TRANSPARENCY REPORT 2016

BDO

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REGULATIONS

We have prepared the Transparency Report, in respect of the period ended 1 July 2016 (the report), in accordance with the provisions of the Statutory Auditors (Transparency) Instrument 2008 issued by the Professional Oversight Board of the Financial Reporting Council. The report also includes those matters specified to be included in the Transparency Report by the Audit Firm Governance Code (the Code), issued by the Institute of Chartered Accountants in England and Wales (ICAEW) in January 2010. Our statement on compliance with the provisions of the Code and our report on how we have applied in practice each of the principles of the Code are given in Appendix A.

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

INTRODUCTION
FROM THE MANAGING PARTNER

Welcome to BDO's 2016 Transparency Report and my first as Managing Partner. The past year has been one of good progress for BDO with continued profitable growth. In common with other businesses, we are working with wider stakeholders to assess the effects of the UK's exit from the European Union and the opportunities and challenges it will bring.

In September 2016, my predecessor as BDO UK managing partner, Simon Michaels, completed a maximum of two, four year terms. He hands the business over in a strong financial position and we are grateful to him for his leadership during this period which included the successful merger with PKF. It is a great privilege to take over the reins and I look forward to leading the firm on to significant success in the future.

Strong governance is at the heart of ensuring the long term viability of the firm and its reputation. In line with many other businesses we are entering a time of significant change with new regulation and the opportunities and challenges which will arise as the government implements Brexit.

We have created a Brexit task force, headed by Iain Lowson, our Head of Quality and Risk Management and Chairman of BDO's International Risk Management Committee, to oversee our activity. Whilst it is still early days and much remains uncertain, we will continue to invest in developing and enhancing our business. In particular, we remain committed to investing in our people and audit technology to improve audit quality.

As a firm we support the profession's drive to enhance confidence in the market and improve audit quality through increased independence. Audit is a key part of our business and as incoming managing partner I am committed to continuing the good work, already underway, which drives our audit quality standards.

As businesses responded to the introduction of the EU audit reform we have seen a plethora of audit tenders, particularly amongst the FTSE 350, resulting in many long term audit relationships changing. This trend will undoubtedly continue and we look forward to working with stakeholders and audit committee chairs to support the widening of choice in the audit market.

I am extremely proud that as a firm we have a strong presence in the listed market, acting for 63% of FTSE 100 companies in respect of either audit or non-audit services and 41% of the FTSE 350. I have established a new sales board that will facilitate collaboration and coordinate and support our initiative to increase our presence in this market.

To maintain our position as a valued service provider we are reliant on our people and our tools. I have established an operations board that will focus on ensuring our people have the right support, tools and training to lead in terms of quality.

Key to our success is innovation; this is ever apparent in the audit sector, both in the UK and globally. In 2015, BDO Global formed the Audit Innovation Oversight Committee to enable BDO firms to meet future challenges in the changing technological and business worlds. The oversight committee looks at the long term trends impacting the audit market and has commissioned a range of initiatives and tools that help ensure our audit practice remains vibrant, innovative and able to take advantage of new opportunities. Foremost among these tools is BDO Advantage, a data analytics tool which enhances an auditors' ability to identify 'outlier activities' in a complete set of client data, resulting in more effective audits and insightful business findings. Initially developed by BDO in the UK this tool is being rolled out across the BDO network.

PAUL EAGLAND
MANAGING PARTNER

1 October 2016

REPORT FROM THE HEAD OF RISK AND QUALITY

Excellence in quality is the core foundation of the firm's vision to provide exceptional client service. I am delighted to set out an overview of the key activities of the Quality and Risk Committee and the way in which the firm manages and monitors the risks facing our business in order to deliver sustainable audit quality.

IAIN LOWSON

HEAD OF QUALITY AND RISK MANAGEMENT

1 October 2016

RISK MANAGEMENT AND INTERNAL CONTROL

The firm recognises that risk is an inherent part of conducting business and that managing this risk is a critical element of its operations.

First and foremost, our priority is quality and getting things right: doing this well substantially mitigates risk.

The governance structure of the firm and the role of the Quality and Risk Committee (Q&R Committee) are set out on pages 34 to 35 with further detail in Appendix C. The Leadership Team retains ultimate responsibility for the firm's system of internal control and for reviewing its effectiveness.

Operationally, these responsibilities have been delegated to the Q&R Committee, which monitors the key risks facing the firm and scrutinises the processes and controls in place to mitigate them. The leaders of business units, service streams and practice management departments (PMDs) are responsible for the day to day implementation and monitoring of this system, incorporating financial, operational and compliance controls and risk management systems.

The members of the Q&R Committee are set out on page 51. They include members of the Leadership Team with direct responsibility for managing our delivery of professional services and therefore the Committee is well placed to ensure relevant actions are implemented effectively and within appropriate timescales.

TOP RISKS

During the year the Q&R Committee reviewed and refreshed its assessment of the risks facing the firm including those which could result in loss, damage to reputation and failure to deliver exceptional client service. The Q&R Committee considered the regulatory and market environments, the strategic goals of the firm and determined that there were ten key risks ('Top Risks').

Each service stream and PMD applies the risk management framework as appropriate to their own area of operation, reporting into the Q&R Committee. Action plans are drawn up and implemented to strengthen process and controls when changes in risks or new risks are identified.

