream priorities for the coming year are agreed as part of our SQAP and underpinned by High Performing Teams and the Audit Specific Behaviours. This includes a focus on good planning and project management skills, encouraging personal accountability through providing real time and regular feedback, on the job coaching and various local and Audit stream recognition initiatives. We are investing time and support into our onboarding process to set our new joiners up for success, launching career journeys to help our people navigate what is expected of them at each level and to further support career development and progression.

We recognise how fortunate we are to have such a diverse workforce and we need to be culturally intelligent to ensure our people have the awareness, skills and strategies to drive inclusivity, a sense of belonging as well as recognise our differences and how to bring the best out of each other.

We also recognise the importance of psychological safety, particularly when we aim to foster the behaviour of 'we have a challenge mindset' and will continue to embed High Performing Teams and the Audit stream behaviours to ensure we are consistently delivering high-quality audits.



# Audit Quality

## Building our bedrock

### Learning & Development

#### Our continued investment in L&D

To ensure continued investment in the L&D needs of our Audit stream during the year we have undertaken a strategic review of our L&D offerings to identify how we enhance our existing programmes and ensure our approach remains fit for purpose and supports delivery of the right training, at the right time, to the right people. Recommendations from the review have been agreed with our Audit Executive and form part of a detailed three-year implementation plan.

Phase 1 of the plan focused on ensuring our governance and infrastructure around L&D is appropriate for the stream's size and scale.



This included bringing all existing Audit stream L&D resource together into one team, investing in further strategic L&D headcount, as well as refreshing the terms of reference and membership of the Learning Steering Committee, the independent Governance body for the stream's L&D.

Alongside these steps, a detailed training needs analysis and holistic curriculum review were undertaken in consultation with the stream. The outputs of these two exercises form the basis of our detailed curriculum plan for 2024 – 2026, which outlines both the expected learning for our people in the coming year and our longer-term plans for supporting their ongoing needs.

By tailoring our curriculum so that learning is targeted based on role and experience, we are able to remain competitive, motivate our people, and support continued delivery of consistently high-quality audit work, by supporting our people in the development of the necessary knowledge and skills.

Our EiC intake, joining in September 2024, will experience a new suite of L&D from the moment they join the firm which is one of the first key outputs from the training needs analysis and holistic curriculum review.

Our curriculum in the Audit stream includes mandatory firmwide and stream-wide learning for four reasons:

- ▶ to drive our continued focus on consistent high-quality audits
- ▶ to improve our people's skills and abilities
- ▶ to meet the professional standards of our professional bodies and
- ▶ to meet our firm's requirements as a regulated entity.

In addition, our people are encouraged to attend supplementary learning events which stretch them to learn new skills and develop personal competencies across different areas, as they seek to progress their careers with the firm.

All required learning for Audit staff and partners is managed and monitored through the Audit stream L&D team, governed by the Learning Steering Committee, with further oversight from the Audit Executive.

Required learning comprises core learning, applicable to all those working on audit engagements, supplemented by engagement and role specific learning as relevant to an individual's portfolio. It covers both skills and technical elements.

Within each layer, learning is split into foundation level learning, to support development of baseline knowledge and skills, along with annual updates to maintain competence.

All our people, including all our engagement leads, 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. Similar engagement specific training applies for those working in financial services and on US engagements.

The stream adopts a blended approach to formal learning events, using a mixture of face-to-face and virtual sessions. The go forward curriculum plan reflects an increased emphasis on face-to-face learning, as identified during the training needs analysis, providing our people with the opportunity for enhanced practical application of theoretical learning.



### Our commitment to supporting the quality agenda

The Audit stream L&D team work with Audit teams across the stream, as well as central support and quality teams, to ensure a coordinated response to any findings and deliver proposed actions from RCA, PRs and external reviews, as well as annual training needs analysis.



# Audit Quality

## Building our bedrock



### Resourcing

The Audit Resourcing Directorate (ARD) has the responsibility for ensuring that our Audit teams are able to allocate the appropriate people to audit engagements. As part of the overall resourcing need the ARD has taken a number of steps this year:

- ▶ • In October 2023, we introduced a new resource planning tool called 'Dayshape'. This innovative solution enables teams to establish a direct connection between required resources and the commercial budget, resulting in increased accountability and understanding of the financial impact. Additionally, the tool helps us match the right skills with the right engagements, starting with specific internal licences and then extending to sector experience. Since its initial rollout, Dayshape has begun to provide the ARD with valuable insights into our future resourcing needs, including where they are needed within the business and where we may need to invest in specific skills

- ▶ We have continued to embed our Extended Delivery Teams (EDTs). One of the challenges we have addressed of working with EDTs is ensuring that they are fully integrated into our UK teams and culture, and that they adhere to our SoQM standards across all engagements. To address this, we have implemented several measures, such as:
  - Inviting EDT members to join our UK team meetings, social events, and recognition initiatives, to foster a sense of belonging and collaboration
  - Requiring EDT members to carry out the same learning as our UK staff, including technical updates, quality workshops, and, where appropriate, leadership training
  - Conducting periodic quality reviews and audits on the work performed by EDTs, to ensure consistency, compliance with the UK policy on use of EDTs, and excellence in service delivery.

Another key aspect of our ARD strategy is to empower our RIs with the information and tools they need to make informed decisions about the optimal mix of skills, experience, and capacity for each engagement. We will achieve this by:

- ▶ Developing a 'Team Skills Dashboard' for RIs, which displays the current and projected resource allocation, quality ratings, and performance indicators for each engagement and team member. This was introduced in June 2024
- ▶ Providing RIs with timely and accurate reports on the availability, chargeability, and utilisation of team members across the stream, to enable effective planning and budgeting
- ▶ Establishing a clear and transparent escalation process, whereby RIs can raise any concerns or issues regarding the adequacy or suitability of the assigned team members to the ARD, who will then work to resolve them as quickly as possible.

Finally, we are committed to monitoring and improving our key metrics, such as chargeability, to ensure that our teams are not overloaded and that we are delivering high-quality to our audited entities and stakeholders. We do this by:

- ▶ Setting realistic and achievable chargeability targets for each level and role within the stream, based on historical data, industry benchmarks, and current expectations. Our AQIs track utilisation and chargeability
- ▶ Tracking and analysing the actual chargeability of each team and individual on a monthly basis
- ▶ Implementing corrective actions and interventions when necessary, such as reallocating individuals, adjusting workloads, or providing additional support or coaching, to address any gaps or issues.



As we have designed and implemented new processes or controls, we prioritise our focus on actions which will help to enhance any areas identified by our review teams, be that RCA, PRs, feedback from our regulators or concerns from the business, in order to provide the most appropriate support to the stream to enable an environment where our people can be at their best.

# Ethics and Independence

## The BDO way

As well as being a fundamental component of ISQM(UK)1, ethics and ethical behaviour are foundational to the way we 'do things' at BDO; it is important to the People Proposition that we offer all our people and it is expected by our clients, audited entities, and wider stakeholders.

It is also central to maintaining trust and confidence in the firm and in the accountancy and auditing profession more widely.

This is why we not only embed ethics and independence into our systems, processes, and values, but we also work hard to ensure that all our people live by them.



For these reasons, it forms a strong and explicit thread throughout our strategic framework and is prominently reflected in the major components of our SoQM, Internal Controls framework and governance structure. Our Ethics Partner is a permanent member of the BIOB and attends PIC meetings; he is also a member of the QRE.

We also realise that as our business grows and changes, new ethical risks will emerge that need a response at a senior level. The firm is alert to this and is able to be agile in its response. An example of this over the past year has been the establishment of an AI Working Group, on which the Ethics Partner has a permanent seat.

We have continued to invest in growing our Ethics Team. This growth in our team not only reflects the growth of our business and the increasing need for monitoring activities resulting from ISQM(UK)1, but it also reflects the importance that we believe ethics has to the success of our business and our people.

Our policies and procedures are in line with, or exceed, regulatory requirements including those relating to local public sector audits.

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

In line with the requirements of the Local Auditors (Transparency) Regulations 2020, we confirm that we have conducted an internal review of our relevant independence practices.

We set out in the following pages a number of significant aspects relating to compliance with these standards.



# Ethics and Independence

## The BDO way

### Acceptance and Continuance objectives

The firm's acceptance procedures are completed for all new clients or audited entities and engagements. In respect of all Non-Audit Services (NAS) provided to audited entities, procedures require approval by the Audit partner to ensure that they (or their delegate) are informed about any proposed engagement and that they consider the implications for the auditor's objectivity and independence before the engagement is accepted.

The provision and approval of NAS is specifically reviewed at an engagement level as part of our internal inspections programme conducted on a selection of audit files. Thematic reviews are also undertaken by the Ethics team on audit independence working papers to test, among other things, that NAS are approved and documented as required.

### Conflicts of interest

The ICAEW's Code of Ethics requires the firm to comply with its Fundamental Principles and apply its conceptual framework. In doing so it recognises that we must avoid, or mitigate, any conflict of interest that causes threats against these Fundamental Principles.

The Engagement Partner is responsible for the identification of potential conflicts of interest. Conflict checks are carried out through a computerised search of our client and engagement database, to identify relationships which could give rise to a potential conflict of interest. There is a facility to perform restricted conflict checks where enhanced sensitivity is required. The Quality and Risk Management team (QRM) and the Ethics team both provide direction, oversight and a point of escalation to ensure that conflict checking is performed consistently and robustly.

International conflict of interest checks across the BDO network are performed using the network's computerised, conflict-checking system. The system initiates conflict checks for either separate countries, a 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, if appropriate, we put in place robust arrangements to make sure that the conflicts of interest are 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, or where we believe that a reasonable and informed third party would have significant concerns, then we decline to act.



### Code of conduct

Trust is critical to our profession and to the work we do. Our stakeholders put their trust in us to deliver the highest quality of work. It is our actions and our behaviours that ensure that trust is maintained. Our brand and reputation is sustained by this trust and our Code of Conduct is in place to help frame how we do business. Underpinned by our core purpose, this Code is a framework to help us do the right thing.

The firm is investing in the Code of Conduct with the Ethics Partner taking ownership of it with plans to issue a refreshed Code by the end of 2024, taking account of current expectations and best practice. This is to ensure the firm continues to promote the desired culture and commitment to quality work, professional judgement, and values, serving the public interest and compliance with professional standards and applicable legal and regulatory requirements.

# Ethics and Independence

## The BDO way

### Policies to support engagement with people

Our Speaking Up policy and procedures support the firm's Code of Conduct and the firm's commitment to demonstrating quality by doing the right thing, aligned to the firm's values. We encourage people to do the right thing and to report, in a safe environment, any misconduct witnessed or experienced, giving the firm the opportunity to listen and follow up on the concern raised.



### Speak up

This year the firm has continued its focus on maintaining the effectiveness of our 'Speaking Up' environment.

The firm aims to have a culture where people are comfortable about speaking out, and where this is not only encouraged, but is expected. An environment where people not only live our values in their own work, but are vigilant in identifying potential concerns, and confident about speaking up in such situations.

We know that such an environment can only be created where our people feel comfortable and confident about speaking up without the fear of retaliation and have confidence that their concerns will be listened to and managed appropriately. This outcome is essential when creating a culture where our people can truly be themselves, within the context of the firm's values.

The firm has undertaken a number of initiatives elevating speaking up, embedding new social behaviour policies and enhancing exit interview procedures to review our speak up culture.

For instance, in October 2023, the firm published, internally, Speaking Up and Listening Up guidance, to provide accessible guidance on speaking up within BDO. The guidance brings together all of the firm's Speaking Up information into one place, highlighting the importance of speaking up, the processes, relevant policies, what is expected of our people, as well as what is expected of the firm and its commitment to listening up and following up. This was complemented by a series of communications.

From our own internal reviews and engagement with the FRC, we looked for barriers to speaking up and identified an opportunity to introduce a more simplified Speaking Up mechanism. This is in the process of being implemented and once in place will provide an additional mechanism to promote inclusion and encourage people to speak up and challenge. It will comprise a clearer, better categorised Speaking Up hotline and a new internal incident reporting form to enable People Managers, or anyone that has received a Speaking Up concern, to report this internally. This will all be triaged via a new case management system.

In our previous year's Transparency Report, we noted that a number of accountancy firms around the world had been sanctioned by regulators in respect of cheating in both external professional exams and internal assessments. This is a matter that concerns stakeholders and we take the matter very seriously. Cheating of any kind goes against our values.

Last year, we noted that we had constituted a working group to: undertake a review of the risks posed in this area; critique our internal control system response to these risks; and recommend and implement appropriate enhancements. Since then, there has been a significant amount of activity and a number of changes which have been instigated. Actions resulting from this included a co-ordinated communications strategy regarding our expectations of behaviour in this area, along with a more prominent formal policy, 'Exam and Firmwide Learning Misconduct Policy'. Details of this policy, and expected behaviours arising from it, have been included within the 2023 and 2024 Ethics Training, mandatory to all partners and employees.

Although no system of internal controls can give absolute assurance in respect of any risk, as a firm, we continue to have in place a robust internal control system responsive and proportionate to this risk relating to exam misconduct. Of course, as our firm expands and as technology changes, new risks will arise or the reassessment of a particular risk will be needed and, as such, the working group is continuing in its operations with a view to continuing to make appropriate recommendations and improvements.



# Ethics and Independence

## The BDO way

### Financial interests and relationships

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

The firm has a financial interest compliance platform. Use of this system is a mandatory requirement for all partners, principals, and directors and is considered a strong control against this risk.

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 audited entity in the ordinary course of business and on an arm's-length basis and where the value involved is not material to either party, or

- ▶ Would be clearly inconsequential to either party in the view of an objective, reasonable and informed third party.

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.

We monitor adherence to our policies through a suite of tailored monitoring activities, which include the Annual Declaration process. This process, which is overseen by the Ethics Partner, seeks confirmation from partners and employees that our policies surrounding financial, business, employment and personal relationships have been complied with, including those working on local public sector audits.

We also undertake a number of detective control activities across these areas to assess and identify any non-compliance issues with our policies and procedures.



### 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 PIE audited entity rotates after five years, except in exceptional circumstances, where rotation can be extended to occur beyond this and up to seven years. Where an extension of the rotation period occurs, additional safeguards will be put in place and approval for the extension will be obtained from the Ethics Partner
- ▶ Once an Audit partner has completed five years on a listed or PIE audited entity, they are required to observe a cooling-off period for five years before they can return on the same entity
- ▶ Audit teams are required to plan the rotation of other partners and senior staff involved in the audit of PIEs to achieve a gradual rotation to preserve audit quality
- ▶ The firm's rotation policy for other partners and senior staff requires any continuous involvement longer than seven years to be discussed with the Ethics Partner/Ethics team
- ▶ 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
- ▶ Local Public Sector auditors are appointed by the Public Sector Audit Appointments Limited on a five-year basis. Rotation data is held on our firm's Audit Monitoring Database, which is reviewed and confirmed periodically by the Audit partner or director.

# Ethics and Independence

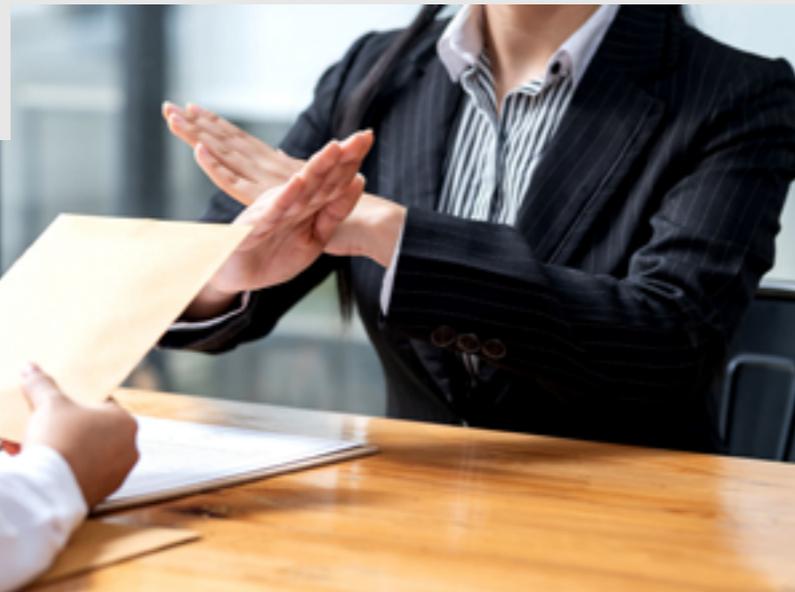
## The BDO way

### 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, and 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.

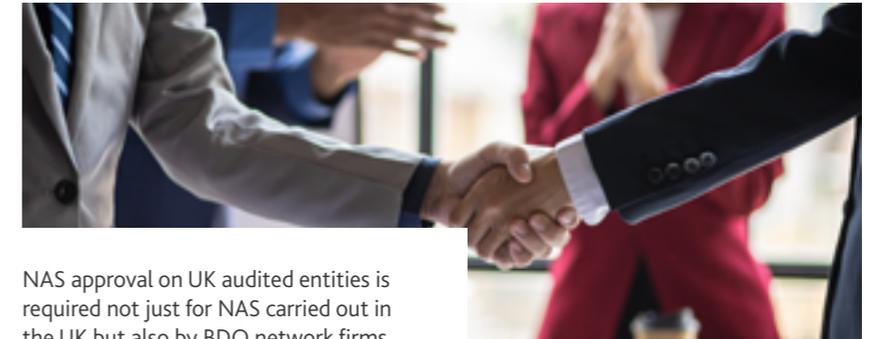
Partners, staff, and persons closely associated with them may only accept a gift, favour, or other personal benefit from an entity (or an entity's officers or employees) or introducers of work to the firm or any other organisation or individuals, including suppliers, if it satisfies the criteria set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



### Non-audit services (NAS)

The provision of all NAS, except for those on the permitted list as per paragraph 5.40 of the Ethical Standard, are prohibited for audited entities which meet the definition of a PIE or Other Entity of Public Interest (OEPI). Given the significance of the judgements concerning the provision of NAS to PIEs and OEPIs, all NAS provided to them have to be centrally approved by the Ethics team, in addition to by the relevant Audit partner.

NAS proposed for all other types of audited entities must first be approved by the respective Audit partner who will undertake a threats and safeguards assessment in consultation with the Ethics team, where appropriate. Services and fees are approved via the firm's client take-on system and are also subject to targeted monitoring on a monthly basis, through the review of reports obtained from the firm's billing system.



NAS approval on UK audited entities is required not just for NAS carried out in the UK but also by BDO network firms. As an example, BDO Global requires all network firms to carry out global conflict checking when considering accepting NAS on the subsidiary of an international group, to identify any conflict with an audited entity of the firm. Whilst this process is in place, we have not been provided with any assurance that it is followed consistently by all BDO network firms and BDO Global is unable to provide us with any assurance as to the effectiveness of the design and operation of this process.

Given the perceived self-interest threats from providing NAS to audited entities, the firm also requires central approval of all NAS to audited entities once the Audit:NAS fee ratio exceeds certain pre-set limits.

The objective, reasonable and informed third party test is a critical part of assessing the acceptability of any NAS and, as such, the firm requires all NAS to be assessed against this. Furthermore, the Ethics team monitor the extent to which this test has been determinative in the outcome of the decision.

In relation to Local Public Sector Audit, we are guided by the requirements in the Auditor Guidance Notes (AGN01). Furthermore, we have agreed through contractual Terms of Appointment, to limit our NAS work to 70% of the total fees for services to any audited entity and its controlled entities in any one year. We voluntarily apply the same principle to our audits of 'NHS engagements'.

# Ethics and Independence

## The BDO way

### Global approach

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

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

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

- ▶ Standards and policies
- ▶ Processes, data and tools
- ▶ Training and communication
- ▶ Monitoring and reporting
- ▶ Leadership and governance.

We work with clients and audited entities that operate across multiple jurisdictions, including a large number of PIEs. Working with these businesses 'conflict-free' and maintaining independence, where required, is a priority for the network.

As detailed above, comprehensive due diligence is performed prior to accepting any new audit engagement or new engagement for an existing BDO audited entity.

These policies, procedures and tools enables BDO firms to collaborate on service provision prior to the acceptance of clients and audited entities.

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



### Non-Financial Conduct

To be a place where people want to work, it is essential that everyone behaves in accordance with the firm's Code of Conduct and values, which shape how people behave towards others. By behaving as such, the firm will be in a strong position to, not only deliver upon its vision and strategy, but in doing so, the rigorous expectations of major stakeholders, including our people will be met and we will also fulfil our public interest responsibilities.

#### Our approach

Non-financial misconduct continues to be of increasing importance in terms of cultural influence and compliance and is a key focal point for us. We have seen a continued growing focus on the importance of responding to non-financial conduct (NFC) and a spotlight on how the firm handles non-financial misconduct throughout the organisation, including discrimination, harassment, sexual harassment, victimisation, bullying, and alcohol and substance misuse, which are all indicative of our firm's culture.

Our expectations in terms of the firm's values and culture are well defined. However, there is an absolute need for the firm to tackle non-financial misconduct at an early stage through ensuring that we have a controlled environment in place where people can, not only, easily raise concerns, but also where they have confidence that these concerns will be addressed robustly, fairly and without retaliation to them. This is actualised by having a comprehensive system of internal controls in place to record, manage, report, analyse and address the concerns raised.

Preventing and managing non-financial misconduct and poor behaviour requires clear policies on respect at work and zero tolerance of any incidents where they occur. But equally important, it requires our leaders to role model the right behaviours themselves and have the competence and confidence to act promptly if any issues arise. This is important to encourage a culture where people can truly be themselves and where people are able to speak up, in turn supporting a culture of challenge.



# Ethics and Independence

## The BDO way

Since 2019, BDO have met a quarterly reporting requirement from the FRC, to report on all NFC complaints, with the aim of providing the FRC with assurance that the firm has effective monitoring arrangements in place to capture elements of NFC at early stages and undertake remediation work.

The firm has invested significantly in the control and monitoring activities responsive to NFC, as well as elevating relevant environmental factors. As a result of this we have identified a steady increase in cases month-on-month, on a rolling 12-month basis. As well as corroborating other evidence that supports a better Speaking Up culture, we believe this demonstrates a clearer process for recording NFC cases and an improvement in our internal controls to capture these reports.



We note that with effect from July 2024 the FRC have widened the NFC reporting obligations to include wider conduct matters. We support this wider reporting requirement which, we expect, will include additional categories such as: exam cheating, other integrity matters, breaches of confidentiality.

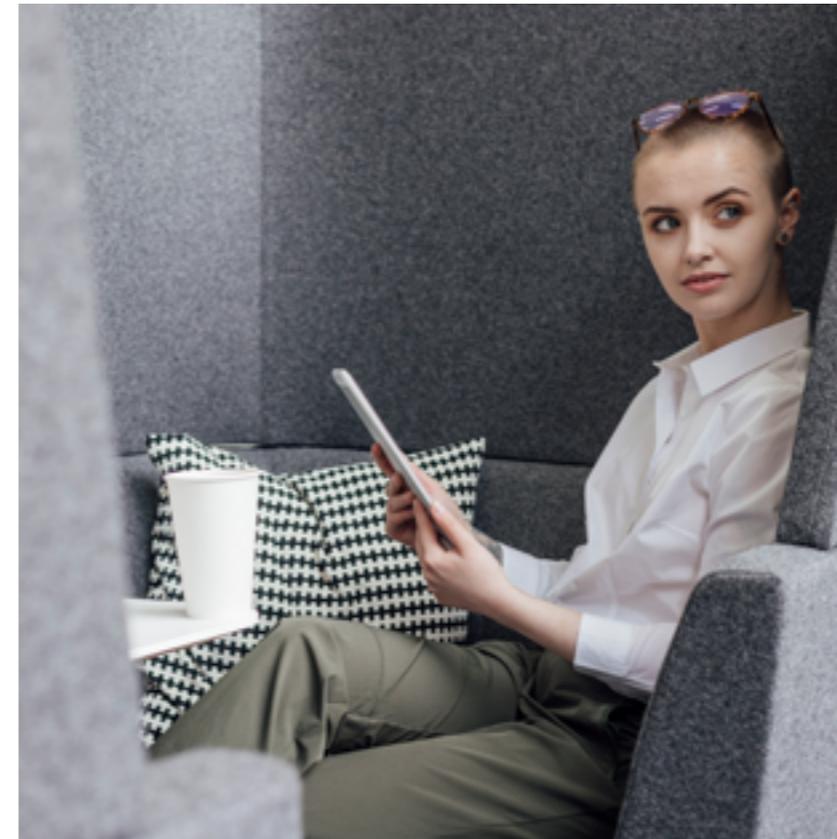
Our investment in the NFC team has enabled us to accelerate planned assessments and reviews of the design and effectiveness of the policies and procedures the firm has in place to facilitate the reporting of, and response to, NFC and misconduct matters. As a result, we have continued to enhance the internal controls to ensure effective awareness and management of these matters, so are well-placed to meet these enhanced FRC obligations.

In the UK, the new Worker Protection Act, which comes into effect in October 2024, creates a duty on employers to take reasonable steps to prevent sexual harassment in the workplace, placing more responsibility on employers to ensure a safe workplace free from sexual misconduct.

To support this, the firm published new Anti-Harassment guidance which helps people to understand the firm's approach to allegations of harassment and sexual misconduct, what behaviours are unacceptable and when they might become a disciplinary or a regulatory matter.

The guidance is used to provide clarity for those raising concerns of what to expect from the firm when dealing with harassment allegations, assist those who have to make decisions about reporting possible harassment to the firm, and provides examples of how harassment may manifest itself both in the workplace and in other contexts.

It helps people to identify the boundary between an individual's behaviour in their private and professional life, where they might overlap and why the distinction is important and to understand the firm's expectations and that it will promote and ensure a workplace culture that does not tolerate harassment. It also sets out the firm's obligations both when investigating these matters internally and reporting them externally.



### Confidentiality

Confidentiality is one of the five Fundamental Principles of the ICAEW Code of Ethics. Not only is it one of the foundational drivers of trust in the profession, it also serves the public interest by way of facilitating the free flow of information from the professional accountant's client or employing organisation to the accountant in the knowledge that the information will not be disclosed to a third party.

The past year has seen further escalation of the consequences of the reported poor professional behaviour regarding confidentiality in some other parts of the world. Although this matter did not involve BDO, it has reinforced our views as to the importance of compliance with this fundamental principle and enlightened us as to the potential risks. We took the opportunity last year to reinforce these expectations and enhance a small number of related controls at both a BDO Global network level, but we remain vigilant against any complacency and have included it again in our mandatory Ethics training.

# Ethics and Independence

## The BDO way

### ICAEW's fundamental principle of professional behaviour

The ICAEW has recently consulted on its proposals to amend the provisions under the fifth fundamental ethical principle, professional behaviour, which are intended to update and strengthen the principle of professional behaviour and clarify the standards of behaviour that are expected of a professional accountant.

The intention is to provide clarity to those subject to the ICAEW Code that they must treat all those they encounter in professional and business relationships fairly, with respect, and not harass, bully, or unfairly discriminate against them.

By making their expectations around professional behaviour clear, the ICAEW hope that this will also help others to raise concerns about unethical behaviour or identify inappropriate practices.

This will allow appropriate action to be taken, if necessary, when complaints are received, or they otherwise become aware of the conduct.

We understand that a number of the consultation responses highlighted practical issues with implementing the proposed revisions. As such, it is likely that they will change, however, no matter where the final set of words land, it is clear the direction of travel regarding regulatory expectations around non-financial misconduct and circumstances in which a member may be liable to disciplinary action.

We support this direction the ICAEW is taking and we consider that the firm is well-placed to fully comply with the forthcoming changes.



### Looking forward

It is noteworthy that the FRC released their Revised Ethical Standard 2024 earlier this year, which will be effective from 15 December 2024. We support the FRC in these revisions and enhancements and, as a firm, we are well-placed to be in full compliance with the changes prior to their effective date.

The recent changes made to the 'International Code of Ethics for Professional Accountants' as issued by the IESBA have also been adopted into our policies and procedures.

In the coming year, the firm will continue to demonstrate its commitment to a wider ethical culture, by ensuring the governance and leadership of Speaking Up arrangements and processes by progressing the current and planned initiatives to ensure ethical reporting is adequate to provide those charged with governance with sufficient information to effectively oversee the firm's ethical culture.

Also, in line with the new Worker Protection Act, we will continue to ensure that we are taking all reasonable steps to prevent sexual harassment and inappropriate behaviour in the workplace, creating a safe workplace for all.



# Risk Management and Internal Controls

## Monitoring, managing and mitigating

Confirmations of our compliance with the AFGC, Article 13(2)(d) of the EU Regulation, and the Local Auditors (Transparency) Regulations 2020 are included in [Appendix D](#).

Further details on how we have complied with the disclosure requirements are provided in [Appendices G, H and I](#).

### Risk Management – what it means at BDO

Everyone in the firm is responsible for identifying and managing the risks associated with the work that they do and the role that they perform. A consistent and effective approach to risk management, which is integrated into our culture and activities across the firm, helps to ensure that the objectives of the firm are achieved, and that the management of risk is consistent with the firm's strategic framework.

Our LT is responsible and accountable for the design, implementation and operational effectiveness of the quality and risk management framework of the firm which is facilitated by the QRE. This framework is overseen by the Q&RSC.

### How risks are identified, assessed and monitored

The QRE was formed on 1 July 2023 and is a sub-committee of the LT. The QRE replaced the previous Quality and Risk Management Committee. Chaired by the Head of Quality and Risk, the role of the QRE is to assist the LT in defining and agreeing the strategy for managing quality and risk and to ensure that our strategic quality and risk objectives remain aligned to the firm's overall strategic framework. The Head of Quality and Risk is a member of the LT and reports to the LT monthly on quality and risk matters.

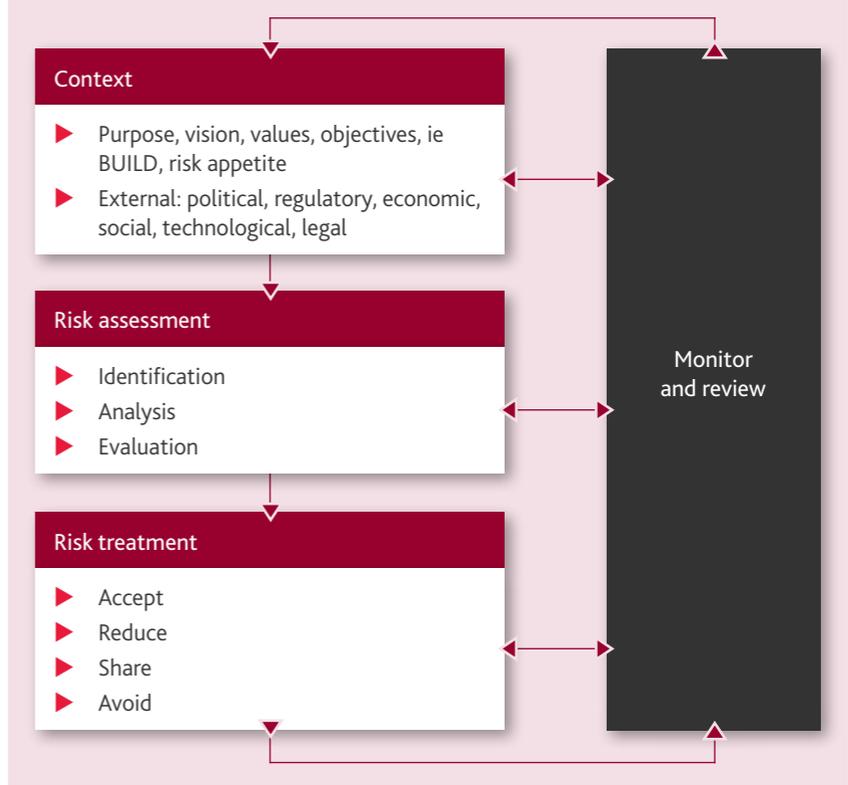
During FY24, a refresh of the firm's principal risks has been performed, these have replaced the "top risks" from previous years. We have identified our principal risks, combining both top-down and bottom-up perspectives and evidence, and have key mitigation activities to manage those risks.

This review has considered the changes to our risk landscape since the last top risks review as well as emerging risks for the year ahead and beyond.

The principal risks have been reviewed and agreed with the LT and approved by the Q&RSC. [Appendix B](#) sets out the firm's principal risks along with their associated mitigations, as well as an overview of the most significant emerging and ongoing risk factors that influenced our review of the risks.

We monitor, manage and mitigate the risks we face through a focus on risk management and both preventive and reactive mitigations, applying our ERM framework and processes 'bottom-up' across the firm. Our overall cycle of identifying, assessing and responding to risks is illustrated here.

### The cycle of identifying, assessing and responding to risks



# Risk Management and Internal Controls

## Monitoring, managing and mitigating

The QRE receives periodic updates from the streams and business units as well as regular updates on internal compliance reviews, internal audit reviews, information security risks, engagement acceptance and economic crime matters, ethics and independence matters, regulatory inspections, and claims and other risk events. The QRE also receives updates on matters in the wider network of BDO firms that may impact on the firm's risks.

The firm maintains a risk reporting system which ensures that reports of risk events are escalated appropriately so that leadership are aware and can address the relevant risks. Our central QRM team is the first point of contact in the risk reporting process. In response, the Legal team, who form part of QRM, ensure that appropriate resource and expertise are applied to the incident and there is reporting to professional indemnity insurers where appropriate. The Legal team will take an active role in responding to regulatory investigations, claims and complaints.

### Our Internal Controls Framework

Our internal controls framework serves as the backbone of our commitment to quality, integrity, and operational excellence, benefiting our clients, audited entities, regulators, employees, and the broader public interest.

The SoQM is a subsection of our internal control framework, providing assurance over our approach to quality management in relation to services in the scope of ISQM(UK)1.

While we have established a strong foundation of internal controls across the firm, we recognise the opportunity to further enhance consistency and integration of these controls across different areas of the business (see below).

Our internal controls framework is designed to mitigate risks, ensure compliance with regulatory requirements, and uphold the highest standards of professional conduct, as emphasised in the AFGC.

The LT assumes the ultimate responsibility for the firm's internal control systems ensuring robust design and implementation to support the effectiveness of the firm's operations, the reliability of financial reporting, and compliance with laws and regulations.

The framework encompasses a wide range of controls, including:

- ▶ **Compliance Controls:** these controls ensure adherence to laws, regulations, and professional standards, safeguarding our reputation and mitigating legal and regulatory risks, thereby maintaining the trust and confidence of our clients and audited entities
- ▶ **Operational Controls:** covering areas such as client acceptance and continuance, project management, data management, and third-party risk management, these controls ensure the efficiency and effectiveness of our operations, ultimately translating to high-quality service delivery and client and audited entities' satisfaction



- ▶ **Financial Controls:** these controls ensure the accuracy and reliability of our financial reporting, safeguarding our assets and financial integrity, ultimately benefiting our stakeholders through transparent and trustworthy financial information
- ▶ **IT & Information Security Controls:** these controls protect our information systems and data, ensuring their confidentiality, integrity, and availability. This safeguards sensitive information, protecting the interests of our clients, audited entities, and employees while upholding our commitment to data privacy and security.

These controls are implemented across our distinct service lines – Audit, Tax, and Advisory – and our PMDs, with the controls in each area tailored to its specific risk profile. To ensure their effectiveness, risk owners are required to conduct periodic self-assessments and certifications of all identified controls at least every six months.

This ongoing activity allows us to proactively identify and address any control deficiencies, ensuring our internal controls framework remains robust and adaptable to the evolving risk landscape.

Furthermore, our governance structure ensures clear accountability for the quality and effectiveness of internal controls through a well-defined risk management framework that aligns with the principles of the AFGC.

We also foster a culture of control by promoting ethical behaviour, transparency, and accountability throughout the firm. Our leadership sets the tone at the top, ensuring that all staff understand the importance of internal controls in maintaining audit quality and fulfilling our responsibilities to all stakeholders.

# Risk Management and Internal Controls

## Monitoring, managing and mitigating

### Evolution of our Risk Management and Internal Controls Frameworks

In recognition of the importance of continuous improvement and the rapidly changing environment and context within which we operate, BDO is committed to evolving our risk management and internal controls frameworks. We recognise that the design and operation of our internal controls have historically been implemented differently across various parts of the business. To ensure consistency and effectiveness, we are undertaking a firmwide initiative to unify our internal controls framework, aligning it with a recognised framework.

This refresh and reinforcement of our internal controls framework is a testament to our dedication to governance, risk, control, compliance, and quality. In light of the ever-evolving regulatory environment, including ISQM(UK)1, we are assessing the maturity of our risk management and internal controls frameworks to identify and implement further opportunities for improvement.



Our aim is to ensure that our internal controls and risk management frameworks are advanced, mature, and based on leading practices.

We are augmenting the capacity and capabilities of our internal controls teams to consolidate and update various elements of our internal controls framework and develop a target operating model. This will facilitate the consistent operation and testing of controls, identification of improvement areas, and effective tracking of remediation efforts. We will continue to leverage the three lines model to provide structured oversight and assurance, ensuring clear ownership and accountability for risk management and internal controls throughout the firm.

Our comprehensive plan for enhancing our risk management and internal controls includes:

- ▶ Strategic risk integration: we are further formalising how we integrate risk considerations into strategic decision-making processes throughout the firm, ensuring that risk management is an integral part of our overall business strategy
- ▶ Integrating and aligning: we are reviewing the individual components of both the internal control and ERM frameworks to ensure cohesive and effective systems, formalising the relationship between them
- ▶ Assurance mapping: we are enhancing our assurance mapping activities to provide a more comprehensive view of our assurance landscape. This will help us identify and address any gaps or overlaps in assurance coverage, ensuring that we have the right level of assurance in place
- ▶ Enhancing effectiveness: we are improving components across both frameworks, including internal control over financial reporting, IT governance, our SoQM, and ERM. This includes expanding risk assessment methodologies in ERM to further consider velocity, volatility and interdependency, improving scenario testing and simulations
- ▶ Fostering accountability: we are evolving our self-certification regime for internal controls to ensure ownership and responsibility
- ▶ Systematic testing: building on our existing practices in high-risk areas such as IT governance, CISO, and ISQM(UK)1, we are establishing a unified program to systematically test the effectiveness of internal controls and risk responses across the firm. This comprehensive approach will ensure consistent evaluation, identify weaknesses, and provide consolidated reporting on the results

- ▶ Timely remediation: we are enhancing remediation processes and tracking systems to address control deficiencies and risk mitigation failures
- ▶ Investing in knowledge: we are developing a comprehensive training and education programme on risk management to improve awareness and understanding at all levels.

By addressing these areas, we will not only strengthen our risk management and internal control frameworks but also foster a stronger risk culture throughout the firm.

This comprehensive approach ensures that we are well-prepared to navigate the evolving risk landscape and uphold the highest standards of governance, control, and operational excellence.



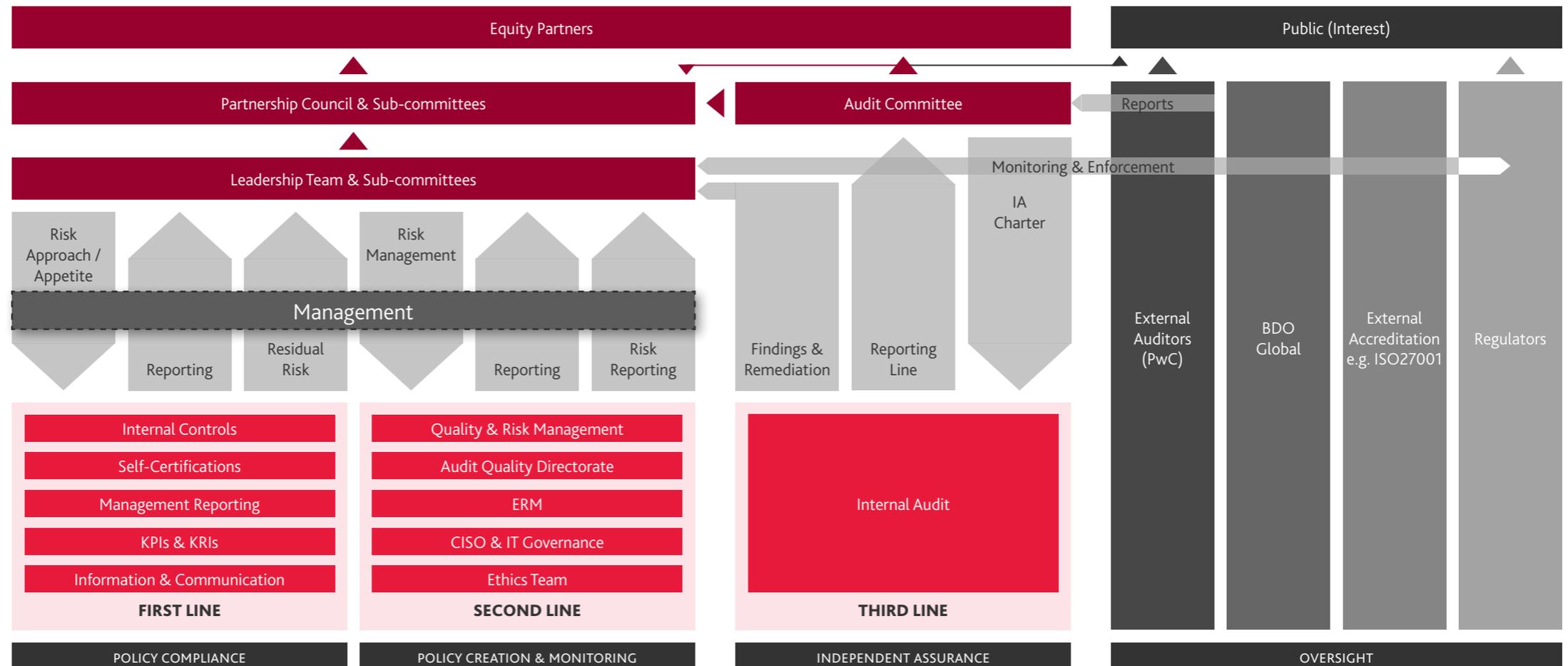
To guide these strategic changes, we are developing a roadmap for internal controls and risk management, enhancing oversight from the QRE and Q&RSC and adopting a holistic view of all second line (of defence) functions within the internal control framework. We will leverage recognised frameworks to guide our continuous improvement efforts, focusing on testing, assurance, self-certification, remediation, and comprehensive reporting to the LT and PC.

# Risk Management and Internal Controls

## Monitoring, managing and mitigating

### The Three Lines (of Defence) Model

We will continue to leverage the three lines (of defence) model to provide structured oversight and assurance across our risk management and internal controls frameworks. This model clearly delineates roles and responsibilities, ensuring that risk ownership and accountability are embedded within the first line (operational management), while the second line (quality, risk and compliance functions) provides independent oversight, challenge, and support. Our new internal audit function (the third line) performs a crucial role in providing independent, objective assurance on the effectiveness of the framework. By strengthening the three lines model, we are not only enhancing our risk management capabilities but also fostering a stronger risk culture across the firm. This includes increasing awareness and understanding of risk at all levels, promoting open communication, and encouraging proactive risk identification and mitigation. The model also enables us to better articulate our risk management approach to stakeholders, demonstrating our commitment to robust governance and control.



# Risk Management and Internal Controls

## Monitoring, managing and mitigating

### Confidentiality and Information Security

At BDO, we are strongly committed to protecting the privacy of our clients', audited entities', partners' and employees' personal information, and to protecting the firm against both internal and external information security threats.

All partners and employees play a crucial role in maintaining a secure environment. All our people are required to complete e-learning on data protection and cyber security at induction and then at least annually. We undertake regular activities, such as firmwide communications and phishing simulations, to raise and maintain awareness of information security risks.

Partners and employees are bound by the ICAEW's Code of Ethics, which includes a duty of confidentiality. This precludes them from disclosing confidential information acquired through professional and business relationships to third parties unless legally or professionally obligated to do so.

The firm's Chief Operating Officer is accountable for information security in BDO. The Information Security Office is responsible for the firm's information security framework and cyber incident response processes. A security function in our IT team is responsible for managing, monitoring, and maintaining the firm's IT security controls. We continuously monitor and evolve our information security posture, exemplified by a dedicated committee focused on evaluating security risks posed by rapidly advancing AI technologies.

Our Information Security Management System undergoes regular independent reviews. Certified compliant with ISO/IEC 27001:2013 and audited twice yearly by BSI, we are now exploring the transition to the updated ISO 27001:2022 standard following our successful recertification in April 2024.

The BDO Global Information Security Policy and Global Privacy Policy require all BDO Member Firms to maintain policies, procedures, and training in respect of confidentiality, information security and data protection.

To ensure that the use and circulation of personal data within the BDO network is safe and in line with data privacy principles, BDO Global created the BDO Global Privacy Programme. This is an awareness and compliance programme that supports all BDO firms in meeting their obligations under privacy laws.

It contains tools, guidance and information that will help BDO firms, partners, employees, and anyone else engaged or retained by BDO firms, and the BDO network, to respect and appropriately protect personal data, as well as to create a culture of privacy within the BDO network.

BDO LLP has appointed a partner as Data Protection Officer with responsibility for ensuring compliance with relevant legislation. BDO LLP is registered with the Information Commissioner as a data controller. Details of our registration can be found on the ICO website under registration Z5799637.