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Organisational change – appetite for change and ability to manage change	Accelerating pace of change due to the demands of external conditions. Our appetite for and ability to manage change is inadequate.	Business transformation and change management regularly discussed by the Leadership Team. Assistance of change management specialists to advise on best practices. Dedicated resources to assist with the implementation of change programmes. Internal communications team to enable effective communication of goals, purpose, nature and details of change projects.
Changing business models for professional services firms:	Professional service firms such as ours face the risk of loss of market share due to: • Competitors innovating faster than us • New disruptive technology transforming markets and the cost of providing services • Existing methodologies, processes and IT becoming obsolete • New skills being required to deliver services.	Forward horizon scanning by the Leadership Team and service streams. Digital Steering Group established to oversee the implementation of new digital solutions. Specialists advising on digital technology. Dedicated resources to assist with the implementation of change programmes.
Talent (Recruitment, Retention, Development and Succession)	Our ability to attract, develop and retain the right number of sufficiently qualified, motivated and experienced people is vital to our ability to deliver exceptional client service.	Creating an environment where our partners and staff are empowered and live by our values. Surveys to obtain feedback from partners and staff and ongoing programmes to maintain engagement and address feedback. Competitive reward and recognition. Significant technical and commercial training, competitive record and recognition development and on the job coaching. Structured performance reviews and feedback to help the development of partners and staff.
Regulation	Some of our activities are highly regulated and major changes in regulation can impact our business model. Failure to maintain quality standards to the required regulatory standard or deal with any adverse findings from regulatory inspections to the regulator's satisfaction.	Partner involvement with professional institutes and regulatory bodies. (Identifying change and influencing where possible). Maintaining an appropriate level of interaction and relationships with regulatory authorities. Regular review of anticipated regulatory changes and assessment of their impact. Comprehensive quality control systems, methodologies and guidance. Dedicated technical support services.
Client Acceptance and Scope	Failure to identify engagement or other commercial risks associated with a potential client or project. Failure to define the scope of projects with sufficient clarity, or engage those who have the right knowledge and skills to deliver the scope of work. Failure to comply with anti-money laundering regulations.	Rigorous client and engagement acceptance policies and procedures. Levels of approval of potential clients or engagements with higher risk characteristics.

REPORT FROM THE HEAD OF RISK AND QUALITY

RISK	DESCRIPTION	KEY MITIGATING ACTIVITIES
Delivering Technical Excellence to Avoid Service Failure or Litigation Risk	Major service failure resulting in litigation and/or regulatory action, with the potential to ultimately impact the survival of the firm.	Excellence in quality is at the heart of our strategy and is embedded in our activities. Comprehensive quality control systems, methodologies and guidance. Dedicated technical support services. Significant technical and commercial training to enhance the skills of our people and to ensure they remain up to date. Controls to ensure that partners and staff with the right specialist knowledge and skills are assigned to engagements. Internal inspections to review the quality of work and clear action plans to address the findings from internal and external reviews. Established Risk Reporting procedures for claims, complaints or potential concerns about our work. Maintaining adequate professional indemnity insurance (PII).
Information Security (including Cyber Security)	Failure to protect confidential client or personal data. Major IT failure or major data loss results in the inability to carry out business as usual. Failure to identify and manage emergent cyber risks.	Robust IT policies and processes, including access controls and appropriate disaster recovery and business continuity plans. Use of appropriate software tools to help protect against cyber threats. Extensive data protection policies and processes. Control of sensitive date through limited access. Ongoing training to alert partners and staff to cyber and other risks of data loss and the behaviours necessary to minimise such risks.
Investment to achieve profitable growth	Failure to be innovative and to develop new approaches to the delivery of services and insufficient investment in technology could lead to inefficiencies and services which deliver less value than those of competitors. Failure to match key skills to growth areas resulting in lost opportunities. Maintaining strong professional relationships with our clients is vital to our continued growth. We need to continue to invest in senior experienced people in order to develop such relationships.	Clear strategic plans developed by the Leadership Team and by service streams and PMDs. Regular "horizon scanning" of the external environment by both the Leadership Team and service stream management. Investment in people, technology, new methodologies and processes monitored in line with strategic plans and budgets. Detailed annual budgeting process with ongoing review of actual performance against budgets and remedial action taken where necessary.
Quality of service by other member firms in the BDO network	Significant litigation or service failure by an international firm resulting in a loss of our reputation. Inability of an international firm to service the needs of our clients leading to issues with service delivery and impacting on growth.	Robust methodologies and supporting tools applied globally, including our global audit methodology and electronic Audit Process Tool. Robust risk management policies and procedures Robust quality inspection programme. Strong collaboration between member firms.
Macro risks and business resilience/sustainability (e.g. terrorism, global warming, Brexit, other geo-political risks)	Significant external events have a major direct adverse impact on our business and/or economic conditions.	Brexit Task Force established to address the opportunities and challenges arising from Brexit. Business continuity planning and testing. Business continuity plans procedures are well established and tested.

STREAM AND PMD RISK PRESENTATIONS

On a rolling basis, the heads of each service stream and PMD meet with the Q&R Committee to discuss the risks facing their business unit, the controls and other risk mitigation measures in place and the service stream's/PMD's actions plans to further enhance quality and reduce risk. This ensures there is upward feedback to the Committee of emerging risks and concerns. Follow up actions are agreed where appropriate.

INTERNAL AND EXTERNAL INSPECTION REPORTS

The Q&R Committee is kept appraised of the key findings arising as external inspection visits progress and has reviewed the reports on the Firm from the FRC Audit Quality Review (AQR). The Committee has also considered the key messages from other FRC Audit Quality reports and has reviewed the reports and findings from internal monitoring reviews. The key findings from the AQR and the actions being taken by the Firms are set out on pages 19 to 20.

OTHER REPORTING TO THE R&Q COMMITTEE

During the year, the Q&R Committee considered the current public focus on tax avoidance and the Firm's principles when providing tax services. The Committee also considered a number of updated policies including those regarding whistleblowing, complaints, financial interests and the sanctions for partners whose performance with respect to risk and quality matters does not meet the Firm's required standards.