# Risk Management and Internal Controls

## Monitoring, managing and mitigating

### Internal Audit

Until October 2023 the Internal Audit activities of the firm were led by a partner, the head of the QRM team, supported by internal audit experts from the Advisory practice.

Given the growth of the firm we recognised a need for a new, dedicated Internal Audit function which is entirely independent from other responsibilities within the firm. We appointed a new Head of Internal Audit in October 2023, and a new team has been established.

The Head of Internal Audit reports directly to the Chair of the AC, to support transparency and accountability. A secondary reporting line to the firm's Senior Partner further reinforces the function's strategic importance and its commitment to providing independent assurance.

Key to the new Internal Audit approach is a proactive stakeholder engagement and management programme.



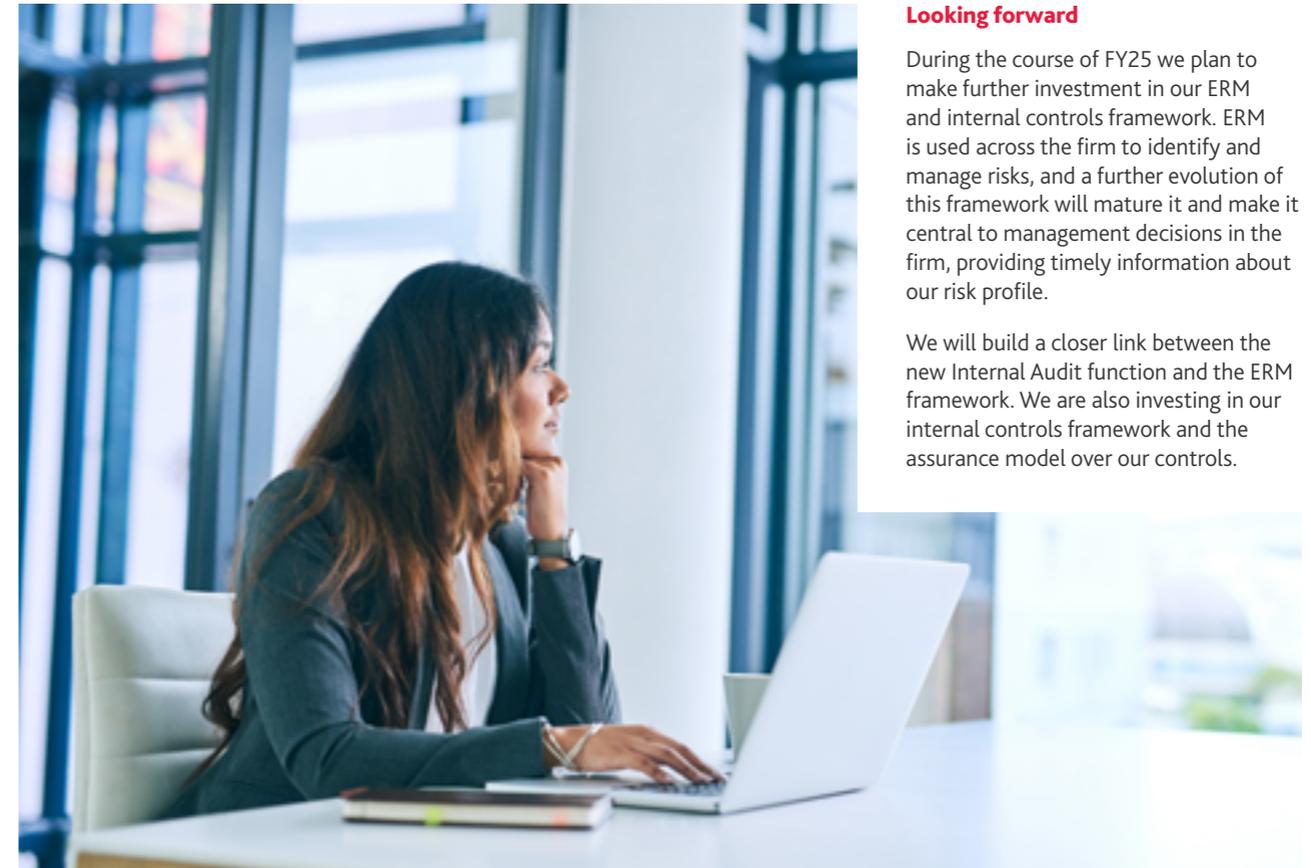
This programme fosters open communication, builds trust, and promotes a "no surprises", transparent approach, positioning Internal Audit as a trusted advisor and critical friend to the business.

During the year, a comprehensive risk assessment process was undertaken to develop a dynamic 12-month rolling internal audit plan which has commenced in FY25. Over 30 risk assessment meetings were held with the firm's leaders to gather valuable insights and perspectives on risk including perspectives on impact, likelihood, velocity and volatility. The resulting plan ensures that Internal Audit resources are focused on the areas of greatest risk.

To enhance efficiency and effectiveness, a new Internal Audit Management system has been implemented. This system facilitates engagements, streamlines workflows, automates the tracking of management action plans related to findings, and provides a centralised repository for engagement documentation.

The Internal Audit function has implemented a self-reported issues process, allowing stakeholders to proactively report deficiencies in controls design and/or operating effectiveness in advance of an Internal Audit engagement, fostering a culture of transparency, recognising and rewarding proactive risk management, and facilitating a positive risk culture.

The team is committed to continuous improvement and will continue to evolve its processes, tools, and methodologies to meet the changing needs of the firm and the profession. To facilitate this, a balanced scorecard has been established to track and monitor performance, ensuring accountability and continuous improvement.



### Looking forward

During the course of FY25 we plan to make further investment in our ERM and internal controls framework. ERM is used across the firm to identify and manage risks, and a further evolution of this framework will mature it and make it central to management decisions in the firm, providing timely information about our risk profile.

We will build a closer link between the new Internal Audit function and the ERM framework. We are also investing in our internal controls framework and the assurance model over our controls.

# Transparency Report 2024

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# A: Network and Legal Structure

## 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). On 5 July 2024 there were 335 members
- ▶ BDO Northern Ireland is an independent partnership from BDO LLP
- ▶ A service company, BDO Services Limited, employs people, contracts with suppliers and provides services to the LLP and third parties
- ▶ BDO is a global 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
- ▶ Throughout FY24, BDO LLP operated through three different streams being Audit, Tax and Advisory. Further details on the individual services provided by each stream can be found on the [BDO website](#).

## BDO Global

- ▶ 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 through the Articles and Regulations of BDO International Limited
- ▶ The BDO network is governed by the Council, the Global Board and the Global Leadership Team (GLT) of BDO International Limited
- ▶ The Council comprises one representative from each voting BDO Member Firm and represents the members of BDO International Limited in general meetings. 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 Council meets at least once a year

- ▶ The Global Board, which is the Board of Directors of BDO International Limited comprises representatives from the network's seven largest member firms (three from the EMEA region, two from the Americas region and two from the Asia Pacific region). Each Global Board member is appointed for a three-year term, which is approved by the Council. The Global Board sets priorities for the BDO network and oversees the work of the GLT. The Global Board met (for an in-person/hybrid meeting) or discussed single issues during a Global Board call eight times in the year to 5 July 2024
- ▶ The GLT is tasked with coordinating the activities of the BDO network. It is headed by the CEO and comprises the Chief Strategy and Operations Officer, Global Head of Risk & Compliance, Global General Counsel, Global Head of Tax, Global Head of People & Culture, Global Head of Advisory, Global Head of Audit and Assurance, Global Head of Business Services and Outsourcing (also Regional Managing Director, Americas) and Global Head of IT



- ▶ The GLT is supported by the Global Office at Brussels Worldwide Services BV. Brussels Worldwide Services BV, a Belgian limited liability company, provides services to assist in the coordination of the BDO network. Each of BDO International Limited, Brussels Worldwide Services BV and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions
- ▶ Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV and/or the BDO member firms
- ▶ Neither BDO International Limited nor any other central entities of the BDO network provide services to clients
- ▶ The global aggregated turnover for BDO Member firms (including their exclusive Alliances) in 166 countries for the year ended 30 September 2023 totalled US\$14bn. Partner and staff numbers at 30 September 2023 were 115,661 working out of 1,776 offices worldwide. Appendix K sets out the name, operating country of statutory auditors within the EU and the combined turnover achieved by those firms.

## 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 or audited entity 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.

## B: Principal Risks

An important element of governing any firm is to identify, assess and manage risk. At BDO we have identified our principal risks and identified our key mitigation activities that are in place to effectively manage those risks.

As required by the AFGC, in respect of the year ended 5 July 2024, we performed a robust assessment of the principal risks facing the firm, including those that would threaten its business model, future performance, solvency or liquidity. We considered the full range of the firm's services and operational activities when performing this evaluation.

In particular, we gave specific consideration to the following emerging and ongoing risk factors:

- ▶ The vital importance of the firm's culture, particularly its impact on and relationship with audit quality, including our responsiveness to risks and issues raised by our regulators, and our design and implementation of responses to quality risks in relation to ISQM(UK)1
- ▶ The accelerating pace of change, particularly in relation to generative AI, and the need to appropriately balance the opportunities and threats that this presents
- ▶ Exposure to geopolitical risk in the context of a record global election cycle in 2024 and continued conflict in Ukraine and in the Middle East
- ▶ Recruitment and resourcing factors, including the attractiveness of the profession to candidates in the EiC market, domestics skills shortages set against a backdrop of changing UK Government policies on immigration and visas, and the risk of recruitment fraud and exam cheating
- ▶ Recognition that a major firm leaving the BDO Global network could significantly disrupt our ability to serve clients due to shortfalls in capability, funding, and access to essential resources and intellectual property.



In this year's review, we rearticulated our principal risks. In doing so we added two new risks – resilience to risk and reputation.

We consider these to be 'overarching' risks, in that the other principal risks represent those events, circumstances, actions or inactions that may adversely affect the achievement of our objectives, but there is also a risk that the firm's overall Risk and Reputation Management frameworks are not effective.

The tables below summarises the principal risks as determined by the QRE and LT that were effective on 5 July 2024.

## B: Principal Risks

Risk	Risk trend	Description / Risk landscape	Key mitigating activities
<b>Geopolitics and Macroeconomics</b>	<p>The chart shows a horizontal line at the 'Med' level for three consecutive years: FY22, FY23, and FY24.</p>	<p>BDO's strategy may fail to adequately respond operationally to geopolitical and macroeconomic shifts within the UK, including political uncertainty from the newly appointed UK Government.</p> <p>The broader impacts of international conflicts, such as the ongoing conflict in Ukraine and the Middle East are also a consideration. Additionally, shifts in the UK and US political landscapes, changes in capital markets, and the volatile investment climate due to the UK regulatory environment can influence economic conditions like recession and inflation.</p> <p>These external factors could lead to market financial instability and strategic misalignments, compromising the firm's ability to capitalise on growth opportunities in the UK market. Inadequate adaptation to these geopolitical and economic challenges could disrupt BDO's operational frameworks and financial planning, eroding competitive advantage and potentially leading to long-term setbacks in market positioning and revenue generation.</p>	<ul style="list-style-type: none"> <li>▶ Agility and operational flexibility</li> <li>▶ Proven ability to respond effectively in similar situations</li> <li>▶ Leadership-driven horizon scanning and scenario planning</li> <li>▶ Risk awareness and risk management prominence in the firm's BUILD framework</li> <li>▶ Crisis management and business continuity planning and testing</li> <li>▶ Continuous monitoring of the firm's financial metrics, cash position and financial resilience</li> <li>▶ Scenario planning.</li> </ul>
<b>Change</b>	<p>The chart shows a line starting at the 'Hi' level for FY22, then dropping to the 'Med' level for FY23 and FY24.</p>	<p>BDO may ineffectively adapt to rapid changes in market conditions, technology, client demands, workplace environments, or significant internal change programmes, potentially leading to a decrease in competitiveness and misalignment with the firm's strategy and priorities. There is also a risk of 'groupthink' among the firm's leadership, which may result in insufficient or inappropriate seeking or acceptance of advice from alternative sources, whether internal or external.</p> <p>These challenges could disrupt internal processes and decision-making, potentially eroding trust among clients and other stakeholders. Such failures may not only impede the firm's market growth but also risk long-term damage to its strategic positioning and operational effectiveness.</p>	<ul style="list-style-type: none"> <li>▶ Firm governance structure periodically reviewed with formal terms of reference for all oversight bodies</li> <li>▶ Responsible growth strategy documented and KPIs established to monitor</li> <li>▶ LT oversight of management of growth, with a priority of ensuring high quality</li> <li>▶ A strategy and performance review system that incorporates the importance of challenge</li> <li>▶ Business transformation and change management regularly discussed by the LT and with BDO Global</li> <li>▶ LT and management approval of firm priorities and key projects</li> <li>▶ Growth plans for each stream and PMD effectively monitored and updated</li> <li>▶ Dedicated IT resources for innovation, digital products, automation, and artificial intelligence, with monitoring to prevent / address systems obsolescence</li> <li>▶ Dedicated project management functions and resources to ensure appropriate governance over change programmes</li> <li>▶ Property portfolio strategy and monitoring</li> <li>▶ Monitoring of utilisation and other measures.</li> </ul>

## B: Principal Risks

Risk	Risk trend	Description / Risk landscape	Key mitigating activities
<b>Culture, Values and Ethics</b>	<p>The chart shows a horizontal line at the 'Med' level for three consecutive years: FY22, FY23, and FY24.</p>	<p>BDO's Culture and Ethics framework may fail to effectively define or communicate the firm's culture, values and ethical standards, potentially leading to a pervasive culture of unethical behaviour or a single unethical action that could significantly damage the firm.</p> <p>This failure could compromise the firm's commitment to professional standards and reflect poorly on the tone set from the top, undermining the risk culture. Such outcomes might result in a loss of confidence from critical stakeholders, including the general public, audited entities, clients, regulators, and the firm's employees.</p>	<ul style="list-style-type: none"> <li>▶ Overall firm governance and reporting</li> <li>▶ Focus on values, culture and quality, independence, and ethics within the strategic framework</li> <li>▶ Publication of annual <a href="#">Culture &amp; Impact Report</a></li> <li>▶ Ongoing monitoring including Listening Programme and exit surveys</li> <li>▶ Whistleblowing and grievance policies</li> <li>▶ Ethics and independence policies and procedures, and support to the wider firm by a second-line ethics function</li> <li>▶ Mandatory ethics risk training</li> <li>▶ U Board</li> <li>▶ EDTs are included in these mitigations</li> <li>▶ Ongoing communication of the firm's cultures, values and ethical standards</li> <li>▶ Development and implementation of a culture plan.</li> </ul>
<b>BDO Network / Global</b>	<p>The chart shows a horizontal line at the 'Hi' level for three consecutive years: FY22, FY23, and FY24.</p>	<p>The BDO network is critical to the firm's ability to offer comprehensive and high-quality services across markets. However, there is a risk that BDO Global may not manage this network effectively. Inadequate management could lead to inconsistencies in service delivery standards between member firms and / or diminished service reach, potentially undermining the UK firm's market position.</p> <p>Failure to effectively coordinate and oversee these relationships could result in a failure to implement required policies and procedures uniformly, a lack of adequate quality controls, and delayed responses to identified deficiencies. There is also a risk of a major BDO Global firm leaving the network leading to shortfalls in the capability to deliver services to global clients or audited entities and / or shortfalls in funding of critical infrastructure, resources and other BDO Global IP.</p> <p>Any shortcomings might attract regulatory attention, erode audited entity / client trust, and ultimately result in a loss of reputation for BDO as a whole. Ensuring robust management of the network is vital to maintaining the integrity and efficacy of BDO's global operations and to safeguarding its standing in the marketplaces within which it operates.</p>	<p><b>BDO Global mitigations:</b></p> <ul style="list-style-type: none"> <li>▶ Methodologies and supporting tools applied globally, including APT</li> <li>▶ BDO member firm accreditation</li> <li>▶ Global policies for all member firms, including risk management, data privacy and information security</li> <li>▶ International quality inspection programme</li> <li>▶ Strong collaboration between member firms.</li> </ul> <p><b>UK firm mitigations:</b></p> <ul style="list-style-type: none"> <li>▶ BDO LLP participation in and influencing of global initiatives</li> <li>▶ International Liaison Partner</li> <li>▶ Engagement quality control (in the Audit stream) with respect to reliance on subcontracting to member firms (including component auditors)</li> <li>▶ Crisis Management Committee equipped with plans and tools to rapidly respond to a significant BDO Global risk event</li> <li>▶ SoQM controls (responses) for the Audit stream.</li> </ul>

## B: Principal Risks

Risk	Risk trend	Description / Risk landscape	Key mitigating activities
<b>Client and Audited Entity Portfolio</b>	<p>The chart displays a constant low risk level (Lo) across three fiscal years (FY22, FY23, and FY24). The y-axis is labeled with Hi, Med, and Lo, and the x-axis is labeled with the fiscal years.</p>	<p>An appropriate portfolio of engagements supporting our clients and audited entities is central to BDO's commitment to high quality, independence and ethics. There is a risk that the firm fails to identify and manage risks associated with the acceptance and continuance of engagements.</p> <p>These include economic crime risks including Anti-Money Laundering, non-compliance with auditor independence requirements under the Ethical Standard, conflicts of interest, reputational risks, execution risk, commercial risk and network risk</p>	<ul style="list-style-type: none"> <li>▶ Tender approvals and portfolio reviews (Audit)</li> <li>▶ Service-specific approvals prior to firmwide acceptance processes</li> <li>▶ Audited entity, client and engagement acceptance and continuance policies, procedures and training</li> <li>▶ UK and international conflict checking processes</li> <li>▶ Processes operationalised through software with key controls integrated</li> <li>▶ Escalation of approval of potential clients or engagements with higher risk characteristics or reputational concerns</li> <li>▶ Dedicated 'Second Line' functions including subject matter expert support services</li> <li>▶ Maintaining adequate professional indemnity insurance</li> <li>▶ Annual quality &amp; risk assessment for all partners.</li> </ul>

## B: Principal Risks

Risk	Risk trend	Description / Risk landscape	Key mitigating activities
<b>Quality of Service</b>	<p>The chart shows a horizontal line at the 'Med' level on a scale from 'Lo' to 'Hi' for the years FY22, FY23, and FY24.</p>	<p>BDO is committed to serving the public interest by consistently performing quality engagements. In the Audit stream, where audited entities are subject to rigorous scrutiny, diligently maintaining and continuously testing the SoQM, is critical together with the prioritisation of a culture of quality, scepticism and challenge. Failure to uphold these standards, and to define the scope of engagements with sufficient clarity and have them delivered by individuals who have the right knowledge and skills to deliver, could lead to non-compliance with regulatory frameworks, litigation, dissatisfaction among audited entities and / or clients, and potential reputational harm. Such shortcomings could result in financial penalties, negative regulatory attention, and importantly, could diminish the likelihood of repeat business and referrals.</p> <p>This would adversely affect the retention of audited entities, clients and the firm's overall market position. Ensuring excellence in every aspect of service delivery is critical not only to uphold BDO's reputation and operational integrity but also to foster ongoing commercial success through satisfaction and loyalty.</p>	<ul style="list-style-type: none"> <li>▶ Effective RCA activities (in a dedicated function) within the Audit stream and activities within the scope of ISQM(UK)1</li> <li>▶ Comprehensive quality control systems, methodologies, and guidance</li> <li>▶ Dedicated 'Second Line' functions including technical support services</li> <li>▶ Significant technical and commercial training to enhance the skills of our people and to ensure they remain up to date</li> <li>▶ People performance systems to ensure individuals are, and remain, competent</li> <li>▶ Controls to ensure that partners and staff with the right specialist knowledge and skills are assigned to engagements</li> <li>▶ Bid Support team provides resources to the wider firm</li> <li>▶ Client Listening Programme and people Listening Programme</li> <li>▶ High Performing Teams framework in Audit to focus on the right culture</li> <li>▶ Comprehensive AQP to address regulators' recommendations, findings from internal and external inspections and other identified deficiencies</li> <li>▶ Internal inspections to review quality of work and clear action plans to address findings from internal and external reviews</li> <li>▶ Template engagement letters and Terms of Business, with liability provisions (where appropriate) within client contract</li> <li>▶ Established risk reporting procedures for claims, complaints, or potential concerns about our work</li> <li>▶ Maintaining adequate professional indemnity insurance</li> <li>▶ Internal licensing process as well as external licensing.</li> </ul>

## B: Principal Risks

Risk	Risk trend	Description / Risk landscape	Key mitigating activities
<b>Commercial</b>	<p>The chart shows a horizontal line at the 'Med' level for three consecutive years: FY22, FY23, and FY24.</p>	<p>BDO faces the risk of failing to manage its business holistically across client and audited entity relationships, personnel, and other resources. This oversight could result in the firm's inability to adjust pricing to reflect market conditions, changes in demand for services, and rising costs. Additionally, opportunity risks may arise from inadequate or ineffective marketing and business development activities.</p> <p>Poor management of client and audited entity relationships, coupled with inefficient service delivery, can lead to low recovery rates. Collectively, these factors could prevent BDO from capitalising on market opportunities and adequately responding to commercial pressures, potentially resulting in lost revenue and a reduced market share. Such failures could significantly hinder the firm's growth and profitability.</p>	<ul style="list-style-type: none"> <li>▶ Growth plans for each service and support business unit</li> <li>▶ Application of internal commercial principles when setting and reviewing project pricing</li> <li>▶ Timesheets, with business leaders in streams having access to utilisation and fee recovery metrics</li> <li>▶ Continued expansion of the support provided by the BDO Shared Service Centre and through offshoring</li> <li>▶ Technological innovation to increase efficiency and effectiveness and reduce cost</li> <li>▶ Marketing, Sales and Clients policies and procedures</li> <li>▶ Client Listening Programme</li> <li>▶ Commercial finance activities looking at recovery rates and 'quality' of revenue.</li> </ul>
<b>People</b>	<p>The chart shows a horizontal line at the 'Hi' level for three consecutive years: FY22, FY23, and FY24.</p>	<p>BDO's talent management strategies, in the context of a challenging recruitment market, may prove inadequate in effectively attracting and retaining skilled and qualified professionals, particularly given the increasing difficulty of attracting individuals into all the firm's business streams. This challenge could exacerbate a significant skills deficit, impairing quality and / or operational effectiveness and efficiency, thereby affecting the firm's ability to meet or exceed stakeholder expectations.</p> <p>Additionally, failure to attract and retain top talent could undermine BDO's competitive advantage, impacting long-term strategic goals and reducing the firm's market adaptability. As a result, BDO could face challenges in maintaining client and stakeholder relationships, securing new engagements, and fostering innovation, ultimately affecting the firm's growth trajectory and market position.</p>	<ul style="list-style-type: none"> <li>▶ High Performing Teams framework in the Audit stream</li> <li>▶ Culture of quality in the Tax and Advisory streams</li> <li>▶ HR policies and procedures including agile working policies</li> <li>▶ Learning culture supported by technical and commercial training, development and on the job coaching</li> <li>▶ Policies for mandatory learning</li> <li>▶ Structured career discussions, performance reviews and feedback to help the development of partners and employees</li> <li>▶ BDO's People Proposition</li> <li>▶ Quality Cornerstones to guide professional behaviour</li> <li>▶ Strong and robustly implemented Health &amp; Safety and Travel policies</li> <li>▶ Leadership focus on mental health and wellbeing, supported by a dedicated Wellbeing team</li> <li>▶ Monitoring of key metrics and results from structured programmes to gather feedback from our people</li> <li>▶ Robust recruitment and screening processes</li> <li>▶ Salary and reward benchmarking</li> <li>▶ U Board as part of our BUILD strategy.</li> </ul>

## B: Principal Risks

Risk	Risk trend	Description / Risk landscape	Key mitigating activities
<b>Technology and Data</b>	<p>The chart shows a horizontal line at the 'Med' level on a scale from 'Lo' to 'Hi' for the years FY22, FY23, and FY24.</p>	<p>BDO's management of technology and data may prove to be ineffective, potentially leading to significant disruptions in IT services and solutions. Ineffectiveness in embracing or correctly implementing emerging technologies such as artificial intelligence can directly impact efficiency, effectiveness, and the ability to commercialise opportunities.</p> <p>The use of shadow IT (unauthorised technology solutions used by employees) poses additional risks, as these systems can create security vulnerabilities, data silos, and compliance issues that undermine the firm's overall IT governance. Without keeping pace with technological advancements, BDO risks falling behind its competitors, potentially impacting long-term commercial success and market positioning.</p> <p>Additionally, challenges in leveraging data due to poor organisation or ineffective utilisation strategies, coupled with outdated or insufficient IT infrastructure and architecture, could contribute to operational inefficiencies.</p>	<ul style="list-style-type: none"> <li>▶ IT policies and procedures, including governing access controls, data management, patching and vulnerability management, and appropriate disaster recovery and business continuity plans</li> <li>▶ Relationships with outsourced providers managed and maintained, with regular performance reviews and contractually agreed service levels and security baseline</li> <li>▶ Incident, change and problem management processes are in place and regularly reviewed</li> <li>▶ Monitoring of use of infrastructure resources and projections of future capacity requirements</li> <li>▶ Technology Governance framework</li> <li>▶ Monthly internal reviews of incidents and service levels</li> <li>▶ Digital Board promotes and accelerates the Digital Mindset, steering strategic innovation firmwide (e.g. BDO Labs), and owns digital products</li> <li>▶ Data Office, led by the Chief Data Officer, implementing a firmwide data strategy</li> <li>▶ Monitoring of IT controls in 2nd line functions by appropriately qualified and resourced teams</li> <li>▶ AI Enablement Working Group</li> <li>▶ CISO (looks at non-IT IT).</li> </ul>

## B: Principal Risks

Risk	Risk trend	Description / Risk landscape	Key mitigating activities
<b>Cyber and Information Security</b>	<p>The chart shows a risk level of 'Hi' for three consecutive years: FY22, FY23, and FY24. The y-axis is labeled with 'Hi', 'Med', and 'Lo'.</p>	<p>BDO has an obligation to protect audited entity, client and / or personal information from risks related to confidentiality, integrity and availability.</p> <p>There is a risk that the firm may fail to prevent and / or recover from cyber-attacks or otherwise prevent the unauthorised disclosure of information. There is also a risk that we fail to identify and prevent emergent cyber risks, including but not limited to malicious use of AI.</p>	<ul style="list-style-type: none"> <li>▶ Policies and procedures, including governing access controls, secure development lifecycle, vulnerability management, and appropriate disaster recovery and business continuity plans linked to BDO Global information security risk mitigation programme</li> <li>▶ Custom applications should be built with appropriate security by design</li> <li>▶ All software used across the firm is kept up to date and patched (for identified vulnerabilities) or decommissioned in line with vendor end-of-life timelines</li> <li>▶ Use of appropriate software tools to help protect against cyber threats, including application code scanning, IT asset scanning (physical or virtual) and network perimeter vulnerability scanning</li> <li>▶ Extensive data protection policies, processes and solutions for data loss prevention and detection and solutions for data loss prevention</li> <li>▶ Control of sensitive data by limiting access</li> <li>▶ Implementation of tools such as secure portals to reduce the risk in information exchange with our clients, audited entities and third parties</li> <li>▶ Mobile device management controls are implemented to avoid data loss</li> <li>▶ Ongoing training and awareness activities to alert partners and staff to cyber and other risks of data loss and the behaviours necessary to minimise such risks and targeted training/alerts to specific teams (e.g. Finance)</li> <li>▶ Clear desk and clear screen sweeps in offices, including technical measures for screen lockout, where appropriate</li> <li>▶ Monitoring by LT, QRE and management on an ongoing basis</li> <li>▶ ISO27001 Information Security Management System accreditation</li> <li>▶ Use of advanced technologies to detect threats and suspicious behaviour, monitor resources, and reduce response times.</li> </ul>

## B: Principal Risks

Risk	Risk trend	Description / Risk landscape	Key mitigating activities
<b>Legal and Regulatory</b>		<p>BDO faces significant compliance risks due to evolving legal and regulatory frameworks, increasing scrutiny, and higher expectations from regulatory bodies such as the FRC (transitioning to ARGA). The firm may struggle to stay abreast of new standards, changes in regulations, and enhanced requirements for our Audit stream complying with standards such as ISQM(UK)1.</p> <p>Non-compliance could lead to severe regulatory sanctions such as restrictions on operations or loss of license to trade, along with uninsurable enforcement penalties. Furthermore, failure to maintain or enhance quality standards to meet regulatory expectations, or to address adverse findings from regulatory inspections satisfactorily, could result in significant fines and penalties.</p> <p>This could undermine the firm's reputation and standing with both regulators, audited entities and clients. BDO's ability to manage these risks is crucial to prevent erosion of trust and to ensure operational resilience in a dynamically changing regulatory environment.</p>	<ul style="list-style-type: none"> <li>▶ Partner involvement with professional institutes and regulatory bodies (identifying change and influencing where possible and appropriate)</li> <li>▶ Maintaining an appropriate level of interaction and relationships with regulatory authorities</li> <li>▶ Regular review of anticipated regulatory changes and assessment of their impact</li> <li>▶ Quality control systems, methodologies and guidance</li> <li>▶ Mandatory risk training including Economic Crime, Ethics and Data Protection</li> <li>▶ Dedicated 'Second Line' functions including technical support services, compliance activities and economic crime team</li> <li>▶ Improvements to the SoQM arising from the implementation of ISQM(UK)1</li> <li>▶ Horizon scanning activities</li> <li>▶ Professional indemnity insurance</li> <li>▶ Risk reporting process.</li> </ul>

## B: Principal Risks

Risk	Risk trend	Description / Risk landscape	Key mitigating activities
<b>Financial Management and Reporting</b>	<p>The chart shows a risk level of 'Med' (Medium) for FY22, FY23, and FY24. The y-axis is labeled 'Hi', 'Med', and 'Lo'. The x-axis is labeled 'FY22', 'FY23', and 'FY24'. A horizontal line connects three data points, all of which are at the 'Med' level.</p>	<p>BDO faces significant risks related to financial management that could impact the firm's operational and financial stability. Inadequate management of budgeting, billing, and cash flow could lead to liquidity issues and affect the firm's ability to sustain operations efficiently. Additionally, volatility in financial markets and the reliability of counterparties could introduce financial risks that may not be fully mitigated through current risk management strategies.</p> <p>Furthermore, if BDO fails to secure adequate value for money from suppliers, it could lead to increased operational costs and reduced profitability. These financial management challenges, if not addressed, could compromise BDO's ability to execute its strategy and maintain financial health, potentially affecting the firm's reputation and client trust.</p> <p>BDO faces the risk of inaccuracies in financial reporting, which could negatively impact the confidence of its equity partners and other stakeholders by providing an unreliable picture of the firm's financial health and performance. Such inaccuracies might result from errors in data collection, processing, or interpretation, leading to misstated financial statements.</p> <p>This potential lack of reliability in financial reports could lead equity partners to question the efficacy of the firm's financial management and governance, which could have implications for their collective responsibility and the strategic direction of the firm. Additionally, these inaccuracies could lead to regulatory enforcement(s) and damage the firm's market credibility. Maintaining the integrity of financial reporting to ensure compliance with applicable accounting standards is critical, thus preserving BDO's reputation and operational stability.</p>	<ul style="list-style-type: none"> <li>▶ Finance policies and procedures</li> <li>▶ Timesheets, with business leaders in streams having access to time reporting, utilisation rates and fee recovery metrics</li> <li>▶ Monthly management accounts packs and financial metrics across service streams and support business units</li> <li>▶ Delegation schedules and signing authorities including expenses approvals, built into finance systems</li> <li>▶ Monthly reconciliations over all expected cycles</li> <li>▶ Credit control monitoring</li> <li>▶ Procurement policies and procedures</li> <li>▶ Supplier due diligence procedures</li> <li>▶ Procurement team support with supplier contract terms</li> <li>▶ Continuous monitoring of our cash position and financial resilience</li> <li>▶ Internal controls over financial reporting</li> <li>▶ Access to expert knowledge within the firm.</li> </ul>

## B: Principal Risks

Risk	Risk trend	Description / Risk landscape	Key mitigating activities
<b>Environment and Sustainability</b>	<p>Note: We score risks on the basis of impact and likelihood. Whilst the risk score reduced during FY23, the risk remained within the "Medium" banding.</p>	<p>BDO's environmental management strategies are critical in supporting the firm's commitment to sustainability and its transition to Net-Zero. Should these strategies fail, BDO risks potential regulatory non-compliance and reputational damage, which could lead to financial penalties and a decline in business opportunities, especially in environmentally sensitive markets.</p> <p>Furthermore, a lack of a robust, up-to-date ESG strategy, or failure to effectively execute this strategy, could tarnish BDO's reputation and brand. This would not only affect client relationships but also BDO's attractiveness as an employer. Failure to achieve Net-Zero targets within committed timescales could exacerbate these risks, leading to further reputational harm and potentially limiting access to new market segments that prioritise environmental sustainability.</p>	<ul style="list-style-type: none"> <li>▶ Sustainability and ESG Board formed to advise the LT</li> <li>▶ Signatory to the UN Global Compact</li> <li>▶ Commitment to becoming a Net-Zero business by 2050</li> <li>▶ Annual publication of Environmental Report and GHG Emissions Assurance Report</li> <li>▶ Monitoring of internal and external environmental activity</li> <li>▶ ISO:14001 Environmental Management System Accreditation</li> <li>▶ Annual Modern Slavery Act statement and mandatory training for all staff</li> <li>▶ Liaising with BDO Global with respect to the wider network's sustainability agenda</li> <li>▶ Climate Risk Working Group established to ensure appropriate strategies are implemented and monitored to manage risks and opportunities related to climate change.</li> </ul>
<b>Fraud and Insider Threat</b>		<p>BDO faces the risk of failing to detect or prevent fraudulent activities, which could involve a range of malicious actions by insiders. This includes financial fraud such as improper payments or payroll manipulation, financial misreporting for personal gain, insider trading, client money fraud, forgery of signoffs for example incorrect audit opinions, and unauthorised disclosure of confidential information.</p> <p>Additionally, risks include the theft of property or confidential intellectual property, the potential for 'planting' of rogue individuals by organised crime groups, internal activism leading to adverse social media commentary, and fraudulent acts driven by external pressures on partners or staff.</p> <p>Any such breaches could lead to significant financial losses and reputational damage, severely affecting BDO's operational integrity and eroding client trust.</p>	<ul style="list-style-type: none"> <li>▶ Recruitment approvals and screening and vetting of our people</li> <li>▶ Financial controls - segregation, authorisations, reconciliations</li> <li>▶ Client money and asset policies and procedures including reconciliations and annual firmwide client money review</li> <li>▶ Information security controls and monitoring</li> <li>▶ Physical security and IT asset registers</li> <li>▶ Anti-Bribery policy, gifts and entertainment register, and Money Laundering Reporting Officer (MLRO) approval of refunds</li> <li>▶ Whistleblowing policies and hotline, including creating and maintaining awareness</li> <li>▶ Market Abuse policy (including insider dealing and insider lists)</li> <li>▶ Management monitoring.</li> </ul>

## B: Principal Risks

Two new 'overarching' principal risks were added this year:

Risk	Risk trend	Description / Risk landscape	Key mitigating activities
<b>Resilience to Risk</b>	New for FY24 	<p>BDO's Enterprise Risk Management (ERM) and internal controls frameworks may prove to be ineffective at identifying and managing high impact risks that may materialise. There is also a risk that the firm's crisis management and business continuity plans could fail to ensure a swift and effective response to any such high impact risks.</p> <p>This could impair the firm's ability to ensure and demonstrate resilience in the face of significant crises or disasters. Failure to demonstrate such resilience to critical stakeholders, including clients and regulators, could result in reputational damage and constitute a breach of specific regulations, such as those outlined in the AFGC, to which the firm is subject.</p>	<ul style="list-style-type: none"> <li>▶ ERM framework, system (RHIZA) and activities within the QRM team</li> <li>▶ Internal Controls framework</li> <li>▶ Effective governance model</li> <li>▶ ERM Policy determined by the QRE and approved by the PC</li> <li>▶ At a minimum, an annual review of the firm's principal risks by the QRE, approved by the LT and also the Q&amp;RSC used for the identification, evaluation and mitigation of key risks across the firm</li> <li>▶ Risk appetite statement defined by the QRE and approved by the PC</li> <li>▶ Established risk reporting procedures for claims, complaints, or other significant events that may be threats to the firm</li> <li>▶ Crisis Management and Business Continuity and Disaster Recovery frameworks</li> <li>▶ Financial resilience.</li> </ul>

## B: Principal Risks

Risk	Risk trend	Description / Risk landscape	Key mitigating activities
<b>Loss of Trust due to Reputation</b>	New for FY24 	<p>BDO fails to maintain the trust of its stakeholder groups as a result of matters negatively affecting the firm's reputation. BDO's ability to effectively manage its reputation is critical, particularly in light of the current level of increased regulatory scrutiny.</p> <p>Failures in adapting to new or updated standards and regulations, and / or inadequately addressing adverse findings from regulatory inspections, may result in sanctions, including restrictions on operations, loss of license to trade, and/or financial penalties.</p> <p>Moreover, unethical behaviour or a lack of integrity by individuals within the firm could significantly tarnish BDO's reputation, leading to diminished trust among audited entities, clients, and the general public. Such actions could exacerbate the impact of regulatory issues and severely affect the firm's ability to attract and retain business.</p> <p>Additionally, poor quality work product could further damage BDO's reputation. The evolving regulatory landscape introduces additional uncertainty, and failure to adequately respond to these changes, including investing in enhanced quality frameworks, such as a SoQM, or planning for the costs and resources needed to meet new regulatory demands, could further undermine BDO's market credibility, client trust, and ultimately affect its market position and operational stability.</p> <p>BDO's reputation extends beyond the quality of its work product and services to include its character as an organisation. This includes its standing as a major employer in the UK, the treatment of its workforce, and its responsiveness to externalities such as ESG agendas. Furthermore, BDO's reputation is influenced by the values by which it conducts its work, including the clients and audited entities it takes on, the nature of the work it chooses to do, and the integrity and ethical behaviour of its leaders and partners. Failure in any of these areas could significantly tarnish BDO's reputation and affect its long-term success and sustainability.</p>	<ul style="list-style-type: none"> <li>▶ Public and Media Relations policy</li> <li>▶ Media engagement activities managed by Corporate Affairs, with approvals for all external publications</li> <li>▶ Only approved and media-trained partners are authorised to brief journalists directly, supported by a 24/7 Press Office team and access to leading PR agencies</li> <li>▶ Ongoing monitoring of media coverage and social media discourse regarding the firm</li> <li>▶ Crisis Management and Business Continuity: planning, testing, and active scenario planning sessions, overseen by the COBRA Committee with a tested and live response plan</li> <li>▶ Established procedures for reporting claims, complaints, and other significant threats; live horizon scanning, including a quarterly reputation management dashboard</li> <li>▶ Approval processes and annual declarations that include reputational aspects, such as outside directorships</li> <li>▶ Strong governance: ethics and integrity of leadership and partners, with an ERM and Internal Controls framework</li> <li>▶ Proactive Reputation Management: a proactive reputation management programme, with the Chief Communications Officer on multiple internal boards and regular PR-to-PR meets with BDO Global and BDO US</li> <li>▶ Public Affairs team: evolving Public Affairs team, including national and tax public policy groups.</li> </ul>

## C: Audit Quality Indicators

We use AQIs to help provide insight into audit quality internally and as a source of information for business intelligence (i.e. correlations to audit quality). We work to continually align AQIs with our RCA needs, for both identifying good practice and areas requiring improvement. This, in turn, is helping develop appropriate corrective actions, the effectiveness of which is then re-assessed by our AQIs.

We note that our external stakeholders, such as audit committees and regulators, will use AQIs when assessing the quality of our external audits as well as to monitor the overall trend of audit quality within the profession. We continue to collaborate with the FRC and additional wider stakeholders in our continued understanding of what 'good practice' represents in the use of AQIs. Internally, we are continuing to re-assess our selection of AQIs parallel to the evolution of our SQP, the results of our ISQM(UK)1 assessment, guidance issued by the BDO Global function and the outcomes of the first annual reporting to the FRC in June 2024 (per their AQIs Consultation dated 22 June 2022).

### Audit Quality Measures

These measures can be used to assess our internal quality management processes (e.g. internal monitoring systems) as well as the quality of engagement performance (the outcomes/findings of the internal monitoring systems).

The reported results are indications that the quality of individual engagements are adequate or inadequate, but further work is subsequently performed by the RCA team (and summarised in the Audit Quality section) to understand if the identified issues are isolated or systemic.

### Metrics on external investigations related to our audits

AQI Definition	Metric FY24 (FY23)	Commentary
Number of cases in the last 12 months (1 July 2023 – 5 July 2024) in which the FRC's Conduct Committee has found against the firm or one of its partners	0 (0)	No such cases occurred during the year to 5 July 2024.
Number of cases in the last 12 months (1 July 2023 – 5 July 2024) in which the equivalent of a Conduct or Disciplinary Committee of any other Regulatory Body has found against the firm or one of its partners	3 (1)	During the financial year there were 3 audit cases found against the firm by the ICAEW, details can be found on the <a href="#">ICAEW's disciplinary database</a> . Where we have enquiries from the ICAEW we are committed to working constructively with them to resolve these. Further details of the ICAEW's disciplinary process can be found at <a href="http://www.icaew.com">www.icaew.com</a> .

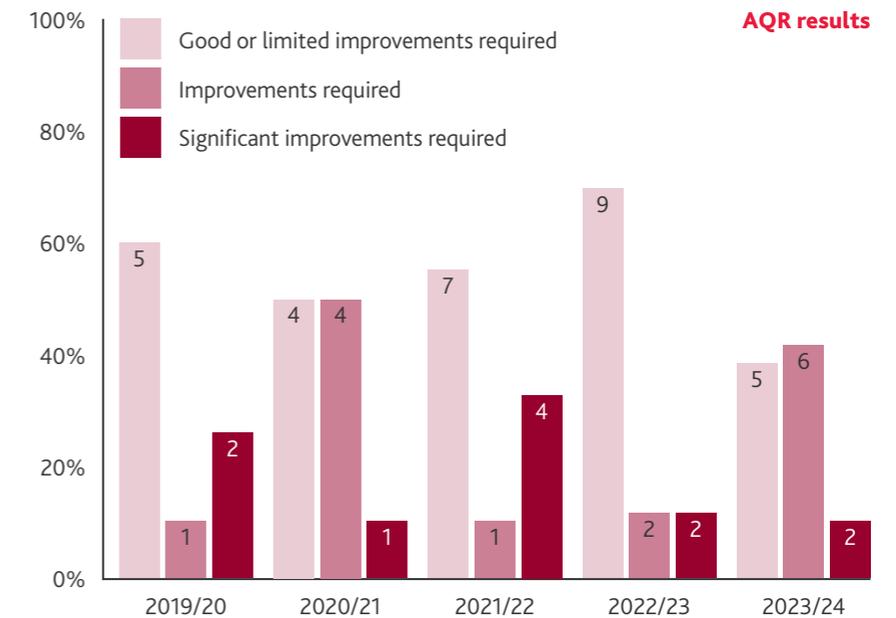


### Metrics on audit quality reviews (external)

#### Results of inspection by the FRC's AQR of corporate audits

The FRC's AQR report focuses primarily on the audits of PIEs. The AQR team reviews a sample of individual audits and assesses elements of our quality control systems. Separately, they provide thematic reviews on a periodic basis, which help facilitate our efforts in continuous improvement.

The most recently completed AQR report for the 2023/24 cycle was published in July 2024 and was in respect of engagements with year ends ranging from July 2022 to March 2023. The full 2023/24 AQR report on BDO can be found at: [FRC BDO LLP Public Report July 2024](#).



## C: Audit Quality Indicators

### Results of inspection by the FRC of public sector audits

The FRC is also responsible for monitoring the quality of Major Local Audits ("MLA") as defined within the Local Audit (Professional Qualification and Major Local Audit) Regulations 2014. Since 2017/18 there has been a well publicised deterioration in the timeliness of completion of local audits in England with delays compounding during the COVID-19 pandemic, leading to a persistent and significant backlog of audit opinions across all firms involved in this market.

This backlog of audit opinions has placed severe restrictions on the FRC's ability to perform audit quality inspections and resulted in the FRC not inspecting a sample of the firm's MLAs during this year.



The [FRC's report on Major Local Audits](#) provides more detail on the current approach to the inspection of these engagements being undertaken by the FRC.

The most recently completed review took place in the prior year, as noted in the Transparency Report 2023. The FRC have advised the firm that at least one of the firm's MLAs will be inspected during 2024/25, which we anticipate will be included in the FRC's report on MLAs in 2025.

### Results of inspection by the ICAEW's Quality Assurance Department (QAD)

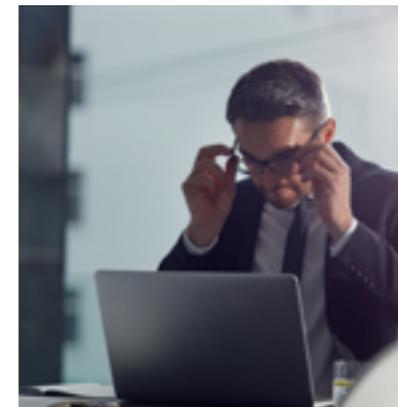
#### Corporate Audits

The QAD undertakes inspections of UK statutory audits which are outside the scope of the AQR's inspections. The firm receives a private annual report from the QAD documenting its findings and a summary of the inspections is included as an appendix to the FRC's AQR report on the firm.