INTERNAL AUDIT

The firms internal audit function reports to the Q&R Committee. The Q&R Committee reviewed and approved the Internal Audit plan of activity for the year which is based on an overall three year plan approved in the prior year. The Internal Audit plan is based primarily on the firm's Top Risks and includes both service stream and PMD specific reviews.

Reports are presented to the Q&R Committee setting out the recommendations raised to address any weaknesses identified in the firm's system of internal control. These reports along with quarterly updates of progress against the internal audit plan and implementation of actions in response to findings from reviews were considered by the Q&R Committee.

EFFECTIVENESS OF THE FIRM'S SYSTEM OF INTERNAL CONTROL

As described above, we have reviewed and updated our system of internal control during the year.

Our three year Internal Audit plan has been delivered and a new three year plan will be commenced later this year. One of the key elements of implementing and maintaining a sound system of internal control is the resolve of management to implement recommendations for improvement. As such, the Internal Audit plan includes a follow up exercise each year to independently verify that recommendations raised by internal audit, or as a result of any other internal or external reviews, have been implemented in full and in a timely manner.

Necessary actions are being taken to remedy weaknesses identified from the review which has been undertaken.

REPORT FROM THE CHAIRMAN OF THE PUBLIC INTEREST COMMITTEE

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

SIMON FIGGIS
CHAIRMAN OF THE PUBLIC INTEREST COMMITTEE

1 October 2016

The Public Interest Committee (PIC) comprises Lesley MacDonagh, David Isherwood and me. Lesley and I are independent, (our background and experience are set out on page 50) while David is the firm's Ethics Partner. He also represents the firm on a number of committees and working parties and has oversight over the firm's audit methodology.

Lesley and I are also members of the Leadership Team and are able to put forward our views in relation to matters which have a wider, public interest, dimension both at PIC and at other management and leadership meetings within BDO.

I am also a member of the Quality and Risk Committee and Lesley sits on the firm's diversity and inclusion group. We have also attended other meetings of the partnership group (including the Audit Stream Executive) and the Partnership Council.

In these interactions the firm has demonstrated its understanding of, and commitment to, the public interest.

THE AUDIT GOVERNANCE CODE

PIC continues to base its activities on the principles of the Code. This year the Code has been updated and its purpose clarified as being:

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

Whilst already complying with the main principles of the new code in nearly all respects, BDO is currently considering what changes may be beneficial in advance of the Code's formal commencement date.

I noted in last year's report that despite our willingness, we had very limited interaction with institutional shareholders. This year, in addition to meeting with the FRC, I have also met with representatives of CRAG (Company Reporting and Accounting Group). As the Stewardship Code becomes more embedded, we anticipate there will be a greater appetite to meet INEs, and more engagement with Audit Committee Chairs and investors of existing and potential clients.

AUDIT QUALITY

We have focused our activities this year on understanding – and challenging- the way in which the firm seeks to deliver audits of the highest quality, including responding to the requirements of the audited entity, the entity's investors and other stakeholders.

The quality of an audit is driven in large part by the technical excellence of the engagement team, its motivation and training. This Transparency Report touches on many aspects of delivering quality but PIC has particularly focused on the following:

PROMOTION AND RECRUITMENT OF PARTNERS

The process for recruitment and promotion of partners is thorough, involves testing technical interviews, and is overseen by the Leadership Team.

Lesley and I receive the CVs of all potential partners and Lesley is a member of the interview team for all potential partners, and chairs the committee (and interviews) all partners promoted from within the firm. David is a member of the technical interview panel.

PARTNER REMUNERATION

The committee received a briefing on the process for remuneration of all partners, including how quality is positioned and encouraged in relation to partners' remuneration. I attended the meeting of the Partnership Council at which partner remuneration was discussed and proposals put forward by the leadership team subsequently reviewed.

The firm has adopted a system whereby any partner whose work falls short of an acceptable standard or whose conduct falls below the ethical or regulatory standards expected, are fined. I sit on the committee which decides on the level of such fines.

TRAINING

The Audit Stream Executive has considered the manner in which audit training should be delivered, recognising the importance of "on the job" training. PIC called for, and received a briefing on the training strategy and made various recommendations relating to implementation and monitoring arrangements. PIC will continue to monitor progress.

AUDIT QUALITY REVIEWS

The firm is subject to numerous reviews, both internal and external. Externally, the firm is reviewed annually by the FRC which looks at whole firm procedures and also a small selection of audit files in relation to public interest and public sector entities. The ICAEW also performs quality reviews in relation to other entities.

Internally the firm also conducts reviews of a sample of all work undertaken. The results of these reviews are set out on page 18.

EXTERNAL REVIEWS

We met with the AQR, the FRC's Audit Quality Review team, to discuss the outcome of the 2015/16 review process. While it is pleasing to note that none of the eight files reviewed needed "significant improvement" there was a disappointing increase in those files requiring more than limited improvement.

We received a presentation by the firm on root causes and the measures being undertaken to address weaknesses identified. More details are on pages 21-23. This will be a continuing focus for the firm and PIC will continue to receive updates on progress against the action plan.

PIC has considered the thematic reviews completed by FRC in 2016 on Engagement Quality Control Reviews and Audit Quality Control processes and considered the recommendations made against BDO's own procedures. All points raised have been actioned.

INTERNAL REVIEWS

We were briefed on the changes made to the internal review process. In addition, we requested and received a report from a partner who was independent of the audit leadership team, confirming that the process was robust, balanced and free from audit leadership bias.

OTHER AREAS OF FOCUS

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

- BDO's whistleblowing procedure and reports
- the management of independence issues
- the management of conflicts of interest.

We continue to have confidence in the Management Team's commitment to quality and in the firm's governance processes. BDO's new Managing Partner is an experienced member of the Leadership Team and we look forward to working with him and the Team as they continue to build on the very good work already performed in this area.