The Institute of Chartered Accountants in England and Wales (ICAEW) did not inspect a sample of the firm's non-PIE audits this year, in accordance with its planned rotational inspection programme and therefore there are no ICAEW results included in this report.

The most recently completed review by the ICAEW's QAD for 2022 was included in the FRC's July 2023 report and was in respect of engagements with year-ends ranging from September 2020 to December 2021. The summary

of the inspections can be found in the Transparency Report 2023. The most recent review by the ICAEW's QAD commenced in June 2024 in respect of engagements with year ends ranging from March 2023 to March 2024. The full report of the QAD in respect to BDO for this review is anticipated in January 2025 and will be included in the subsequent FRC's public report on the firm, which will be released in July 2025.



#### Public Sector Audits

The QAD additionally undertakes inspections of UK non-major local audits. All firms authorised by the ICAEW to carry out local public audits under the Local Audit and Accountability Act 2014, and actively undertaking local audits, of which BDO LLP is one, receive a monitoring review at least once every three years.

During the period, the ICAEW did not inspect any of the firm's non-major local audits, in accordance with its planned rotational inspection programme, and therefore there are no results included in this report.

The most recently completed review by the ICAEW's QAD was for an engagement with a March 2022 year-end and reference to the review was included in the firm's Transparency Report 2023.

#### Air Travel Organisers' Licensing (ATOL)

As part of the requirements of the ICAEW Licensed Practice scheme for ATOL Reporting work, the firm was also subject to an ATOL license review by the QAD during the period.

The most recently completed ATOL review was concluded in October 2023 and was in respect of engagements with year ends ranging from June 2021 to December 2022.

Six engagements were inspected and the quality of the work was considered by QAD to be 'generally acceptable', although more significant findings were identified in one of the engagements.

## C: Audit Quality Indicators

### Metrics on audit quality reviews (internal)

#### Results of firm's Practice Reviews

Both the current year and comparative data include all UK audit engagements and, as applicable, UK overseas territories audits performed by BDO UK.

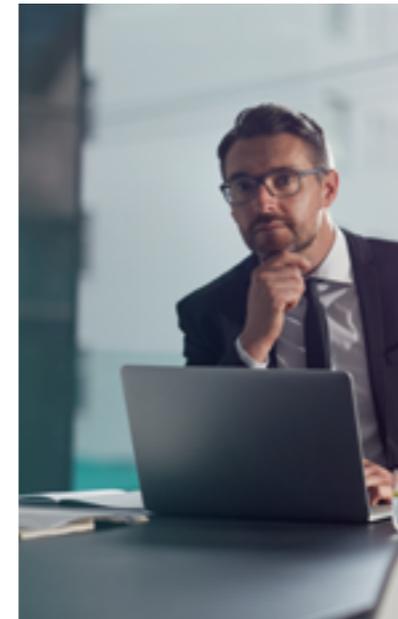
Any comparison of results year-on-year should recognise we continually seek to refine our approach to internal reviews, to ensure they are consistent with the latest regulatory developments and continue to be sufficiently challenging and robust.



Grade	2023 complete	2023 (%)	2022 complete	2022 (%)	2021 complete	2021 (%)
1. Good	16		14			
2. Acceptable, limited improvements	39	56%	51	67%	63	63%
3. Improvements required	26	27%	15	16%	14	14%
4. Significant improvements required	17	17%	16	17%	11	11%
Total	98	100%	96	100%	88	88%

### The grading categories used in this table are:

**Good:** This grade covers audits where there are no identified key findings and other findings are limited in number.



**Acceptable with limited improvements required:** This grade covers audits where any key findings are limited both in significance and in number.

**Improvements required:** Generally, an audit is graded 'improvements required' where there are a number of key findings relating to a flawed audit approach leading to weaknesses in the audit evidence obtained, there are omissions / errors in the documentation of the audit evidence and / or the significant judgements reached in significant risk areas, where there are some concerns in relation to the appropriateness of one or more significant audit judgements, the impact of which is unlikely to be material, there are instances of non-compliance with the requirements of the standards and / or BDO policies set out in the Audit Manual and / or there are misstatements and / or errors in any of the primary statements.

**Significant improvements required:** Audits are graded 'significant improvements required' where the audit procedures planned or audit evidence obtained did not provide reasonable assurance that no undetected material misstatements, individually or collectively, in the financial statements were present; or there are significant concerns in relation to the appropriateness of one or more of the significant audit judgements, the impact of which was likely to be material, there are instances of significant non-compliance with the requirements of the standards and / or BDO policies set out in the Audit Manual and / or there are misstatements and / or errors in any of the primary statements.

## C: Audit Quality Indicators

In the latest review cycle (2023), 43 engagements were rated as either 'Improvements Required' or 'Significant Improvements Required'. The reduction in the proportion of engagements reaching our expected level of audit quality, relative to the prior year, has been addressed in the Audit Quality section. RCA is performed over some of these engagements at an engagement level and on a thematic basis.

Our approach to PRs is such that each RI will normally be subject to review every two years.



Where engagements are graded as 'Improvements required' or 'significant improvements required', the RI will complete a quality improvement plan, which will be submitted to the Head of Audit Quality and Risk for approval. We are enhancing our oversight of quality improvement plans and going forward they will be monitored on a quarterly basis.

Where engagements are graded as 'improvements required', the central PR team will conduct a follow up review of the same file when the next engagement has been completed to ensure the RI has implemented the actions in response to the findings.

Where engagements are graded as 'significant improvements required', the RI will be subject to a follow up review of the same file when the next engagement has been completed to ensure the RI has implemented the actions in response to the findings and that RI will be selected for another review in the following year's PR process.

59% of RIs (based on number of RIs as at end of FY24) were subject to PR during the 2023 cycle.



### Operational Metrics

We consider the number of Audit stream staff members in the UK firm, including new hires and leavers during the period, as indicators of the consistency of the firm's engagement teams. We hold that consistent teams assist in improving our audit quality and maintaining professional knowledge within the firm, whilst recognising that adding new staff will promote new and fresh ideas, ultimately improving and achieving high audit quality.

Furthermore, whilst acknowledging the right number of RIs to have when compared against staff will be dependent upon the firm's engagement portfolio, a higher proportion of senior engagement team members may indicate that the firm possesses the right levels of experience and knowledge to benefit audit quality.

In addition, the Audit stream utilised EDTs in South Africa, Mauritius and India to provide additional resources during the year, although the arrangement in Mauritius ceased during the year. The total number of staff in the EDTs at 5 July 2024 was 261 (30 June 2023: 404).

AQI Definition	Metric FY24 (FY23)	Commentary
Opening number of permanent partners and staff members within the Audit stream (as at 1 July 2023)	2,971 (2,691)	We believe that our staff turnover appropriately reflects the profile of our business and we have huge pride in the exceptional talent of all of our people, even after they leave the firm.
Number of newly recruited and internally seconded/ transferred permanent partners and staff members to the Audit stream within the period 1 July 2023 – 5 July 2024	862 (1,145)	The minor variances identified in the Headcount Reconciliations for both FY23 and FY24 are reflective of individuals either moving from Professional to Support Roles or Casual Workers to Regular Employees during the period, which are not regarded as either New Joiners or Leavers from the Audit stream per the definitions provided above. The difference between the FY23 closing position and the FY24 opening position relates to those staff movements that took place on 1 July 2023 itself.
Number of leavers and internally seconded/ transferred permanent partners and staff members from the Audit stream within the period 1 July 2023 – 5 July 2024	744 (842)	
Closing number of permanent partners and staff members within the Audit stream (as at 5 July 2024)	3,085 (2,985)	

## C: Audit Quality Indicators

### Metrics on RIs

AQI Definition	Metric FY24 (FY23)	Commentary
Number of RIs within the Audit stream (as at 5 July 2024)	177 (162)	With an increase of RIs during the year of 15 (9%) we have continued our investment in senior experience and knowledge to support our Audit teams to deliver quality.
Ratio of RIs to non-RI audited entity-facing permanent staff members within the Audit stream (as at 5 July 2024)	6.0% (5.6%)	

### Investment metrics

We consider the average number of hours of structured learning per person in the Audit stream, the total number of hours of structured learning completed by all staff members and partners within the Audit stream during the financial year as well as the percentage of completions of structured learning as at the financial year end, as indicators of the firm's investment in improving audit quality and maintaining professional knowledge.

We additionally note that, against a backdrop of intense scrutiny of the accountancy profession and increased regulatory expectations, the ICAEW introduced revised Continuing Professional Development (CPD) requirements from 1 November 2023.

Specifically, from 1 November 2023, all partners and staff covered by the regulations are now required to complete each year:

- ▶ a minimum total number of CPD hours;
- ▶ a minimum number of CPD hours considered 'verifiable'; and
- ▶ a minimum of one hour of ethics training aligned to the ICAEW Code of Ethics.

We believe that the training undertaken allows our covered partners and our people to meet the CPD requirements. Further description of the L&D programmes provided to our partners and our people during the financial year can be found in the About Us section (for firmwide L&D programmes) and the Audit Quality section (for Audit L&D programmes).



## C: Audit Quality Indicators

### Overall metrics on investment in training



AQI Definition	Metric FY24 (FY23)*	Commentary
Average hours of structured learning per person in the Audit stream	78 (72)	<p>Please note that the metrics hereby presented are on the basis of the complete and accurate time charging in respect to time invested in learning by our Audit partners and staff.</p> <p>All staff and partners are required to complete mandatory firmwide risk management and ethics training annually. The structured hours noted here reflect the time invested in this learning by our Audit staff and partners as well as their dedicated technical and skills learning in the year.</p> <p>In addition to any required learning for new joiners, individuals either complete our EiC programme or Summer School as applicable to their grade. Our Audit Quality Live Events for assistant managers and above also continued throughout the year, building on the success of their launch in October 2022. These webcasts continue to provide our staff and partners with the latest accounting and auditing methodology updates and key findings from internal and external reviews.</p> <p>In addition, during FY24, a number of bespoke learning programmes were introduced to support our staff and partners with a number of key audit areas including journals and stock counts. Dedicated learning on using specialists and experts was also completed. These topic-based programmes supplemented the core learning suite and were incremental compared to FY23.</p>
Total hours of structured learning completed by all staff and partners within the Audit stream	206,494 (178,897)	<p>Please note that the metrics hereby presented are on the basis of the complete and accurate time charging in respect to time invested in learning by our Audit partners and staff.</p> <p>The trends in total hours of structured learning during the financial year reflect an increase in headcount as well as the increase in average hours per person of structured learning noted above. Approximately 45% of the increase seen is due to growth in the audit headcount with the remainder being the impact of the additional learning content noted above.</p>
Percentage of completions of structured learning in the period 1 July 2023 to 5 July 2024	99.46% (99.06%)	<p>Structured learning consists of mandatory firmwide risk management and ethics training and required learning for our Audit staff and partners. 100% completion is expected on all structured learning.</p> <p>The minor difference noted here (&lt; 1%) reflects a number of factors including the timing of learning release versus the reporting date, staff sickness and other absences. Non-completion levels are minimal and each case is followed up as appropriate. Non-completion forms part of our assessment of overall performance for staff and partners. Appropriate disciplinary action is taken in such instances.</p>

\* the FY23 figures have been restated

## C: Audit Quality Indicators

### Culture and Behaviour Metrics

As we continue to build and evolve our purpose and values-led culture within the Audit stream (through adoption of the strategic framework, and specifically, through the embedding of High-Performing Teams and Audit Specific Behaviours), understanding where we are on this journey is important as it will inform the decisions we make as an Audit stream.

As a result, we consider the 'Favourable' responses provided to a representative sample of questions from our annual Audit Quality Survey, in conjunction with the response rate achieved for each instance of the survey, as an indicator of the firm's progress on audit culture initiatives and staff engagement.

It is noted that the response scale used in the 2024 survey is the five-point Likert scale, which differs from the four-point scale used in the 2023 survey; however, the definition of 'Favourable' responses remains unchanged year-on-year.

The results presented here are from the annual Audit Quality Survey which was issued to the Audit stream in April 2024.

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

All results (both 2024 and 2023) represent the combination of 'Strongly Agree' and 'Agree' responses, unless otherwise stated in the Explanatory Notes.

AQI definition (Question from the Audit Quality and Public Interest Survey)	Question Domain	2024 (Response Rate)	2023 (Response Rate)	Explanatory Notes
I take pride, am accountable, and have personal responsibility for the quality of the work that I complete	Quality	97% (68%)	97% (23%)	The statement in the 2023 survey was "I believe I am personally responsible for the delivery of quality on an engagement".  Consistency in this high-scoring result indicates colleagues understanding the importance of quality and accountability for work completed.
I believe that the engagement leaders I work with demonstrate a commitment to consistent high quality through their actions and behaviours	Quality	92% (68%)	95% (23%)	This statement scored lower than previous year but is still a high score indicating clear evidence of recognition of the importance of audit quality and that this is a priority for the stream.
I believe the engagement teams I work with collectively take pride and are accountable for the completion of their work to a consistent high-quality standard	Quality	83% (68%)	95% (23%)	The statement in the 2023 survey was "I believe that BDO is committed to the delivery of consistent high-quality audits that serve the public interest".  While this statement scored lower than previous year it continues to indicate the views of the Audit stream of the importance of engagement teams completing work to a high-quality standard with recognition that this is a priority.
I personally have sufficient time and appropriate resources to deliver consistent high quality audit work	Resourcing	56% (68%)	57% (23%)	The sufficient and appropriate resourcing of our audit engagements remains a key priority. We are committed to monitoring and improving our key metrics, such as chargeability, to ensure that our teams are not overloaded and that we are delivering high-quality to our audited entities and stakeholders. We do this by: <ul style="list-style-type: none"> <li>▶ Setting realistic and achievable targets for each level and role within the stream, based on historical data, industry benchmarks, and current expectations</li> <li>▶ Tracking and analysing the actual chargeability of each team and individual on a monthly basis</li> <li>▶ Implementing corrective actions and interventions when necessary, such as reallocating resources, adjusting workloads, or providing additional support or coaching, to address any gaps or issues.</li> </ul>
The learning, coaching and development I receive from BDO enables me to deliver consistent high-quality audits	Training	79% (68%)	85% (23%)	The learning, coaching and development score is slightly lower in 2024 than 2023 and continues to be a priority in FY25.  Following an extensive training needs analysis and holistic curriculum review, our detailed curriculum plan for 2024 – 2026 was developed and agreed with the Audit Executive. This plan outlines the expected learning for our people in the coming period as well as our longer-term plans for supporting ongoing development needs. Learning within the audit curriculum is targeted based on role and experience. By tailoring our learning offering, we are able to support our people in the development of necessary knowledge and skills to aid with the delivery of high-quality audit work.  Equipping our Audit colleagues with a consistent approach to on-the-job coaching is a key focus area for FY25. This core skill enables our colleagues to support each other, fosters a continuous learning and development mindset, to deliver high-quality audits.

## C: Audit Quality Indicators

### Other Reportable AQIs

The final reportable AQI detailed below relates to our ongoing investment activities in technology, research and development. Whilst these are not specific metrics/measures, these activities are considered important given the firm's obligations to act in the public interest.

#### Our ongoing investment activities in technology, research and development

We have developed a major new version of the BDO Advantage Financial Analyser, our proprietary signature Journal and General Ledger analytics product, which was launched in Q1 of FY25. The updates made in this major new version help by further aligning tooling to audit methodology, driving efficiencies and generating further insights for both our audited entities and our Audit teams particularly around journals, management override and fraud procedures as well as enhancing planning and risk assessment functionality.

"Shopping for Assurance", our new product to support Audit teams' increased usage of data analytics, is in the final stage of approval prior to its launch to our Digital Audit Champions community. Shopping for Assurance enables our Audit teams to browse available data analytics tools by FSA and risk area from a centrally approved catalogue and will initially focus on revenue related audit procedures. These tools aim to instil a greater consistency and standardisation in our use of data analytics across the audit portfolio.

Our commitment to digital innovation through Audit Labs has led to four digital product opportunities, including the release of the 'Account Mapper' product, which provides a consistent tool for the mapping of trial balances using machine learning. Over the past year our auditors have raised 77 ideas, with 14 selected for innovation experiments. We have also been exploring how emerging technologies like artificial intelligence is impacting our audit procedures and audited entities.



## D: Compliance Statements

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

We have included below individual statements of compliance as required by the regulations above. Compliance mapping to the individual requirements / regulations is set out in Appendices G-I.

### Statement of review of the effectiveness of internal controls as required by AFGC provision 24:

As part of its annual procedures and in compliance with the AFGC, the LT confirms that it has conducted a thorough review of the effectiveness of the internal control system. The LT is satisfied that the system is operating effectively and aligns with the risk management principles outlined in the AFGC subject to the disclosures made in relation to the firm's SoQM evaluation set out later in this section.



### Summary of the processes that have been applied

The review of the effectiveness of the system of internal control included the following:

- ▶ Consideration and review of relevant aspects of the firm's governance structure including its oversight and executive committees. This includes self-assessments, reviews of terms of reference and monitoring of KPIs
- ▶ Reviewing reports relating to quality and risk activities across the firm and minutes from the QRE as well as regular discussions on quality and risk issues with the Head of Quality and Risk on the management and monitoring of risks
- ▶ Reviewing the firm's principal risks and ERM framework, activities, policies and other documentation
- ▶ Conducting comprehensive reviews of policies relating to all major activities within the firm
- ▶ Closely monitoring the redesign of the firm's ISQM(UK)1 programme, considering its effectiveness as well as reviewing and considering the results of the testing and evaluation performed by the ISQM(UK)1 team
- ▶ Reviewing regular reports and updates from the firm's Finance Partner relating to financial controls, budgeting and performance
- ▶ Participation in various governance committees and working groups, developing, implementing and reporting on the firm's Data Governance framework, policies, and standards
- ▶ Ensuring that both centrally managed and non-centrally managed IT General Controls are integral to the firm's internal control framework. This is done by maintaining effective operation through systematic risk management, monitoring, reporting, governance, and auditing activities
- ▶ Receiving outputs from the Information Security Committee and the information security management project and the independent information security office. Additionally monitoring compliance of the firm's information security management system with ISO27001
- ▶ Receiving reports and memos from the independent Internal Audit function, reviewing and providing input on the annual audit plan. The Head of Internal Audit has also presented on planning, engagement results, and remediation status at LT and executive governance forums
- ▶ Reviewing the independent assessment provided by PwC, our external auditors, which includes their audit of our financial systems and processes. Receiving and acting upon PwC's management letter setting out control findings or other relevant observations arising from their audit work and ensuring that these are addressed. Reviewing and approving the firm's annual report
- ▶ Receiving regular ethics and compliance reports from the Ethics Partner
- ▶ Receiving regular reports at various cadences from the firm's 'second-line' assurance functions that are not specifically mentioned above. Many of these sits in the QRM team

- ▶ Addressing any significant weaknesses and internal control issues.

The ongoing review of the effectiveness of the internal control system by the LT has not identified any significant failings or weaknesses. Furthermore, no material issues relating to internal controls have been disclosed in the firm's financial statements or management commentary, save as detailed below in relation to the firm's evaluation of its SoQM.

As part of this continuous review process, led by the LT, where opportunities for strengthening internal controls to better manage and mitigate principal risks have been identified, appropriate actions have been developed and are either in the process of being implemented or have already been executed. The status of these implementations is subject to regular monitoring and reporting.

## D: Compliance Statements

### Effectiveness of internal quality control system as required by Article 13 of the EU Audit Regulation and the Local Auditors (Transparency) Regulations 2020:

The LT, who have ultimate responsibility and accountability for the SoQM under ISQM(UK)1, have carried out an evaluation of the SoQM as at 30 June 2024. The LT concluded in line with paragraph 54(b) of ISQM(UK)1 that, except for matters related to identified deficiencies that have a severe but not pervasive effect on the design, implementation and operation of the SoQM, the SoQM provides the firm with reasonable assurance that the objectives of the SoQM are being achieved.

ISQM(UK)1 does not define severe or pervasive deficiencies and therefore we use professional judgement to determine whether an identified deficiency is severe and / or pervasive. During the year we set up a Moderation Committee, consisting of four partners, including the Head of Monitoring and Remediation, whose responsibility it is to scrutinise all identified findings to challenge the conclusion as to whether they were deficiencies, and whether a deficiency was severe and / or pervasive.

The proposals were then brought to the LT, who have ultimate responsibility for the SoQM, in order for them to reach a conclusion. Findings were identified through the testing of controls in our SoQM as well as by considering other sources of evidence such as our internal and external file review gradings and RCA conclusions.

We considered various factors to determine whether a deficiency was severe. This included looking at inadequacies in the design, implementation or operation of responses, taking into consideration that the remediation programme was in progress throughout the year and therefore we had some responses which were not operational until close to the year end.

We considered whether deficiencies were likely to cause the firm to fail to comply with professional standards or applicable legal and regulatory requirements, and whether they significantly impacted the firm's ability to operate its SoQM.

We also concluded on whether a deficiency could be considered to be pervasive by considering factors such as whether it had a history of regular occurrence and was likely to recur, whether the related quality objective would not be met in most cases, and whether the majority of the audit opinions that we issue would be impacted.

We considered findings and deficiencies individually and in aggregate and whilst we identified severe deficiencies, we did not identify any pervasive deficiencies.



We identified nine categories of severe deficiencies which are as follows:

- ▶ **General maturity of the framework:** The remediation programme under ISQM(UK)1 has been rapid, intense and detailed. Further work will be undertaken in FY25 to implement additional controls, and time is required to allow certain new processes and controls to operate for a longer period of time for us to be able to reach a conclusion on their effectiveness.

However, we have sufficient evidence to conclude that the remediation work carried out in FY24 reduces the impact of our deficiencies so that they are not pervasive.

- ▶ **Completeness and accuracy of data:** The SoQM relies on many different types of data, either to operate controls or to test them. We report on page 16 about the enhancements we are making to our management of data and this will further support and strengthen our SoQM.

We note, also, that some of the systems we are relying on in our SoQM were not originally set up for the purposes we are now using them for, and further work is needed therefore to transform the data or make it more accessible for the purposes of our SoQM.

- ▶ **Firm leadership's ability to use the SoQM to lead on quality:** Leaders across the firm who have direct responsibility for aspects of the SoQM were involved in the remediation programme during the year.

Due to the pace and scale of the programme the overall SoQM was designed centrally by the ISQM(UK)1 programme team. The knowledge and understanding of the whole SoQM needs to transfer to leaders of the firm, including the Audit Executive, during FY25 to allow them to use the SoQM to lead on quality.

- ▶ **Management of actions and the ability to drive change through the firm to drive continuous improvement, as well as manage risk while change is ongoing:** Central to the firm's ability to improve is the management of the actions that we record within our SQAP.