REPORT FROM THE HEAD OF BUSINESS ASSURANCE

SCOTT KNIGHT
HEAD OF BUSINESS ASSURANCE

1 October 2016

The past year has seen significant changes to auditor independence and the responsibilities of Audit Committees following the implementation of EU Audit Reform.

Following four years of debate in Europe and two years of UK consultation new audit reforms now come into effect. There has been a great deal of uncertainty regarding how the changes will affect businesses working across Europe and more globally. As a member of the FRC Council and the Technical Advisory Group (Audit) BDO are supporting the FRC's efforts to reduce the uncertainty within the UK.

AUDIT MARKET

Over the past two years BDO has been invited to tender for a significant number of FTSE clients, in respect of both audit and non-audit services. To date BDO have seen more success in winning non-audit services suggesting the FRC's fears that the audit of FTSE companies may remain within the big four. At BDO we are keen to meet with investors and audit committee chairs to understand their reluctance to move audits outside the big four and work with them to achieve the widening of the audit market that many firms and commentators consider so essential.

AUDIT QUALITY

As our managing partner sets out in his report, audit is a key part of BDO's business and we continue to focus on improving audit quality.

However, it is a continuous process and one where we need to be relentless. Our AQR review for this year which is the first year of an annual cycle showed we have no files requiring significant improvement, details set out on page 20.

It is difficult to draw conclusions from a small sample of files reviewed and we are heavily reliant on our internal quality review processes, details of the 2015 process are set out on page 19. We have undertaken a detailed root cause analysis into the specific reasons behind this and taken actions that should address the areas where we can improve, details of our root cause analysis are set out on page 21.

AREAS OF INVESTMENT

We have continued to invest heavily in our data analytics tools and have expanded our team of experts significantly. Our principal tool; BDO Advantage has been used on over 500 clients and is fast becoming a key part of our approach. We continue to develop new 'analysers' that can be applied to more cycles and sector specific modules that reflect the bespoke needs of individual sectors. We have also developed a benchmarking tool that will be utilised for most of our clients for the next reporting season.

Next year will also see the rollout of the latest generation of our Global bespoke audit application APT and will be capable of operating on mobile devices.

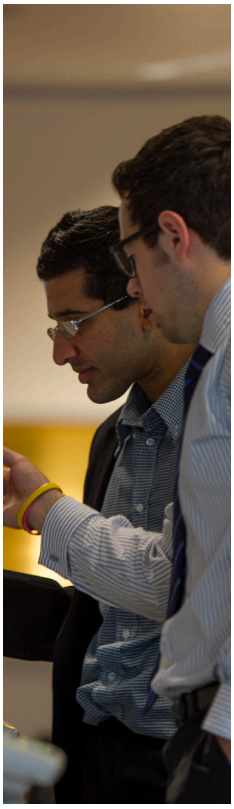
Following the results of last year's survey which showed fewer than half the respondents felt they had sufficient time and resource to complete their work to a high quality standard we have increased our recruitment of staff both at entry and manager level where resource was consider to be under most pressure. I am delighted that this action has led to an increase in the number of those that now feel they have sufficient time and resource, 63% (43% in 2015). Clearly there is still more work to do and this will continue to be an area of focus for the Audit Stream Executive. Further details of the survey are included on page 24.

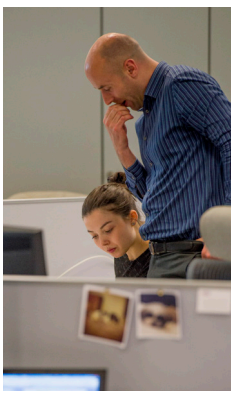
GLOBAL ACTIVITY

At a global level, we actively participate and respond to proposals relating to the development of International Standards on Auditing, International Financial Reporting Standards, International Education Standards and changes to International Ethics Standards Board for Accountant's Code of Ethics.

Andrew Buchanan, BDO's Global Head of IFRS, has been appointed to the IASB's Interpretations Committee (formerly IFRIC). Our Ethics Partner, David Isherwood, sits on the Transnational Audit Committee, the executive arm of the Forum of Firms, and chairs the Agenda Setting Committee.

Only by being involved can BDO help shape future confidence in audit and lead by example.





DELIVERING AUDIT QUALITY

LEADERSHIP AND CULTURE

There is no doubt maintaining high quality standards is dependent on the culture within the firm and on all staff and partners promoting the firm's core purpose in everything they do. Only by identifying why we do what we do; can the firm promote quality in all our interactions.

LEADERSHIP

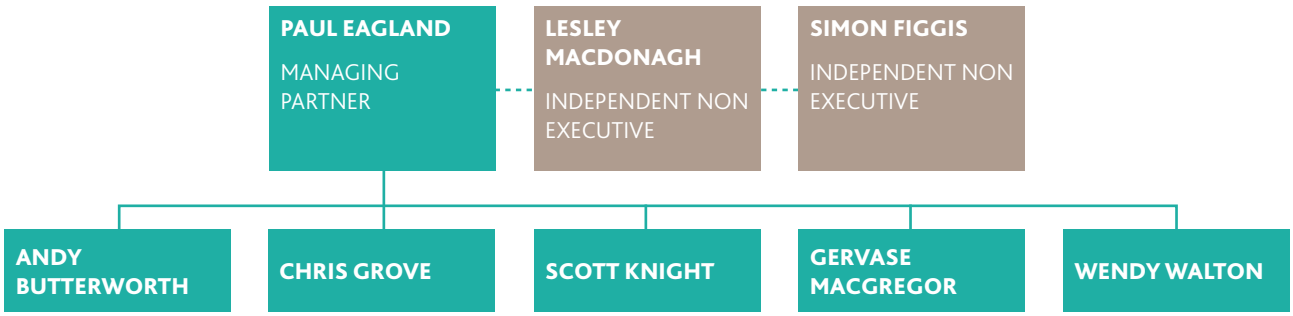
At BDO we do not see ourselves as simply an audit firm. We are a professional services firm that provides a range of professional services, including audit. As such it is important to us that our Leadership Team and Boards draw on the talents and strengths of our entire business. Only by focusing on quality in everything we do can we secure the long term viability of the firm.