Actions need to be sufficiently granular to ensure that they are embedded, they need to be closed according to the timeline set and there needs to be improved governance over any delays.

We have commenced an effectiveness monitoring programme over priority action areas and this programme needs to embed throughout FY25 so that we are confident that the actions we have designed and implemented are achieving their objectives.

## D: Compliance Statements

### ► **Engagement performance:**

Although our data on both internal and external file inspections demonstrates that we can carry out high-quality audits, we recognise that we do not yet do this consistently and that our results are below the standard that they need to reach.

Within our SoQM, there are a number of areas which we believe contribute to this severe deficiency and we have set out through this report the areas of our SoQM that we are still working to improve to drive better audit quality.

► **Reliance on the network:** We do not currently receive assurance from BDO Global on the limited aspects of our SoQM that they provide for BDO network firms. For all areas except one we have been able to design, implement and test local controls over network resources, such as our Audit Manual and our audit tool, APT.

However, we have been unable to gain any assurance over the global conflict checking process and note that in some cases pre-approval has not been sought from the Audit RI prior to another BDO network firm providing NAS to the group of a UK audited entity.

► **Deficiencies in the allocation of RIs and EQRs and safeguarding audit quality:** During the year we refreshed our approach to reviewing portfolios of RIs and EQRs, using more data than previously to drive those discussions and developing specific action plans for individual portfolios following the reviews.

However, we recognise that we need to do more to support certain categories of RIs by implementing safeguards over their audits. We also need to drive central oversight of individual action plans where these have been agreed following poor quality audits.

► **Specialists and experts:** As part of the remediation programme during the year a working group was set up with the objective of designing processes and controls for Audit to work with Tax and Forensics initially, with a plan to expand this further during FY25 to other specialists and experts within the firm.

A number of findings have arisen in this area in both internal and external reviews indicating that the size of our Audit portfolio now requires us to implement formal processes over resourcing, as well as identifying a need to set out the training and accreditation requirements for our specialists and experts.

We have successfully implemented this programme over Tax and Forensics in the year but this remains a severe deficiency until we complete the implementation over all our specialists and experts.

### ► **Deficiencies in providing appropriate intellectual resources:**

We have made significant progress in the last few years in developing our audit methodology and guidance. We note that we still have more work to do in developing methodologies for specific circumstances such as certain sectors.

We also need to enhance our governance of automated tools and provide timely guidance to Audit teams on how to work with automated tools.



### **Local Auditors (Transparency) Regulations 2020 statements:**

Appendix H demonstrates how the firm complies with the Local Auditors (Transparency) Regulations 2020.

## E: Biographies and Information about our INEs, Governance bodies and Leadership Team

### LT biographies as at 5 July 2024



#### **Paul Eagland** 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 LT are responsible for the overall strategic direction of the firm, its financial performance and business model. Paul has served on the LT 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

As Chief Operating Officer, Andy leads the firm's PMDs. He chairs our Operations Board ensuring we focus on delivery of the firm's operational priorities. Andy also leads our Tax stream with responsibility to implement the firm's vision and strategy across the national tax practice. Andy has served on the LT since October 2016.

#### **Kaley Crossthwaite** LT Lead for Quality and Risk

Kaley joined the LT on 2 July 2022, after spending the prior three years as head of BDO's Forensic and Valuation Services (FAVS), leading a national team of almost 200 people. She has been with the firm for more than 20 years, joining as manager and being promoted to partner in 2008. Kaley's remit within the LT is to strengthen BDO's continued focus on quality and risk management. From July 2023, Kaley became the firm's Head of Quality & Risk and also became the firm's Money Laundering Compliance Principal.

#### **Anna Draper** Head of Partner Engagement and Development

Anna joined the LT on 2 July 2022, having spent the prior three years as head of BDO's offices in the South East region. Anna began working for BDO as a senior manager in 2007 and was promoted to partner in 2012 and regional lead partner in 2019, responsible for overseeing two offices consisting of almost 400 people. Her role on the LT sees Anna focus on partner engagement and development, helping to plan the pipeline of future partners within the firm.

#### **Simon Gallagher** Head of Advisory

Simon leads the Advisory stream, chairs the Advisory Executive, and joined the LT in 2019. Simon is a member of our Operations Board and is also a member of the Advisory Leadership Group which has responsibility for co-ordinating the strategy and delivery of global Advisory services within the BDO International network. Before joining BDO, Simon was Managing Partner of Moore Stephens LLP.

#### **Chris Grove** Partner – Transaction Services

Chris was appointed to the LT in October 2016 and currently chairs the firm's Unifying Culture (U) Board. In October 2023 he stepped back from leading the Transaction Services team. Chris is a past Chair of BDO's International Corporate Finance Group and a past member of the firm's PC.

#### **Scott Knight** Head of Audit

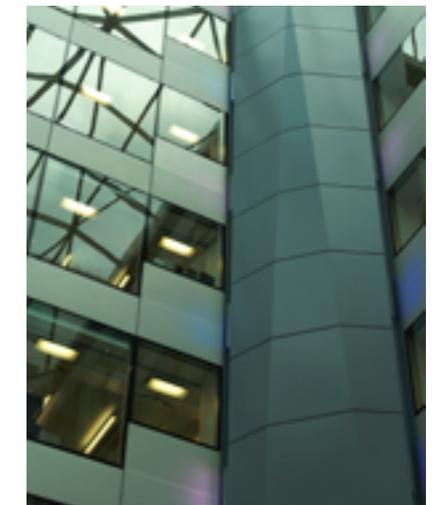
Scott leads the Audit stream and chairs the Audit Executive, leading the design and execution of strategy for our Audit practice. He also leads on the investments in audit quality and transformation as well as having responsibility for the financial performance of the stream.

He was appointed to serve on the LT on 1 April 2014 and has been a member of the firm's AB since its constitution in January 2022. Scott is also a member of our Operations Board.

#### **Gervase MacGregor** LT Lead for Risk and Reputation

Gervase is responsible for all claims and regulatory matters involving the firm. He is also the firm's Money Laundering Reporting Officer (MLRO).

He is a fellow of the ICAEW, having qualified as a Chartered Accountant in 1986, is a forensic and valuations services partner and has served on the LT since 5 July 2008.



# E: Biographies and Information about our INEs, Governance bodies and Leadership Team

## Oversight Bodies' biographies as at 5 July 2024

### **Matthew White** Senior Partner (PC, BIOB, AB, NomCo, RemCo, AC, Q&RSC)

Matthew is the firm's Senior Partner, elected to the role in 2018 and is Chair of PC. Prior to his election to Senior Partner, Matthew spent eight years as a member of PC.

In addition, Matthew chairs BIOB, AB, RemCo, NomCo and the new formed Quality & Risk sub-committee of PC. He helped create and is co-chair of the Sustainability and ESG Board. Matthew is the International Liaison Partner and is also a member of the AC.

### **Suk Aulak** (PC)

Suk is a partner based out of the Birmingham office, heading the Business Services and Outsourcing team in the Midlands and the firm's Company Secretarial Team. He joined the firm as a partner via the merger with Moore Stephens in 2019 and has served on PC since joining.

### **Nick Carter-Pegg** (PC, AC)

Nick is an Audit Partner focused on the Professional Services sector, based out of the London office.

Nick is a member of the Association of Partnership Practitioners. He made partner in 1999 and has been a member of PC since 2016 and was the Chair of the AC until April 2024. Nick continues to be a member of the AC.

### **Lee Causer** (PC)

Lee is an Advisory Partner and leads the Business Restructuring team in the Midlands in addition to being a member of the Clients and Markets Operations Group within the Advisory stream. Lee joined the firm as a partner in 2019 as part of the merger with Moore Stephens and was elected to PC in 2023.

### **Arbinder Chatwal** (PC, AC)

Arbinder is an Audit Partner, based out of the firm's Southampton office, and works across a range of sectors including retail, technology, manufacturing and leisure. Arbinder is the CCO for India and leads the India Advisory Group, in addition he works with BDO Global and is a member of the Next Generation Leaders group. He was made partner in 2018 and was elected to PC in 2022.

In addition to his role on PC, Arbinder was appointed Chair of the AC in April 2024.

### **Hamid Ghafoor** (PC, Q&RSC)

Hamid is an Audit Partner based out of the North West, BDO's Head of Social Housing and leads the Not for Profit team across the North. Hamid was appointed to partner in 2011 and was elected to PC in 2022. In November 2023 he joined the newly formed Q&RSC.

### **Jo Gilbey** (PC, RemCo)

Jo is a Tax Partner based in the South East who co-ordinates and leads on the provision of non-audit services to many of BDO's largest FTSE, AIM and other listed groups with a particular focus on PIEs and OEPIs where there is a heavy emphasis on regulation, governance and reputation. Jo was made partner in 2006 and was elected to PC in 2016. Jo also sits on RemCo.

### **Jeff Harris** (PC, AC)

Jeff joined the firm in 2013 as a partner via the merger with PKF. Jeff is a Transactions Support Partner based in Gatwick and London. He works across a broad range of transactions and sectors.

### **Dominic Stammers** (PC)

Dominic is an Audit Partner in the Consumer Markets Team in London. He was made a partner in 2014, elected to PC in 2022 and, from 1 July 2023 to 5 July 2024 was a member of RemCo.

### **Sarah Hillary** (PC, RemCo, Q&RSC)

Sarah is a partner in the Digital, Risk and Advisory Services team, specialising in governance, risk management and internal control and is a member of the firm's U board and the sponsor partner for the firm's work in diversity and inclusion.

Sarah joined the firm in 2019 as part of the merger with Moore Stephens and was elected to PC in 2022. From 1 July 2023, Sarah was appointed to sit on the RemCo. From November 2023, Sarah was appointed to the newly formed Q&RSC.

### **Andrew Viner** (PC, BIOB, NomCo, RemCo)

Andrew is an Audit Partner, specialising in Media and Technology, based in the London office. He was made partner in 2003 and has been a member of PC since 2016. Andrew also sits on BIOB, NomCo and RemCo.

### **Iain Nettleton** (PC, BIOB, NomCo)

Iain is a partner in the International Institutions and Donor Assurance team within the Advisory stream and leads the International Projects Group, focusing on Public Sector Transformation, Donor Audit and Economic Growth in developing countries. Iain was made partner in 2018 and elected to PC in 2022. He joined BIOB from January 2024. Prior to BDO Iain worked as an external auditor at a competitor firm.

### **Kelly Sheppard** (PC)

Kelly is an Audit Partner in Financial Services, heading up the payments e-money team and is based out of the London office, joining the firm as a partner in 2019 through the merger with Moore Stephens. Kelly was elected to PC in 2022 and is PC's representative on the firm's retirement panel.

## E: Biographies and Information about our INEs, Governance bodies and Leadership Team



### Andrea Bishop (AB)

Andrea has responsibility for the development of the digital audit transformation strategy, including tools, Digital Mindset and innovation. She also leads the TRA team and is a Business Assurance Partner.

Andrea was made partner in July 2005, joined the AB in September 2022 and is a long serving member of the Audit Executive. Andrea is also a member of the firm's Operations Board and in January 2024 was appointed as Chair of the newly established BDO International TRA Committee of lead partners.

### David Isherwood (BIOB, NomCo)

David is the firm's Ethics Partner and has been a partner in the firm since 2010. He is a member of the firm's BIOB and the International Network's Ethics and Independence Steering Committee.

He holds a number of appointments external to the firm, including the Chair of IFAC's Forum of Firms, the Chair of the ICAEW's Audit and Assurance Faculty Board and he is also a member of the ICAEW's Ethics Standards Committee.

### Catherine Kewish (Q&RSC)

Catherine is a Director and leads the Office of the Senior Partner. As such, she is responsible for governance matters within the firm. She is a lawyer with over 20 years' experience advising professional practices.

Prior to assuming her current role, Catherine spent 11 years as a senior member of the firm's Legal Team (within the QRM function of the firm). As such she has a broad understanding of quality and risk management principles together with considerable experience of the firm's own approach to such matters.

## E: Biographies and Information about our INEs, Governance bodies and Leadership Team

### Independent Non-Executives as at 5 July 2024

#### Eamonn McGrath (PIC, AB, BIOB, NomCo)

Eamonn spent more than 30 years as a PLC audit partner at EY and was also on the firm's Board in a senior policy and regulatory role. He previously held non-executive positions at Cranmer Court Tenants as well as at property consulting firm Henry Riley LLP and a charity.

Eamonn was appointed as an INE on 3 January 2022. He is a member of the AB and Chairs the PIC. On 1 March 2024, he was appointed onto the BIOB.

#### Jane Guyett (PIC, BIOB, AC, NomCo)

Jane, who was awarded a CBE for her services to the economy in 2020, has extensive experience in highly regulated sectors, notably financial services and investment banking, including as Chief Operating Officer for Bank of America Securities.

She has a broad portfolio of non-executive roles including at Royal London Group, London Stock Exchange Group companies, London Clearing House, Banque Centrale de Compensation and, until August 2023, UK Government Investments.

Jane was appointed as an INE on 3 January 2022. She is a member of the AC, the BIOB, NomCo and the PIC.

#### David Matthews (PIC, AB)

David was appointed as an INE on 31 January 2022. He is a member of the AB and the PIC and is the INE with responsibility for people matters within the firm.

He is also a Justice of the Peace; a Trustee of Cumberland Lodge, Inter Mediate and Treloar's; and a member of the Court of the Worshipful Company of Chartered Accountants in England and Wales.

David was the President and Chair of the ICAEW in 2020/21 and now chairs its Governance and Appointments Committee. Previously, he spent almost 40 years at KPMG, including as an audit partner responsible for some of KPMG's largest global audited entities and latterly as a member of its UK Executive Committee and Board.

#### Russell King (retired)

After 6.5 years in post, Russell retired as an INE on 29 February 2024.



# E: Biographies and Information about our INEs, Governance bodies and Leadership Team

## Information about our INEs

Candidates for INE roles are proposed and approved by the PC (acting through the NomCo). The PC 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 Senior Partner and, to a more limited extent, the Managing Partner.

The PC implicitly reviews the effectiveness of the INEs via their contribution at the oversight Board meetings which they attend and, in particular, their input into the PIC. In FY24, the Senior Partner set high level objectives for each INE which gave each one particular areas of focus within the firm, particularly bearing in mind the requirements for INEs in the AFGC.

The INEs are invited to attend two meetings of the PC each year without executive members of the LT in attendance and have the right to meet with each other on a private basis.

They have the right of access to all management information within the firm, save where this is restricted for legal or regulatory reasons. They meet privately with the FRC twice a year and also attend other meetings with the FRC together with INEs or ANEs from the other large firms.

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

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

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

- ▶ Provide advice on governance and fulfilment of INE obligations relating to the AFGC
- ▶ Share knowledge from industry and regulatory experience
- ▶ Apply independent judgement to matters of particular concern.

The firm's criteria for assessing the INEs' independence from the firm and its owners and also their independence from its audited entities can be summarised as follows:

- ▶ Rigorous independence checking prior to appointment
- ▶ Quarterly monitoring on the INEs' personal and business relationships against the firm's client-base. Where a conflict is identified, this is addressed, for instance, by applying effective safeguards
- ▶ Requirement to sign an Annual Declaration confirming relevant matters relating to independence and conflicts of interest
- ▶ Requirement to advise the Senior Partner prior to accepting any additional external roles or appointments.



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

INE	Total remuneration per annum
Eamonn McGrath*	£110,000
Jane Guyett	£100,000
David Matthews	£100,000

\*Chair of PIC

All salaries quoted above have been effective for the entirety of FY24.

## F: Meeting Attendance

The tables below record meeting attendance between 1 July 2023 – 5 July 2024 for the oversight bodies and the LT.

### AB

Name	Title	Tenure on AB	Length of Service on Board at 5 July 2024	Total number of meetings in the period while in office	No. of meetings attended in the period
<b>Matthew White</b>	Senior Partner (Chair)	January 2022 - present	2 years 6 months	7	7
<b>Scott Knight</b>	Head of Audit	January 2022 - present	2 years 6 months	7	7
<b>Eamonn McGrath</b>	INE	January 2022 - present	2 years 6 months	7	6
<b>David Matthews</b>	INE	January 2022 - present	2 years 6 months	7	7
<b>Andrea Bishop</b>	Audit Partner	September 2022 - present	1 year 10 months	7	7

### PIC

Name	Title	Tenure on AB	Length of Service on Board at 5 July 2024	Total number of meetings in the period while in office	No. of meetings attended in the period
<b>Eamonn McGrath</b>	INE (Chair)	January 2022 - present	2 years 6 months	6	6
<b>Jane Guyett</b>	INE	January 2022 - present	2 years 6 months	6	6
<b>David Matthews</b>	INE	January 2022 - present	2 years 6 months	6	6
<b>Russell King</b>	INE	July 2017 – 29 February 2024	6 years 8 months	4	3

### AC

Name	Title	Tenure on AB	Length of Service on Board at 5 July 2024	Total number of meetings in the period while in office	No. of meetings attended in the period
<b>Nick Carter-Pegg</b>	Audit Partner (Chair until April 2024)	April 2017 - present	7 years 3 months	5	5
<b>Arbinder Chatwal</b>	Audit Partner (Chair from April 2024)	October 2022 - present	1 year 9 months	5	5
<b>Jane Guyett</b>	INE	January 2022 - present	2 years 6 months	5	5
<b>Jeff Harris</b>	TS Partner	November 2019 - present	4 years 8 months	5	3
<b>Matthew White</b>	Senior Partner	September 2016 – present	7 years 10 months	5	5

## F: Meeting Attendance

### PC

Name	Title	Tenure on AB	Length of Service on Board at 5 July 2024	Total number of meetings in the period while in office	No. of meetings attended in the period
<b>Matthew White</b>	Senior Partner (Chair)	October 2018 – present (appointed Chair)	5 years 9 months	16	16
<b>Suk Aulak</b>	BSO Partner	February 2019 - present	5 years 5 months	16	15
<b>Nick Carter-Pegg</b>	Audit Partner	October 2016 - present	7 years 9 months	16	15
<b>Lee Causer</b>	BR Partner	April 2023 - present	1 year 3 months	16	14
<b>Arbinder Chatwal</b>	Audit Partner	October 2022 - present	1 year 9 months	16	16
<b>Hamid Ghafoor</b>	Audit Partner	October 2022 – present	1 year 9 months	16	14
<b>Jo Gilbey</b>	Tax Partner	October 2016 - present	7 years 9 months	16	16
<b>Jeff Harris</b>	TS Partner	November 2019 - present	4 years 8 months	16	14
<b>Sarah Hillary</b>	DRAS Partner	October 2022 - present	1 year 9 months	16	16
<b>Iain Nettleton</b>	Partner - International Projects Group	October 2022 - present	1 year 9 months	16	16
<b>Kelly Sheppard</b>	Audit Partner	October 2022 - present	1 year 9 months	16	16
<b>Dominic Stammers</b>	Audit Partner	October 2022 - present	1 year 9 months	16	15
<b>Andrew Viner</b>	Audit Partner	October 2016 - present	7 years 9 months	16	14

## F: Meeting Attendance

### BIOB

Name	Title	Tenure on AB	Length of Service on Board at 5 July 2024	Total number of meetings in the period while in office	No. of meetings attended in the period
<b>Matthew White</b>	Senior Partner (Chair)	January 2022 - present	2 years 6 months	6	6
<b>Jo Gilbey</b>	Tax Partner	January 2022 – December 2023	2 years	3	3
<b>Jane Guyett</b>	INE	January 2022 - present	2 years 6 months	6	6
<b>David Isherwood</b>	Ethics Partner	January 2022 - present	2 years 6 months	6	5
<b>Russell King</b>	INE	January 2022 – 29 February 2024	2 years 2 months	4	4
<b>Andrew Viner</b>	Audit Partner	January 2022 – present	2 years 6 months	6	6
<b>Eamonn McGrath</b>	INE	March 2024 - present	4 months	2	2
<b>Iain Nettleton</b>	Partner – International Projects Group	January 2024 - present	6 months	3	3

### Q&RSC

Name	Title	Tenure on AB	Length of Service on Board at 5 July 2024	Total number of meetings in the period while in office	No. of meetings attended in the period
<b>Matthew White</b>	Senior Partner and Chair	November 2023 - present	8 months	5	5
<b>Hamid Ghafoor</b>	Audit Partner	November 2023 - present	8 months	5	5
<b>Sarah Hilary</b>	DRAS Partner	November 2023 - present	8 months	5	5
<b>Catherine Kewish</b>	Director, Office of the Senior Partner	January 2024 to present	6 months	3	3

## F: Meeting Attendance

### LT

Name	Title	Tenure on AB	Length of Service on Board at 5 July 2024	Total number of meetings in the period while in office	No. of meetings attended in the period
<b>Andy Butterworth</b>	Chief Operating Officer and Head of Tax	October 2016 - present	7 Years 9 Months	22	19
<b>Kaley Crossthwaite</b>	Head of Quality and Risk	July 2022 - present	2 Years 0 Months	22	22
<b>Anna Draper</b>	Head of Partner Engagement and Development	July 2022 - present	2 Years 0 Months	22	22
<b>Paul Eagland (Chair)</b>	Managing Partner	July 2008 - present	16 Years 0 Months	22	21
<b>Simon Gallagher</b>	Head of Advisory	February 2019 - present	5 Years 5 Months	22	18
<b>Chris Grove</b>	Partner - Transaction Services	October 2016 - present	7 Years 9 Months	22	21
<b>Scott Knight</b>	Head of Audit	April 2014 - present	10 Years 3 Months	22	20
<b>Gervase MacGregor</b>	LT Lead for Risk and Reputation	July 2008 - present	16 Years 0 Months	22	19

### RemCo

Name	Title	Tenure on AB	Length of Service on Board at 5 July 2024	Total number of meetings in the period while in office	No. of meetings attended in the period
<b>Matthew White</b>	Senior Partner (Chair)	July 2018 - present	6 years	4	4
<b>Andrew Viner</b>	Audit Partner	July 2019 - present	5 years	4	4
<b>Jo Gilbey</b>	Tax Partner	July 2021 - present	3 years	4	4
<b>Dominic Stammers</b>	Audit Partner	July 2023 – July 2024	1 year	4	4
<b>Sarah Hillary</b>	DRAS Partner	July 2023 – present	1 Year	4	2