In addition to drawing on the talents across our firm it is important that the Leadership Team is supported by effective Operations and Sales Boards. This enables the Leadership Team to focus on Strategy and achieving the firm's long term objective to be at the forefront of the profession.

With effect from 1 October 2016 Paul Eagland will commence his four year tenure as Managing Partner of BDO. Paul has reshaped the Leadership Team, drawing in talent from tax, corporate finance, audit and advisory departments with the focus on achieving the highest possible quality and sustainable profitable growth.

We have a strong base in the mid-market and the next four years will see this go from strength to strength. The last year has seen significant inroads made in the Public Interest Entity market as a non-audit service provider and the Leadership Team will be focused on building on this growth.

LEADERSHIP TEAM FROM 1 OCTOBER 2016:



STAKEHOLDERS

As a professional services firm we are conscious that we have many stakeholders outside of our own business who rely on the work we do. These include our clients': Investors, Boards, Audit Committees, their employees, HMRC and other creditors. Each stakeholder being reliant on the quality of our work, our values and our technical abilities.

Whether engaged to perform audit or other services we seek feedback from a variety of stakeholders to increase understanding, address misperceptions or improve our service.

AUDIT FIRM GOVERNANCE CODE

As a provider of audit services the firm applies the Audit Firm Governance Code (AFGC). The Code has recently been updated following consultation. As a partnership rather than a corporate entity we have purely internal owners. Notwithstanding that good governance challenges our thinking, embeds our values and enhances our long term strategy. As we consider the changes to the AFGC we will be making an assessment whether, as a firm, we need to adopt some of the recommendations such as the need for three INEs and the length of their tenure.

CORE PURPOSE

We are a purpose-led organisation. Our focus is on helping people and clients succeed. This necessarily involves us working with clients to help them develop strong sustainable business models and to enhance their reputation and credibility in their own markets.

We can only do this by promoting a strong ethical core to our own business, providing strong leadership to all business streams and by working together to achieve our own goal of being a high quality professional services firm.

OUR CULTURE

All businesses know that the culture of a firm stems from tone at the top but that is not enough on its own. We are a people business and to achieve a culture of quality, innovation and technical excellence we must invest in and inspire our people to live our values.

Our values represent the principles we are committed to upholding now and in the future. They define what we stand for as a firm and are there to guide us in our day-to-day work and decision making. Our four core values complement each other and are all equally important.

DELIVERING AUDIT QUALITY

ETHICS AND INDEPENDENCE

Ethics and independence are of fundamental importance to the firm as a whole. Over the past 24 months BDO have expanded the ethics and independence function, supporting the business in the implementation of important reforms to the independence of auditors.

A significant focus of the EU audit reform has been embedding a principles based approach to the assessment of auditor independence benchmarked against the expectations of the objective reasonable informed third party. For years we have applied the principle of an objective reasonable informed third party to matters of ethics and it is entirely appropriate, that the principle is applied to the independence of the auditor.

Only by applying a principle based approach to the assessment of threats to our independence can the Audit Committees and investors have confidence that the audit opinion has been independently arrived at.

Among the changes affecting the audit of Public Interest Entities on the implementation of EU Audit Reform are:

- Mandatory tendering if appointed as auditor for the eleventh year
- Mandatory rotation after 20 years as appointed auditor
- Prohibition on the provision of non-audit services
- Cap on fees earned from non-audit services.

As a firm we are well placed to implement the changes over the coming period. An analysis of our PIE client base show only 3% will be required to rotate audit firms by 2020 with a further 12% by 2023, with our largest spike in audit tenders being 2024.

One challenge facing the profession arising from the implementation of EU Audit Reform is the uncertainty over interpretations of terms used and the impact this has on the services provided and the standards of independence to be achieved. Uncertainty remains regarding whether certain non-audit services can be provided to Public Interest Entities and BDO are working with the FRC to establish guidance.

As required by the Audit Firm Governance Code we set out in this report our policy and procedures in respect of ethics and independence:

INTEGRITY, OBJECTIVITY AND INDEPENDENCE

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

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

The relevant partner is responsible for the identification of conflicts. Client-side checks involve a review of the firm's systems which must be supplemented by an email to the Conflict of

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

International conflict of interest checks are performed using the network's computerised, conflict checking system. The system initiates conflict checks for either separate countries, group of countries or worldwide, logs responses and keeps a detailed audit trail for future use. If a conflict is identified, QRM assists with conflict resolution. Solutions are tailor made to each situation. Where appropriate we seek informed consent and if required ensure that teams, the location of those teams and the servers used for the work are kept separate. Chinese wall and the use of a wall partner are other tools used to manage conflicts. Where in our opinion, a conflict is not manageable, or where it cannot be managed to the satisfaction of all parties then we decline to act.

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

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

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

In addition to their own national code of ethics, all BDO Member Firms, as members of the Forum of Firms, are required to comply with, and annually report as to their compliance with, the IESBA Code of Ethics.

As chartered accountants we are expected to demonstrate the highest standards of professionalism. Ethical behaviour plays a vital role in ensuring public trust and upholding the reputation of the accounting profession. The ICAEW Code of Ethics assists us by providing relevant ethical guidance. Our client facing partners and staff across all streams and senior PMD staff have completed firm-wide e-learning on ethical behaviour and the provisions of the ICAEW Code. Our partners and directors also attended Quality and Risk roadshows where the EU Audit Reform and the Public Interest were key topics.

FINANCIAL, BUSINESS, EMPLOYMENT AND PERSONAL RELATIONSHIPS

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

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

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

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

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

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

LONG ASSOCIATION WITH THE AUDIT ENGAGEMENT

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

- The audit partner on a listed or PIE audit client rotates after five years except in exceptional circumstances, where rotation can be extended to occur after seven years. Where an extension of the rotation period occurs additional safeguards will be put in place and approval for the extension will be obtained from the Ethics Partner
- For non-listed audit clients, the audit partner will normally rotate off the audit after ten years. Where rotation is extended beyond ten years, a rotation plan will be agreed with the firm's Ethics Partner.

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

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

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

Our appraisal, promotion and remuneration processes for audit staff specifically exclude objectives related to selling non-audit services to their audit clients.

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

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

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

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

NON-AUDIT SERVICES PROVIDED TO AUDIT CLIENTS

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

From 2015 the provision and approval of non-audit services is specifically reviewed at an engagement level as part of the firm's Audit Quality Assurance programme conducted on a selection of audit files.

WHISTLEBLOWING

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

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

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

Under our policy it is a requirement that all actions arising out of incidents of whistleblowing, including reports from any investigations, be reported to the Head of Quality and Risk who will make an annual report on incidents to the INEs.

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

If an external contact of the firm has any concerns they would like to raise, they should contact the firm's Head of Quality and Risk in the first instance. Concerns can be raised verbally and/or as a written statement. All concerns will be taken seriously and investigated and escalated as appropriate.

INDEPENDENCE PRACTICES

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

- An annual declaration undertaken by all partners and staff, a sample of which are reviewed by QRM. All exceptions are reviewed and investigated by QRM
- The Independent Inspection programme examines a selection of audit files on an annual basis as explained on pages 18 to 19

- Regular and ad hoc monitoring activities targeting specific aspects of audit independence.

Where independence violations are identified, appropriate remedial action is instigated and appropriate improvements are made to the firm's systems and processes and additional guidance and training is implement.

BDO INTERNATIONAL GLOBAL INDEPENDENCE PRACTICES

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

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

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

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

DELIVERING AUDIT QUALITY

AUDIT QUALITY MONITORING

Key to achieving BDO's Vision and Strategy as a leading professional services firm is exceptional quality audits. More important than having policies and procedures to ensure the delivery of quality audits, covered later in this report, is the monitoring of adherence to those policies and procedures.

RESPONSIBILITY FOR AUDIT QUALITY

The firm's Leadership Team has overall responsibility for the quality of work across the firm including the quality of our audit work. Within this it has responsibility for the design of a system of internal monitoring to ensure that audit quality is maintained and improved. The Leadership Team has delegated the design and implementation of this system to the firm's Audit Stream Executive (ASE), but the work of the ASE is subject to review and approval by the Leadership Team prior to implementation.

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

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

INTERNAL INDEPENDENT REVIEWS PROCESS

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

At the conclusion of the annual programme the results are reviewed by the Leadership Team.

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

Those that are in-scope of the AQR are reviewed by a dedicated team of reviewers from our Technical Standards Group and mirrors the procedures and gradings of the FRC's AQRT.

Those that are in scope of the ICAEW's Quality Assurance Department (QAD) are reviewed by an experienced independent audit partner following the approach adopted by the QAD including a review of office procedures, resulting in a plan for the RI and an office plan.

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

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

RESULTS OF INTERNAL REVIEW PROCESS

The review process is conducted in respect of a calendar year. The results of the review conducted in 2015 were:

TOTAL	2015	2014	2013
Satisfactory	89%	87%	81%
Not satisfactory	11%	13%	19%

Files are graded 1-3 with, 1 being good and 3 needing significant improvement (unsatisfactory).

We are proud of our approach of reviewing all RIs within a two year cycle, in comparison to every three years in some other audit firms, and feel this keeps an appropriate spotlight on audit quality which we believe has contributed to the increase in % of acceptable files.

EXTERNAL QUALITY CONTROL REVIEWS

FRC'S AUDIT QUALITY REVIEW (AQR) TEAM

The FRC's AQR team has completed their annual review in respect of the period 2015/2016 resulting in a public report setting out the principle findings arising from their inspection and the firm's response and action plan. A copy of the report is available on the FRC website, www.frc.org.uk.

In response to the findings from the last inspection, the AQRT reported that we had implemented the agreed actions and had continued to enhance our procedures, including:

- Training and enhanced guidance had been provided to cover AQR findings, other regulatory and internal reviews and other audit matters
- The resources of the firm's Ethics function had increased
- New processes for monitoring and resolving independence queries had been introduced.

In conducting their review for 2015/16 the AQR reviewed the firm's policies and procedures in relation to:

- Tone at the top
- Independence and ethics
- Audit methodology, training and guidance
- The internal audit quality monitoring process.