## F: Meeting Attendance

### NomCo

Name	Title	Tenure on AB	Length of Service on Board at 5 July 2024	Total number of meetings in the period while in office	No. of meetings attended in the period
<b>Matthew White</b>	Senior Partner(Chair)	January 2022 - present	2 years 6 months	4	4
<b>Jo Gilbey</b>	Tax Partner	January 2022 – December 2023	2 years	2	2
<b>Jane Guyett</b>	INE	January 2022 - present	2 years 6 months	4	4
<b>David Isherwood</b>	Ethics Partner	January 2022 - present	2 years 6 months	4	4
<b>Russell King</b>	INE	January 2022 – 29 February 2024	2 years 2 month	3	3
<b>Andrew Viner</b>	Audit Partner	January 2022 – present	2 years 6 months	4	4
<b>Iain Nettleton</b>	Partner - International Projects Group	January 2024 – present	6 Months	2	2
<b>Eamonn McGrath</b>	INE	March 2024 - present	4 months	1	1

# G: AFGC mapping

## A Leadership

Principles	Section
<b>A</b> A firm's Management and governance structures should promote the long-term sustainability of the firm. To this end, the Management of a firm should be accountable to the firm's owners.	<a href="#">Governance</a>
<b>B</b> A firm's governance arrangements should provide checks and balances on individual power and support effective challenge of Management. There should be a clear division of responsibilities between a firm's governance structures and its Management. No one individual or small group of individuals should have unfettered powers of decision.	<a href="#">Governance</a>
<b>C</b> A firm's Management should demonstrate its commitment to the public interest through their pursuit of the purpose of this Code and regular dialogue with the INEs. Management should embrace the input and challenge from the INEs (and ANEs).	<a href="#">Governance</a> <a href="#">Message from our INEs</a>
<b>D</b> The members of a firm's Management and governance structures should have appropriate experience, knowledge, influence and authority within the firm, and sufficient time, to fulfil their assigned responsibilities.	<a href="#">Biographies and information about our INEs</a> <a href="#">Meeting attendance</a>
<b>E</b> The Management of a firm should ensure that members of its governance structures, including owners, INEs and ANEs, are supplied with information in a timely manner and in a form and of a quality appropriate to enable them to discharge their duties.	<a href="#">Governance</a> <a href="#">Message from our INEs</a>



# G: AFGC mapping

## A Leadership

Provisions	Section
<b>1</b> A firm should establish a Board or equivalent governance structure to oversee the activities of Management.	<a href="#">Governance</a>
<b>2</b> At least half a firm's Board should be selected from among partners who do not have significant management responsibilities within the firm.	<a href="#">Governance</a> <a href="#">Biographies and information about our INEs</a>
<b>3</b> The chair of the Board should not also chair parts of the Management structure or be the managing partner.	<a href="#">Biographies and information about our INEs</a>
<b>4</b> A firm's Management and Board should have a clear understanding of their authority, accountabilities and responsibilities. The Board should have clearly defined terms of reference, with matters specifically reserved for its decision, detailing in particular its role in relation to firm strategy, risk, culture and other matters relating to the purpose of this Code. Management should have terms of reference that include clear authority over the whole firm and matters relating to the purpose of this Code. Terms of reference should be disclosed on the firm's website. Terms of reference for international management and governance structures taking decisions that apply to the UK should be disclosed on the UK firm's website in the same way as for UK-based structures.	<a href="#">Governance</a> <a href="#">Firm website</a>
<b>5</b> A firm should establish arrangements for determining remuneration and progression matters for members of the Board which support and promote effective challenge of Management.	<a href="#">About Us</a>
<b>6</b> The individual members of a firm's governance structures and Management should be subject to formal, rigorous and ongoing performance evaluation and, at regular intervals, members should be subject to re-election or re-selection.	<a href="#">Governance</a>
<b>7</b> There should be a formal annual evaluation of the performance of the Board and any committees, plus the public interest body. A firm should consider having a regular externally-facilitated board evaluation at least every three years.	<a href="#">Governance</a>
<b>8</b> Management should ensure that, wherever possible and so far as the law allows, members of governance structures and INEs and ANEs have access to the same information as is available to Management.	<a href="#">Governance</a> <a href="#">Message from our INEs</a>
<b>9(a)</b> A firm should disclose in its transparency report the names and job titles of all members of the firm's governance structures and its Management;	<a href="#">Biographies and information about our INEs</a>
<b>9(b)</b> A firm should disclose in its annual transparency report a description of how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details;	<a href="#">Governance</a> <a href="#">Biographies and information about our INEs</a>
<b>9(c)</b> A firm should disclose in its annual transparency report a description of how its governance structures and Management operate, their duties, the types of decisions they take and how they contribute to achieving the Code's purpose. If elements of the Management and / or governance of the firm rest at an international level and decisions are taken outside the UK, it should specifically set out how management and oversight is undertaken at that level and the Code's purpose achieved in the UK; and	<a href="#">Governance</a>
<b>9(d)</b> A firm should disclose in its annual transparency report an explanation of the controls it has in place on individual powers of decision and to support effective challenge by Board members, how these are intended to operate and how they work in practice.	<a href="#">Governance</a>

## G: AFGC mapping

### B People, Values and Behaviours

Principles	Section
<b>F</b> A firm is responsible for its purpose and values and for establishing and promoting an appropriate culture that supports the consistent performance of high-quality audit, the firm's role in serving the public interest and the long-term sustainability of the firm.	<a href="#">About Us</a> <a href="#">Audit Quality</a>
<b>G</b> A firm should foster and maintain a culture of openness which encourages people to consult, challenge, contribute ideas and share problems, knowledge and experience in order to achieve quality work in a way that takes the public interest into consideration.	<a href="#">About Us</a> <a href="#">Audit Quality</a> <a href="#">Ethics and Independence</a>
<b>H</b> A firm should apply policies and procedures for managing people across the whole firm that support its commitment to the purpose and Principles of this Code.	<a href="#">About Us</a>



## G: AFGC mapping

### B People, Values and Behaviours

Provisions	Section
<b>10</b> A firm's Board and Management should establish the firm's purpose and values and satisfy themselves that its purpose, values and culture are aligned. If a firm's purpose and values are established at an international level, the firm should ensure it has the ability to influence that decision-making process and the ability to tailor the output for the UK.	<a href="#">About Us</a>
<b>11</b> A firm should have a code of conduct which it discloses on its website and requires everyone in the firm to apply. The Board and INEs should oversee compliance with it.	<a href="#">Ethics and Independence</a>
<b>12</b> A firm should promote the desired culture and a commitment to quality work, professional judgement and values, serving the public interest and compliance with professional standards and applicable legal and regulatory requirements, in particular through the right tone at the top and the firm's policies and procedures.	<a href="#">About Us</a> <a href="#">Audit Quality</a> <a href="#">Ethics and Independence</a>
<b>13</b> A firm should establish policies and procedures to promote inclusion and encourage people to speak up and challenge without fear of reprisal, particularly on matters relating to this Code and the firm's values and culture.	<a href="#">Ethics and Independence</a>
<b>14</b> A firm should introduce meaningful key performance indicators on the performance of its governance system, and report on performance against these in its transparency reports.	<a href="#">Governance</a>
<b>15</b> A firm should assess and monitor culture. It should conduct a regular review of the effectiveness of the firm's systems for the promotion and embedding of an appropriate culture underpinned by sound values and behaviour across the firm, and in audit in particular. INEs should be involved in this review and where a firm has implemented operational separation the ANEs should be involved in the review as it relates to the Audit practice. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the purpose of this Code, it should take corrective action.	<a href="#">About Us</a> <a href="#">Audit Quality</a> <a href="#">Message from our INEs</a>
<b>16</b> A firm should establish mechanisms for delivering meaningful engagement with its people. This should include arrangements for people to raise concerns in confidence and anonymously and to report, without fear, concerns about the firm's culture, commitment to quality work, the public interest and/or professional judgement and values. The INEs should be satisfied that there is an effective whistleblowing policy and procedure in place and should monitor issues raised under that process.	<a href="#">Ethics and Independence</a> <a href="#">Message from our INEs</a>
<b>17</b> INEs should be involved in reviewing people management policies and procedures, including remuneration and incentive structures, recruitment and promotion processes, training and development activities, and diversity and inclusion, to ensure that the public interest is protected. They should monitor the firm's success at attracting and managing talent, particularly in the Audit practice. Where operational separation is in place the ANEs should be involved in this process.	<a href="#">Governance</a> <a href="#">Message from our INEs</a>
<b>18</b> INEs and ANEs should use a range of data and engagement mechanisms to understand the views of colleagues throughout the firm and to communicate about their own roles and the purpose of this Code. One INE should be designated as having primary responsibility for engaging with the firm's people.	<a href="#">Message from our INEs</a>
<b>19(a)</b> A firm should disclose in its annual transparency report a description of how it engages with its people and how the interests of its people have been taken into account in decision-making; and	<a href="#">About Us</a>
<b>19(b)</b> A firm should disclose in its annual transparency report a description of how opportunities and risks to the future success of the business have been considered and addressed, its approach to attracting and managing talent, the sustainability of the firm's business model and how its culture, in particular in the Audit practice, contributes to meeting the purpose of this Code.	<a href="#">Risk Management</a> <a href="#">Principal Risks</a> <a href="#">About Us</a> <a href="#">Audit Quality</a>

## G: AFGC mapping

### C Operations and Resilience

Principles	Section
<b>I</b> A firm should promote a commitment to consistent high-quality audits and firm resilience in the way it operates. To these ends, a firm should collect and assess management information to evaluate the effectiveness of its policies and procedures and to enhance its operational decision-making.	<a href="#">Audit Quality</a> <a href="#">Governance</a> <a href="#">Message from our INEs</a>
<b>J</b> A firm should establish policies and procedures to identify, assess and manage risk, embed the internal control framework and determine the nature and extent of the principal risks the firm is willing to take while working to meet the purpose of this Code.	<a href="#">Audit Quality</a> <a href="#">Risk Management</a>
<b>K</b> A firm should communicate with its regulators in an open, co-operative and transparent manner.	<a href="#">Governance</a>
<b>L</b> A firm should establish policies and procedures to ensure the independence and effectiveness of internal and external audit activities and to monitor the quality of external reporting.	<a href="#">Risk Management</a>



## G: AFGC mapping

### C Operations and Resilience

Provisions	Section
<b>20</b> A firm should assist the FRC and its successor bodies to discharge its duties by sharing information openly.	<a href="#">Governance</a>
<b>21</b> A firm should take action to address areas of concern identified by regulators in relation to the firm's audit work, leadership and governance, culture, management information, risk management and internal control systems.	<a href="#">Audit Quality</a> <a href="#">Governance</a> <a href="#">Risk Management</a>
<b>22</b> A firm should develop robust datasets and effective management information to support monitoring of the effectiveness of its activities, including by INEs (and ANEs), and its ability to furnish the regulator with information.	<a href="#">Audit Quality</a> <a href="#">Governance</a> <a href="#">Risk Management</a>
<b>23</b> A firm should establish an audit committee and disclose on its website its terms of reference and information on its membership. Its terms of reference should set out clearly its authority and duties, including its duties in relation to the appointment and independence of the firm's auditors. Where a firm's audit committee sits at an international level, information about the committee and its work should be disclosed by the UK firm as if it were based in the UK.	<a href="#">Governance</a>
<b>24</b> A firm should monitor its risk management and internal control systems, and, at least annually, conduct a review of their effectiveness. INEs should be involved in the review which should cover all significant controls, including financial, operational and compliance controls and risk management systems.	<a href="#">Risk Management</a> <a href="#">Compliance Statements</a>
<b>25</b> A firm should carry out a robust assessment of the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity. This should reference specifically the sustainability of the Audit practice in the UK. INEs (and in firms with operational separation, ANEs) should be involved in this assessment.	<a href="#">Risk Management</a> <a href="#">Governance</a> <a href="#">Principal Risks</a>
<b>26</b> A firm should publicly report how it has applied the Principles of this Code, and make a statement on its compliance with its Provisions or give a detailed explanation for any non-compliance, i.e. why the firm has not complied with the Provision, the alternative arrangements in place and how these work to achieve the desired outcome (Principle) and the purpose of this Code.	<a href="#">Governance</a> <a href="#">Compliance Statements</a> <a href="#">AFGC mapping</a>
<b>27</b> A firm should explain who is responsible for preparing the financial statements and the firm's auditors should make a statement about their reporting responsibilities in the form of an extended audit report as required by International Auditing Standards (UK) 700/701.	<a href="#">See our 2023/24 Annual Report when published</a>

continued...

## G: AFGC mapping

### C Operations and Resilience

Provisions	Section
<p><b>28(a)</b> The transparency report should be fair, balanced and understandable in its entirety. A firm should disclose in its transparency report a commentary on its performance, position and prospects;</p>	<p><a href="#">Leadership Message</a>  <a href="#">Message from our INEs</a>  <a href="#">About Us</a>  <a href="#">Risk Management</a>  <a href="#">Compliance Statements</a>  <a href="#">Network and Legal Structure</a></p>
<p><b>28(b)</b> The transparency report should be fair, balanced and understandable in its entirety. A firm should disclose in its transparency report how it has worked to meet the legal and regulatory framework within which it operates;</p>	<p><a href="#">AFGC mapping</a>  <a href="#">Local Audit Transparency</a>  <a href="#">Regulations mapping</a>  <a href="#">EU Audit Regulations mapping</a>  <a href="#">Risk Management</a>  <a href="#">Principal Risks</a></p>
<p><b>28(c)</b> The transparency report should be fair, balanced and understandable in its entirety. A firm should disclose in its transparency report a description of the work of the firm's audit committee and how it has discharged its duties;</p>	<p><a href="#">Governance</a></p>
<p><b>28(d)</b> The transparency report should be fair, balanced and understandable in its entirety. A firm should disclose in its transparency report confirmation that it has performed a review of the effectiveness of the system of internal control, a summary of the process it has applied and the necessary actions that have been or are being taken to remedy any significant failings or weaknesses identified from that review;</p>	<p><a href="#">Compliance statements</a></p>
<p><b>28(e)</b> The transparency report should be fair, balanced and understandable in its entirety. A firm should disclose in its transparency report a description of the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary;</p>	<p><a href="#">Compliance statements</a></p>
<p><b>28(f)</b> The transparency report should be fair, balanced and understandable in its entirety. A firm should disclose in its transparency report an assessment of the principal risks facing the firm and explanation of how they are being managed or mitigated; and</p>	<p><a href="#">Principal Risks</a></p>
<p><b>28(g)</b> The transparency report should be fair, balanced and understandable in its entirety. A firm should disclose in its transparency report a description of how it interacts with the firm's global network, and the benefits and risks of these arrangements, with reference to the purpose of the Code. This should include an assessment of any risks to the resilience of the UK firm arising from the network and any action taken to mitigate those risks.</p>	<p><a href="#">Governance</a>  <a href="#">Principal Risks</a></p>

## G: AFGC mapping

### D INEs and ANEs Principles

Principles	Section
<p><b>M</b> A firm should appoint INEs to the governance structure who through their involvement collectively enhance the firm's performance in meeting the purpose of this Code. INEs should be positioned so that they can observe, challenge and influence decision-making in the firm.</p>	<a href="#">Governance</a>
<p><b>N</b> INEs (and ANEs) should provide constructive challenge and specialist advice with a focus on the public interest. They should assess and promote the public interest in firm operations and activities as they relate to the purpose of this Code, forming their own views on where the public interest lies.</p>	<a href="#">Governance</a> <a href="#">Message from our INEs</a>
<p><b>O</b> INEs (and ANEs) should maintain and demonstrate objectivity and an independent mindset throughout their tenure. Collectively they should enhance public confidence by virtue of their independence, number, stature, diverse skillsets, backgrounds, experience and expertise. They should have a combination of relevant skills, knowledge and experience, including of audit and a regulated sector. They owe a duty of care to the firm and should command the respect of the firm's owners.</p>	<a href="#">Message from our INEs</a> <a href="#">Biographies and information about our INEs</a>
<p><b>P</b> INEs (and ANEs) should have sufficient time to meet their responsibilities. INEs (and ANEs) should have rights consistent with discharging their responsibilities effectively, including a right of access to relevant information and people to the extent permitted by law or regulation, and a right, individually or collectively, to report a fundamental disagreement regarding the firm to its owners and, where ultimately this cannot be resolved and the independent non-executive resigns, to report this resignation publicly.</p>	<a href="#">Biographies and information about our INEs</a>
<p><b>Q</b> INEs (and ANEs) should have an open dialogue with the regulator.</p>	<a href="#">Message from our INEs</a> <a href="#">Biographies and information about our INEs</a>



## G: AFGC mapping

### D INEs and ANEs Principles

Provisions	Section
<b>29</b> INEs should number at least three, be in the majority on a body chaired by an INE that oversees public interest matters and be embedded in other relevant governance structures within the firm as members or formal attendees with participation rights. If a firm considers that having three INEs is unnecessary given its size or the number of public interest entities it audits, it should explain this in its transparency report and ensure a minimum of two at all times. At least one INE should have competence in accounting and / or auditing, gained for example from a role on an audit committee, in a company's finance function or at an audit firm.	<a href="#">Biographies and information about our INEs</a> <a href="#">Governance</a>
<b>30</b> INEs should meet regularly as a private group to discuss matters relating to their remit. Where a firm adopts an international approach to its management and / or governance it should have at least three INEs with specific responsibility and relevant experience to focus on the UK business and to take part in governance arrangements for this jurisdiction. The firm should disclose on its website the terms of reference and composition of any governance structures whose membership includes INEs, whether in the UK or another jurisdiction.	<a href="#">INE message</a> <a href="#">Biographies and information about our INEs</a> <a href="#">Firm website</a>
<b>31</b> INEs should have full visibility of the entirety of the business. They should assess the impact of firm strategy, culture, senior appointments, financial performance and position, operational policies and procedures including client management processes, and global network initiatives on the firm and the Aaudit practice in particular. They should pay particular attention to and report in the transparency report on how they have worked to address: risks to audit quality; the public interest in a firm's activities and how it is taken into account; and risks to the operational and financial resilience of the firm.	<a href="#">Governance</a> <a href="#">Message from our INEs</a> <a href="#">Biographies and information about our INEs</a>
<b>32</b> A firm should establish a nomination committee, with participation from at least one INE, to lead the process for appointments and re-appointments of INEs (and ANEs), to conduct a regular assessment of gaps in the diversity of their skills and experience and to ensure a succession plan is in place. The nomination committee should assess the time commitment for the role and, when making new appointments, should take into account other demands on INEs' (and ANEs') time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior consultation with the nomination committee.	<a href="#">Governance</a>
<b>33</b> A firm should provide access for INEs to relevant information on the activities of the global network such that they can monitor the impact of the network on the operations and resilience of the UK firm and the public interest in the UK.	<a href="#">Message from our INEs</a>
<b>34</b> INEs should have regular contact with the Ethics Partner, who should under the ethical standards have direct access to them.	<a href="#">Message from our INEs</a>
<b>35</b> INEs should have dialogue with audit committees and investors to build their understanding of the user experience of audit and to develop a collective view of the way in which their firm operates in practice.	<a href="#">Message from our INEs</a>
<b>36</b> Firms should agree with each INE (and ANE) a contract for services setting out their rights and duties. INEs (and ANEs) should be appointed for specific terms and have a maximum tenure of nine years in total.	<a href="#">Biographies and information about our INEs</a>
<b>37</b> The firm should provide each INE (and ANE) with the resources necessary to undertake their duties including appropriate induction, training and development, indemnity insurance and access to independent professional advice at the firm's expense where an INE or ANE judges such advice necessary to discharge their duties.	<a href="#">Biographies and information about our INEs</a>
<b>38</b> The firm should establish, and disclose on its website, well defined and clear escalation procedures compatible with Principle P, for dealing with any fundamental disagreement that cannot otherwise be resolved between the INEs (and / or ANEs) and members of the firm's management and / or governance structures.	<a href="#">Biographies and information about our INEs</a>

continued...

## G: AFGC mapping

### D INEs and ANEs Principles

Provisions	Section
<p><b>39</b> An INE (and / or ANE) should alert the regulator as soon as possible to their concerns in the following circumstances:</p> <ul style="list-style-type: none"> <li>▶ the INE or ANE believes the firm is acting contrary to the public interest; or</li> <li>▶ the INE or ANE believes the firm is endangering the objectives of this Code; or</li> <li>▶ the INE or ANE initiates the procedure for fundamental disagreements.</li> </ul>	
<p><b>40(a)</b> A firm should disclose in its annual transparency report information about the appointment, retirement and resignation of INEs (and ANEs); their remuneration; their duties and the arrangements by which they discharge those duties; and the obligations of the firm to support them. The firm should report on why it has chosen to position its INEs in the way it has; and</p>	<p><a href="#">Biographies and information about our INEs</a> <a href="#">Governance</a></p>
<p><b>40(b)</b> A firm should disclose in its annual transparency report its criteria for assessing whether INEs (and ANEs) are: i) independent from the firm and its owners; and ii) independent from its audited entities.</p>	<p><a href="#">Biographies and information about our INEs</a></p>

The Operational Separation principles and provisions set out in the AFGC do not apply to the firm and, accordingly, have not been complied with. That said, in the spirit of these principles and provisions, the firm does have the AB which oversees the activities of the Audit stream.

## H: Local Audit Transparency Regulations mapping

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 requirements and set out in the Schedule to those Regulations on which we are required to report.

Requirement	Report reference
1.a. A description of the legal structure, governance and ownership of the transparency reporting local auditor;	<a href="#">Network and Legal Structure Governance</a>
1.b. 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;	<a href="#">Network and Legal Structure</a>
1.c. 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;	<a href="#">Risk Management Compliance Statements</a>
1.d. 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;	<a href="#">Ethics and Independence</a>
1.e. Confirmation that all engagement leads are competent to undertake local audit work and staff working on such assignments are suitably trained;	<a href="#">Audit quality</a>
1.f. 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 2006 Act, as applied in relation to local audits by Section 18 and paragraphs 1,2 and 28(7) of Schedule 5 to the 2014 Act, took place;	<a href="#">Audit Quality Indicators</a>
1.g. 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 href="#">List of Major Local Audits</a>
1.h. 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;	<a href="#">Audit Quality</a>
1.i. 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; and	<a href="#">Financial Information</a>
1.j. Information about the basis for the remuneration of partners.	<a href="#">About Us</a>

# I: EU Audit Regulations mapping

We cross-reference in the table in this Appendix to where and how BDO LLP complies with the requirements of Article 13.2 and Article 13.3 of the EU Audit Regulation.

Requirement	Report reference
13.2(a) a description of the legal structure and ownership of the audit firm;	<a href="#">Network and Legal Structure</a>
13.2(b) where the statutory auditor or the audit firm is a member of a network:	N/A
13.2(b)(i) a description of the network and the legal and structural arrangements in the network;	<a href="#">Network and Legal Structure</a>
13.2(b)(ii) the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network;	<a href="#">EU/EEA Member Firms</a>
13.2(b)(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;	<a href="#">EU/EEA Member Firms</a>
13.2(b)(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;	<a href="#">EU/EEA Member Firms</a>
13.2(c) a description of the governance structure of the audit firm;	<a href="#">Governance</a>
13.2(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;	<a href="#">Risk Management</a>
13.2(e) an indication of when the last quality assurance review referred to in Article 26 was carried out;	<a href="#">Audit Quality</a> <a href="#">Audit Quality Indicators</a>
13.2(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;	<a href="#">Audit Quality</a>

# I: EU Audit Regulations mapping

We cross-reference in the table in this Appendix to where and how BDO LLP complies with the requirements of Article 13.2 and Article 13.3 of the EU Audit Regulation.