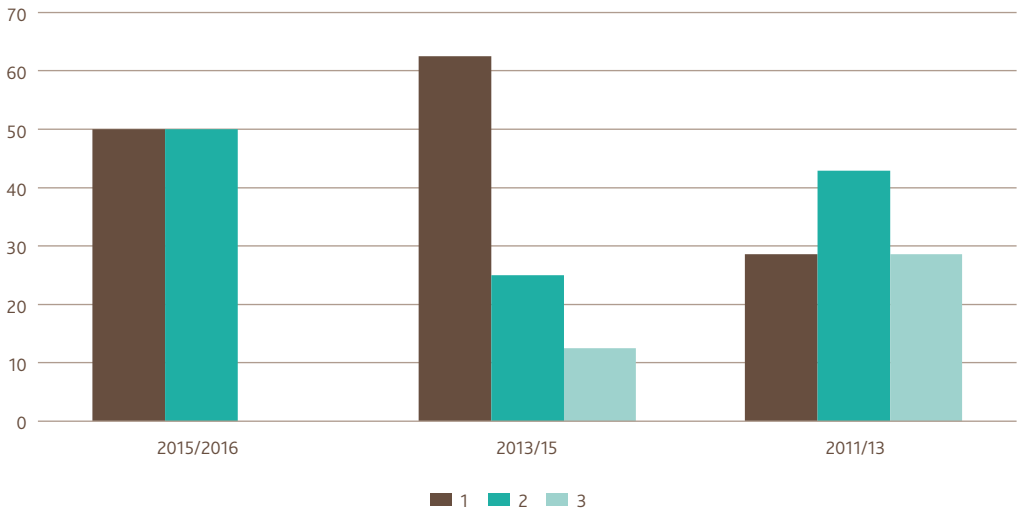
We were pleased to note that there were no material findings in relation to our firm procedures requiring remedial action and we have taken forward the AQRT's recommendations.

In addition to the review of firm's procedures the AQR reviewed selected aspects of eight individual audits in 2015/16. The key findings in the current year requiring action by the firm, which are elaborated further on pages 21 to 23, were that the firm should:

- Ensure more effective audit procedures are performed for the audit of revenue. The audit of revenue appearing in 5 of the 6 firms reviewed
- Improve the testing of controls and ensure any changes in the planned approach to rely on controls are compensated by enhanced substantive testing. Three of the six firms reviewed received findings in respect of testing of controls
- Ensure effective communication with Audit Committees.
- Improve the response to the risk of fraud through more targeted testing of journals.
- Embed the changes to the firm's procedures to identify independence breaches
- Strengthen the firm's monitoring procedures over its quality control systems.

DELIVERING AUDIT QUALITY
AUDIT QUALITY MONITORING

Although pleased that our continued focus on quality has resulted in no files being found to require significant improvement it was disappointing to see an increase in the number of files requiring improvement, the equivalent of one file in comparison to last year that failed to achieve a 1 or 2a grading.



(1) Good with limited improvements required
(2) Improvements required
(3) Significant improvements required

We have carried out a root cause analysis of the key findings, set out on pages 21 to 23, and put in place a number of actions in order to address the issues raised in our report, not least the implementation of CARA (control activities relevant to the audit) for the 2016/17 audit cycle. This change to the methodology and APT along with a wholesale refresh of systems, understanding and assessment of controls (including IT) and controls testing should bring a new focus to our files and help avoid some of the issues that have been highlighted.

The findings show some real similarities between the firms but also highlight areas we have seen a number of times before – the 2015 IFIAR report on global inspection findings shows a number of these areas were also issues last year. It is clear that all firms have some work to do.

ROOT CAUSE ANALYSIS

An important element to improving quality is to identify the root cause of failings and take appropriate action to mitigate the risk of those failings being repeated. Included within the public report is a summary of our response to the AQR Key Findings. Below we provide further commentary on our root cause analysis and the actions taken by the firm to address the AQR's key findings and the findings of our own internal cold file review procedures.

KEY FINDING (AQR)	ROOT CAUSE IDENTIFIED	ACTIONS TO BE TAKEN
REVENUE TESTING In some instances the substantive audit procedures in relation to the audit of Revenue were insufficient, with improvements needed in analytical procedures and validation of underlying systems.	In carrying out our root cause analysis in this area we have identified a contributory factor to the issues identified which is that our detailed understanding of certain aspects of the audited entities' revenue systems could have been improved. This resulted in certain aspects of the test design not being focused appropriately.	Substantive Analytical Procedures (SAPs) guidance, which will focus on the decision as to whether SAPs are a suitable response to the level of risk identified and will re-emphasise key aspects such as how expectations should be developed and the need to corroborate management's explanations, was released at the end of June 2016.
TEST OF CONTROL In four of the eight files reviewed there were isolated incidents where sufficient evidence was not obtained on the operation of certain controls and there were situations where the substantive procedures had not been enhanced to compensate for the weaknesses in controls testing.	In considering the issues that arose in this area we identified that whilst teams were using the firm's IT specialists where appropriate, the audit teams were not always sufficiently involved in the work that was undertaken by the specialist team. In addition, the teams did not fully appreciate the level of detailed testing required.	A number of communications to date have emphasised the importance of the team documenting a thorough understanding of the system (both manual and IT aspects) during the planning stages of the audit. We have created a network of local IT champions who will support the firms IT specialists. The Firm will also be implementing changes to the methodology and the way in which controls are assessed as relevant to the audit and this will be used as an opportunity to re-emphasise the importance of a good understanding of an entity's systems including the interaction with our IT specialists. This commenced in June 2016. Information produced by the entity (IPE) has been covered a number of times in the last quarter of 2015. IPE guidance has been released and IT champions briefed on the importance of testing the completeness and accuracy of source data.