Requirement	Report reference
13.2(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;	<a href="#">Ethics and Independence</a>
13.2(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;	<a href="#">Audit Quality</a> <a href="#">Audit Quality Indicators</a>
13.2(i) information concerning the basis for the partners' remuneration in audit firms;	<a href="#">About Us</a>
13.2(j) a description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7);	<a href="#">Ethics and Independence</a>
13.2(k) where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2013/34/EU, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories:	N/A
13.2(k)(i) revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity;	<a href="#">Financial Information</a>
13.2(k)(ii) revenues from the statutory audit of annual and consolidated financial statements of other entities;	<a href="#">Financial Information</a>
13.2(k)(iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and	<a href="#">Financial Information</a>
13.2(k)(iv) revenues from non-audit services to other entities.	<a href="#">Financial Information</a>
13.3 The transparency report shall be signed by the statutory auditor.	<a href="#">Leadership Message</a>

## J: Financial Information

Disclosure in accordance with Article 13.2(k) (i) – (iv) of the EU Audit Regulation and the schedule to The Local Auditors (Transparency) Regulations 2020.

We have provided the following financial information from BDO's audited financial statements and its financial records for the year ended 5 July 2024. The figures indicate the relative importance of audit work for UK PIE's<sup>1</sup>, audits of entities on EU exchanges and local audits, and the levels of non-audit services provided to entities for which BDO is – and is not – the auditor. They relate to work performed by the UK firm only.

### BDO UK LLP Revenue Recognition Policy:

- ▶ Revenue is recognised for the reportable period on a basis consistent with the firm's audited consolidated financial statements
- ▶ Revenue is recognised when services are transferred to an audited entity / non-audited entity at an amount that reflects the consideration to which the firm expects to be entitled in exchange for those services.

Revenues are recognised applying IFRS 15 on an over time basis where contracts give the firm the right to receive payment for work performed to date

- ▶ Performance obligations are assessed for each contract and the transaction price is spread over the performance obligation. Progress towards complete satisfaction of the performance obligations is measured using time and costs incurred as a proportion of total estimated time and costs but excluding Value Added Tax.

All balances are provided as of 5 July 2024. For FY24, revenue was in line with forecast, with audit revenue increases reflecting an increase in pricing together with underlying growth supported by increased headcount across both our PIE and non-PIE portfolios. We note that, whilst the ongoing economic and geopolitical events bring uncertainty to our industry, demand for our services remains strong. Full details on our firmwide results and performance are provided in our financial statements.

BDO UK LLP Revenue	FY2024		FY2023		FY2022		FY2021	
	Amount (£m)	Percentage	Amount (£m)	Percentage	Amount (£m)	Percentage	Amount (£m)	Percentage
Statutory audits and directly related services for audited entities (UK PIE's and subsidiaries of UK PIE's)	59	6%	54	6%	43	5%	36	5%
Statutory audits and directly related services for audited entities (Other Entities)	374	37%	346	37%	281	35%	240	33%
Statutory audits and directly related services for audited entities	433 <sup>2</sup>	43%	400	43%	324	40%	276	38%
Non-audit services to audited entities <sup>3</sup>	59 <sup>4</sup>	6%	60	6%	73	9%	91	12%
Total revenues from audited entities	492	48%	460	49%	397	49%	367	50%
Non-audit services to non-audited entities	523	52%	475	51%	411	51%	363	50%
BDO UK LLP firm revenue	1,015	100%	935	100%	808	100%	730	100%

1. See details in Appendix L

2. Of which £2.3m relates to Local Audit Work in FY2024 (£1.4m in FY23 and £0.6m in FY22)

3. Non-audit services provided to entities we audit are only provided where permitted by the FRC Ethical Standard and BDO Network and BDO UK Policies

4. Of which £0.0m relates to Local Audit Work in FY2024 (£0.0m in FY23 and £0.0m in FY22)

## K: List of EU/EEA firms

Country	Territory	Name of the audit firm
<b>Albania</b>	Albania	BDO Albania Sh.P.K.
<b>Austria</b>	Austria	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 Assurance GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
<b>Belgium</b>	Belgium	BDO Bedrijfsrevisoren BV / Réviseurs d'Entreprises SRL
<b>Bulgaria</b>	Bulgaria	BDO AFA OOD
<b>Croatia</b>	Croatia	BDO Croatia D.O.O.
	Sarajevo	BDO BH d.o.o. Sarajevo
<b>Cyprus</b>	Cyprus	BDO Limited
<b>Czech republic</b>	Czech Republic	BDO Audit s.r.o. BDO Group s.r.o. BDO Czech Republic s.r.o.
<b>Denmark</b>	Denmark	BDO Statsautoriseret revisionsaktieselskab BDO Holding VI, Statsautoriseret Revisionsaktieselskab
<b>Estonia</b>	Estonia	Aktsiaselts BDO Eesti
<b>Finland</b>	Finland	BDO Oy BDO Audiator Oy

Country	Territory	Name of the audit firm
<b>France</b>	France	BDO France 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
<b>Germany</b>	Germany	BDO AG Wirtschaftsprüfungsgesellschaft BDO Oldenburg GmbH & Co KG Wirtschaftsprüfungsgesellschaft BDO DPI AG BDO Dr. Daiber Audit GmbH (until 24 April 2023) BDO Concunia GmbH Wirtschaftsprüfungsgesellschaft
<b>Gibraltar</b>	Gibraltar	BDO Limited
<b>Greece</b>	Greece	BDO CERTIFIED PUBLIC ACCOUNTANTS S.A. BDO Services SA
<b>Hungary</b>	Hungary	BDO Hungary Audit Ltd

## K: List of EU/EEA firms

Country	Territory	Name of the audit firm
<b>Iceland</b>	Iceland	BDO ehf.
<b>Ireland</b>	Ireland	BDO
<b>Italy</b>	Italy	BDO Italia S.p.A.
<b>Latvia</b>	Latvia	BDO Assurance, LLC
<b>Liechtenstein</b>	Liechtenstein	BDO (Liechtenstein) AG
<b>Lithuania</b>	Lithuania	BDO Auditas ir Apskaita, UAB
<b>Luxembourg</b>	Luxembourg	BDO Audit
<b>Malta</b>	Malta	BDO Malta CPAs
<b>Netherlands</b>	Netherlands	BDO Audit & Assurance B.V.
<b>Norway</b>	Norway	BDO AS
<b>Poland</b>	Poland	BDO Spółka z ograniczoną odpowiedzialnością Sp. K.
<b>Portugal</b>	Portugal	BDO & Associados, SROC, Lda
<b>Romania</b>	Romania	BDO Audit SRL BDO Auditors & Accountants SRL BDO Auditors and Business Advisors SRL
<b>Slovak republic</b>	Slovak Republic	BDO Audit, spol. s r.o.
<b>Slovenia</b>	Slovenia	BDO Revizija d.o.o.
<b>Spain</b>	Spain	BDO Auditores, S.L.P. BDO Audiberia Abogados y Asesores Tributarios, S.L.P.

Country	Territory	Name of the audit firm
<b>Sweden</b>	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

This table reflects the position in October 2023.

The combined turnover from statutory audits of the BDO EU/EEA audit firms, based on the information received from the relevant firms was €630,045,046.71 (published 09 January 2024).

Please note that BDO firms have different year ends. Therefore, the total number that we have provided is a combination of the statutory audit turnovers of EU/EEA Member Firms for their latest financial year.

For each firm using another currency other than Euro, the average exchange rate for the period they reported has been used.

\*Please note that this figure does not include the UK.

## L: List of Public Interest Audited entities

- ▶ A2D Funding II plc,
- ▶ A2Dominion Housing Group Limited,
- ▶ Accent Capital plc,
- ▶ Adriatic Metals Plc,
- ▶ AEW UK REIT PLC,
- ▶ Ageas Insurance Limited,
- ▶ AJ Bell Plc,
- ▶ Alliance Trust PLC,
- ▶ Amati AIM VCT plc,
- ▶ Amicorp FS (UK) Plc,
- ▶ Atrato Onsite Energy Plc,
- ▶ Augmentum Fintech PLC,
- ▶ Aurora Investment Trust Plc,
- ▶ AVI Global Trust Plc,
- ▶ AVI Japan Opportunity Trust plc,
- ▶ Axis Bank UK Ltd,
- ▶ Baillie Gifford European Growth Trust plc,
- ▶ Baring Emerging EMEA Opportunities Plc,
- ▶ Baronsmead Second Venture Trust Plc,
- ▶ Baronsmead Venture Trust PLC,
- ▶ Blackfinch Spring VCT plc,
- ▶ Braemar plc,
- ▶ British Friendly Society Limited,
- ▶ British Smaller Companies VCT 2 Plc,
- ▶ British Smaller Companies VCT PLC,
- ▶ Caffyns Plc,
- ▶ Caledonia Investments Plc,
- ▶ Capital Gearing Trust plc,
- ▶ Ceres Power Holdings Plc,
- ▶ ClearBank Limited,
- ▶ Cornish Mutual Assurance Company Ltd,
- ▶ CQS Natural Resources Growth and Income plc,
- ▶ CT Global Managed Portfolio Trust plc,
- ▶ CT Private Equity Trust plc,
- ▶ CT UK Capital and Income Investment Trust plc,
- ▶ DE MONTFORT UNIVERSITY HIGHER EDUCATION CORPORATION,
- ▶ Downing Renewables & Infrastructure Trust plc,
- ▶ Downing Strategic Micro-cap Investment Trust plc,
- ▶ Ecofin Global Utilities and Infrastructure Trust plc,
- ▶ Ecofin U.S. Renewables Infrastructure Trust Plc,
- ▶ EFG Private Bank Limited,
- ▶ Empiric Student Property PLC,
- ▶ Endeavour Mining Plc,
- ▶ EQUINE AND LIVESTOCK INSURANCE COMPANY LIMITED (THE),
- ▶ Fairmead Insurance Limited,
- ▶ Fce Bank Plc,
- ▶ FIDBANK UK LIMITED,
- ▶ Folgate Insurance Company Limited,
- ▶ Foxtons Group Plc,
- ▶ Futures Treasury PLC,
- ▶ Galliford Try Holdings Plc,
- ▶ Greencoat UK Wind PLC,
- ▶ Gresham House Energy Storage Fund PLC,
- ▶ Gresham House Renewable Energy VCT 1 plc,
- ▶ Gresham House Renewable Energy VCT 2 plc,
- ▶ Gresham Technologies plc,
- ▶ Guinness VCT PLC,
- ▶ HARGREAVE HALE AIM VCT PLC,
- ▶ Health Shield Friendly Society,
- ▶ Healthcare Support (Newcastle) Finance Plc,
- ▶ Henderson EuroTrust plc,
- ▶ Henderson International Income Trust plc,
- ▶ Henderson Opportunities Trust plc,
- ▶ Hyde Housing Association Limited,
- ▶ ICICI Bank UK plc,
- ▶ Impact Healthcare REIT plc,
- ▶ Impax Environmental Markets plc,
- ▶ Intu Debenture PLC,
- ▶ JPMorgan American Investment Trust Plc,
- ▶ JPMORGAN CHINA GROWTH & INCOME PLC,
- ▶ JPMorgan Emerging Europe Middle East & Africa Securities plc,
- ▶ JPMorgan Emerging Markets Investment Trust plc,
- ▶ JPMorgan US Smaller Companies Investment Trust plc,
- ▶ J Smart & Co (Contractors) Plc,
- ▶ Kroo Bank Ltd,
- ▶ Lendinvest Secured Income II Plc,
- ▶ Life Settlement Assets PLC,
- ▶ Lindsell Train Investment Trust plc,
- ▶ LMS Capital plc,
- ▶ M&G Credit Income Investment Trust plc,
- ▶ Market Harborough Building Society,
- ▶ Martlet Homes Limited,
- ▶ Melton Mowbray Building Society,
- ▶ Metropolitan Funding Plc,
- ▶ MITIE Group plc,
- ▶ Miton UK Microcap Trust plc,
- ▶ Moat Homes Finance Plc,
- ▶ Mobeus Income & Growth 2 Vct Plc,
- ▶ Mobeus Income & Growth 4 VCT PLC,
- ▶ Mobeus Income & Growth VCT PLC,
- ▶ Molten Ventures VCT PLC,
- ▶ Monmouthshire Building Society,
- ▶ Montanaro UK Smaller Companies Investment Trust plc,
- ▶ Monument Bank Limited,
- ▶ MORTIMER BTL 2021-1 PLC,
- ▶ Mortimer BTL 2022-1 PLC,
- ▶ Murray International Trust plc,
- ▶ NATS (En Route) plc,
- ▶ Newhospitals (St Helens And Knowsley) Holdings Limited,
- ▶ Nippon Active Value Fund plc,
- ▶ Norcross plc,
- ▶ Northstandard Limited,
- ▶ NRG Victory Reinsurance Limited,
- ▶ Octagon Healthcare Fund plc,
- ▶ Octopus AIM VCT 2 PLC,
- ▶ Octopus AIM VCT PLC,
- ▶ Octopus Apollo VCT PLC,
- ▶ OCTOPUS FUTURE GENERATIONS VCT PLC,
- ▶ Octopus Titan VCT plc,
- ▶ Optivo Finance Plc,
- ▶ Oxbury Bank PLC,
- ▶ Oxford Instruments plc,
- ▶ Pacific Assets Trust Plc,
- ▶ Pacific Horizon Investment Trust Plc,
- ▶ Palace Capital PLC,
- ▶ Patria Private Equity Trust plc,
- ▶ Pembroke VCT PLC,
- ▶ Pensana Plc,
- ▶ ProVen Growth and Income VCT PLC,
- ▶ Proven VCT PLC,
- ▶ Radian Capital PLC,
- ▶ Record PLC,
- ▶ Reliance Bank Limited,
- ▶ Renewi Plc,
- ▶ Residential Secure Income plc,
- ▶ Riverside Finance plc,
- ▶ Robert Walters Plc,
- ▶ Rockwood Strategic Plc,
- ▶ Saffron Building Society,
- ▶ Schroder BSC Social Impact Trust plc,

## L: List of Public Interest Audited entities

- ▶ Seraphim Space Investment Trust PLC,
- ▶ Shepherds Friendly Society Limited,
- ▶ Smiths News Plc,
- ▶ Southern Housing,
- ▶ Sovereign Health Care,
- ▶ Starr International (Europe) Limited,
- ▶ Steamship Mutual Underwriting Association Ltd,
- ▶ Stonewater Funding PLC,
- ▶ Suecia Re & Marine insurance Company Limited,
- ▶ Suffolk Building Society,
- ▶ Supermarket Income REIT Plc,
- ▶ Temple Bar Investment Trust plc,
- ▶ Thames Ventures VCT 1 plc,
- ▶ Thames Ventures VCT 2 plc,
- ▶ The Biotech Growth Trust Plc,
- ▶ The British Aviation Insurance Company Limited,
- ▶ The Coventry and Rugby Hospital Company (Holdings) Limited,
- ▶ The Diverse Income Trust plc,
- ▶ The Global Smaller Companies Trust plc,
- ▶ The Income & Growth VCT PLC,
- ▶ The Mercantile Investment Trust plc,
- ▶ The Merchants Trust plc,
- ▶ The Original Holloway Friendly Society Limited,
- ▶ The Scottish Lion Insurance Company Limited,
- ▶ The Standard Club UK Limited,
- ▶ The United Kingdom Mutual Steam Ship Assurance Association Limited,
- ▶ Together Housing Finance plc,
- ▶ Town Centre Securities Plc,
- ▶ Transform Schools (North Lanarkshire) Funding Plc,
- ▶ Treatt Plc,
- ▶ Triad Group Plc,
- ▶ Trifast plc,
- ▶ Triple Point Energy Transition Plc,
- ▶ Triple Point Social Housing REIT plc,
- ▶ Tritax Big Box REIT plc,
- ▶ UIA (Insurance) Limited,
- ▶ United Kingdom Freight Demurrage & Defence Association,
- ▶ United Kingdom Mutual War Risks Association Limited,
- ▶ VH Global Sustainable Energy Opportunities plc,
- ▶ Warehouse REIT PLC,
- ▶ Westfield Contributory Health Scheme Limited,
- ▶ XPS Pensions Group plc,
- ▶ Yarlington Treasury Service PLC,
- ▶ Meridian Hospital Company Plc,
- ▶ Advanced Payment Solutions Limited,
- ▶ Endeavour Sch Plc,
- ▶ RHP Finance PLC,
- ▶ Tipton & Coseley Building Society,
- ▶ Value and Indexed Property Income Services Limited,
- ▶ Albion Enterprise VCT PLC,
- ▶ Albion Venture Capital Trust PLC,
- ▶ BHSF Limited,
- ▶ Crown Place VCT Plc,
- ▶ Hastoe Capital Plc,
- ▶ International Transport Intermediaries Club Limited,
- ▶ Libra Treasury 2 plc,
- ▶ Libra Treasury plc,
- ▶ Anglo-Eastern Plantations Plc,
- ▶ Ecology Building Society,
- ▶ Teachers Building Society,
- ▶ Triple Point Venture VCT Plc,
- ▶ Lendinvest Secured Income Plc,



A separate list of entities with securities admitted to trading on an EEA regulated market and for which a statutory audit was carried out and an audit opinion was issued during the year is provided as required by Article 13.2(f) of the EU Audit Regulation in respect of BDO LLP's third country auditor registrations:

- ▶ Pacific Quay Finance plc
- ▶ White City Property Finance Plc
- ▶ Eurocastle Investment Limited
- ▶ JUTURNA (EUROPEAN LOAN CONDUIT NO. 16) PLC
- ▶ MotorK PLC
- ▶ FHW Dalmore (Salford Pendleton Housing) Plc
- ▶ Petra Diamonds US\$ Treasury Plc
- ▶ Waterside Campus Development Company PLC
- ▶ Oodle Financial Services Limited
- ▶ Renewi Plc

## M: List of Major Local Audits

The organisations below are the only bodies:

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 issued an audit report on its financial statements during the year ended 5 July 2024.

- ▶ City of London
- ▶ Barking Havering & Redbridge University Hospitals NHS Trust
- ▶ East and North Hertfordshire NHS Trust
- ▶ Essex County Council
- ▶ Essex County Council - pension fund audit
- ▶ City of London - pension fund audits
- ▶ NHS Hertfordshire and West Essex ICB
- ▶ NHS Suffolk and North East Essex Integrated Care Board
- ▶ NHS Birmingham and Solihull CCG
- ▶ NHS Birmingham and Solihull ICB
- ▶ NHS Sussex ICB
- ▶ Surrey & Sussex Healthcare NHS Trust



# Glossary of Acronyms

Acronym	In full
<b>AB</b>	Audit Board
<b>AC</b>	Audit Committee
<b>AI</b>	Artificial Intelligence
<b>AFGC</b>	Audit Firm Governance Code (Revised) 2022
<b>AGN01</b>	Auditor Guidance Notes
<b>APT</b>	Audit Process Tool
<b>AQC</b>	Audit Quality Leaders Council
<b>AQD</b>	Audit Quality Directorate
<b>AQI</b>	Audit Quality Indicator
<b>AQP</b>	Audit Quality Plan
<b>AQR</b>	Audit Quality Review
<b>ARD</b>	Audit Resourcing Directorate
<b>ARGA</b>	Audit, Reporting & Governance Authority
<b>ATOL</b>	Air Travel Organisers' Licensing
<b>BIOB</b>	Business Interest Oversight Board

Acronym	In full
<b>C&amp;S</b>	Climate & Sustainability
<b>CDP</b>	Career Development Plan
<b>CEDAR</b>	Celebrating Ethnic Diversity and Roots Network
<b>CoE</b>	Centre of Excellence
<b>CPD</b>	Continuing Professional Development
<b>CQ</b>	Cultural Intelligence
<b>DRAS</b>	DRAS Digital and Risk Advisory Service
<b>ED&amp;I</b>	Equality, Diversity and Inclusion
<b>EDT</b>	Extended Delivery Team
<b>EiC</b>	Early in Careers
<b>EQR</b>	Engagement Quality Reviewer
<b>ERM</b>	Enterprise Risk Management
<b>ESG</b>	Environmental Social and Governance

Acronym	In full
<b>FAVS</b>	Forensic and Valuations Services
<b>FRC</b>	Financial Reporting Council
<b>FS</b>	Financial Services
<b>FY24</b>	Financial year 1 July 2023 – 5 July 2024
<b>GLT</b>	Global Leadership Team
<b>ICAEW</b>	Institute of Chartered Accountants in England and Wales
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>INE</b>	Independent Non Executive
<b>ISA</b>	International Standards on Auditing
<b>ISQC(UK)1</b>	International Standard of Quality Control (UK) 1
<b>ISQM(UK)1</b>	International Standard of Quality Management (UK) 1

Acronym	In full
<b>ISQM(UK)2</b>	International Standard of Quality Management (UK) 2
<b>KAP</b>	Key Audit Partner
<b>KPI</b>	Key Performance Indicator
<b>LT</b>	Leadership Team
<b>L&amp;D</b>	Learning and Development
<b>MLA</b>	Major Local Audit
<b>MLRO</b>	Money Laundering Reporting Officer
<b>NAS</b>	Non Audit Services
<b>NFC</b>	Non Financial Conduct
<b>NomCo</b>	Nomination Committee
<b>OEPI</b>	Other Entity of Public Interest
<b>PC</b>	Partnership Council
<b>PDG</b>	Project Delivery Group
<b>PIC</b>	Public Interest Committee
<b>PIE</b>	Public Interest Entity

Acronym	In full
<b>PJF</b>	Professional Judgement Framework
<b>PMD</b>	Practice Management Department
<b>PR</b>	Practice Review
<b>Q&amp;RSC</b>	Quality and Risk Sub Committee
<b>QAD</b>	Quality Assurance Department
<b>QRE</b>	Quality & Risk Executive
<b>QRM</b>	Quality and Risk Management
	Nomination Committee
<b>QRST</b>	Quality Review Support Team
<b>RCA</b>	Root Cause Analysis
<b>RemCo</b>	Remuneration Committee
<b>RI</b>	Responsible Individual
<b>SQAP</b>	Single Quality Action Plan

Acronym	In full
<b>SQP</b>	Single Quality Plan
<b>SoQM</b>	System of Quality Management
<b>TRA</b>	Technology Risk Assurance
<b>TSG</b>	Technical Standards Group

FOR MORE INFORMATION:

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