DELIVERING AUDIT QUALITY
AUDIT QUALITY MONITORING

COMMUNICATION WITH AUDIT COMMITTEES Findings were raised on three audits where the communications to the Audit Committee could have been improved and in one instance the final report to the Audit Committee was delivered late.	Our root cause analysis identified that teams were aware of their obligations in respect of Audit Committee reporting but in one instance reported a matter verbally but failed to follow up in writing and in another it was a matter of judgement that the issue was not significant. In respect of the late submission of a report this was found to be due to the Audit Committee meeting being moved earlier at short notice. The Audit Partner attended meeting to report and followed up in writing.	We acknowledge the importance of accurate and timely communications with the audit committee. We have recently undertaken a project to update our audit committee reporting guidance and we communicated to the audit stream in October 2015 the importance of timely communications that are consistent with the work performed and the audit findings. The issues identified were used as examples to remind audit teams about proper practise in this area.
TESTING OF JOURNALS On several audits there was insufficient focus on the fraud risk characteristics when determining which journals should be tested. On one audit there was no evidence retained for the journals testing for the largest component of the group.	Our root cause analysis showed that in relation to specific cases there was insufficient direction and supervision of the work conducted by TRA. In the case of there being no evidence on file this was due to inadequate review not identifying that the work undertaken was not appended to the audit file.	The systems of audited entities are becoming increasingly complex and we are therefore investing in developing tools to address audit risk in these complex areas with a significant volume of transactions. IT specialists will be involved where necessary but new audit tools such as BDO Advantage (our data analytics tool) will allow audit teams to perform similar audit tests themselves. BDO Advantage was introduced to the audit stream in 2015. At the same time we are taking the opportunity to remind audit teams of the importance of understanding the specific risk characteristics of each audited entity to ensure that testing performed on journals is focused and effective. We issued a reminder to audit teams in January 2016 about the importance of timely filing of all audit evidence and documentation on to the audit file.

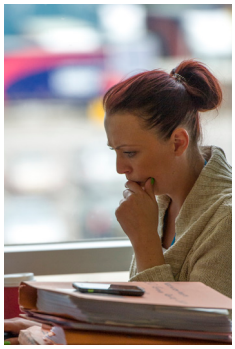
EMBED CHANGES TO IDENTIFY INDEPENDENCE BREACHES		
The firm should embed the changes to its procedures to enable it to identify ethical and independence breaches on a timely basis.	Investment brokers were making investments on a discretionary basis and in some instances acquired an immaterial direct financial interest in an audit client that was not prohibited under our firm policy. In each case the investment manager and the partner were in possession of an accurate prohibited security list. The breaches were reported to the regulator and no action has been taken. In respect of the provision of a prohibited service provided to an audit client by an affiliate this was due to an individual overlooking the conflict check alert.	One significant enhancement was the introduction in the autumn of 2015 of a rolling programme of auditing of partners' financial interests. We will continue to monitor the adequacy of our policies and procedures in this important area. With regard to non-audit services, a new automated Client Take on (CTO) system directly refers potential non-audit engagements with audit clients to the RI for approval
STRENGTEN MONITORING PROCEDURES OVE QUALITY CONTROL SYSTEMS		
The scope of testing: the AQAR process did not cover some of the areas of quality control which we selected for review.	This was due to the firm performing testing on a rotational basis and not considered a weakness all areas are ultimately covered.	Given the importance of a robust quality monitoring process we have recently reviewed our policies and procedures in this area. From 2016 onwards Firmwide monitoring will be managed centrally to improve consistency and ensure all areas are reviewed annually.
The approach to office visits, including sample sizes: the AQAR includes a review of procedures at specific offices. We found that the approach to the office inspections, including the sample sizes used for testing, was inconsistent.	Our previous approach was deliberately designed to allow flexibility in dealing with the variety of our offices and was appropriate in the circumstances, however the firm has changed over recent years and a new approach is needed.	

DELIVERING AUDIT QUALITY
AUDIT QUALITY MONITORING

AUDIT QUALITY INDICATORS

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

METRICS FROM PARTNER AND STAFF SURVEYS		2016	2015
1.	Delivering quality work is a priority for me	98%	n/a
2.	I have sufficient time and resource to do my job	63%	43%
3.	The leaders I work with are committed to providing a high quality service to external clients	96%	98%
4.	The learning and development I receive from BDO has prepared me for the work I do."	90%	90%
METRICS ON EXTERNAL INVESTIGATIONS			
Number of cases in the last 12 months in which the:			
5.	FRC's conduct committee has found against the firm or one of its members	We have no such findings against the firm and no matters currently under investigation.	
6.	Disciplinary committee of any other regulatory body has found against the firm or one of its members	There has been one finding against the firm in the period covered by this report. The firm was reprimanded and fined.	
METRICS ON ENGAGEMENT PERFORMANCE REVIEWS			
7.	Results of firm's internal audit quality reviews	The results of our internal reviews along with a description of our Audit Quality Assurance Review process and a definition of the grades awarded are set out on pages 18 to 19.	
8.	Results of the FRC's Audit Quality Review Team reviews on the firm	Our last review by the FRC's Audit Quality Review took place in 2015/16. Further details can be found on page 20. The full report can be downloaded from the FRC website www.frc.org.uk. BDO is subject to annual reviews by the FRC's Audit Quality Review in line with the recommendations made by the Competition Commission.	
9.	Annualised percentage of Responsible Individuals subject to firm's internal engagement performance reviews	Circa 60% of RIs are reviewed each year ensuring all RIs are reviewed every two years; those RIs receiving an unsatisfactory grading are reviewed annually.	
METRICS ON INVESTMENT			
10.	The extent of training undertaken per person in the Assurance practice	See pages 30 to 31.	
11.	Investment in research and development on assurance	Our investment in BDO Advantage is described on page 8. In addition the UK firm contributes resources to the development of our global audit methodology and tools which is led by BDO International. The investment we make in training our people, and in assurance research and development is reflected in the profitability figures set out on page 47.	
METRICS ON INVESTOR LIAISON			
12.	Qualitative description of investor liaison	As noted in our Public Interest Committee report we are keen to develop communication with the investor community.	



Tax

DELIVERING AUDIT QUALITY

ENGAGEMENT PERFORMANCE

In an ever technologically advanced world the traditional audit approach may soon be outdated. This will be a challenge to standard setters, auditors and businesses alike. At BDO our audit approach is being continually developed to embrace technology in our financial statement audits and increase focus and knowledge of our clients IT systems.

GLOBAL AUDIT APPROACH

At BDO it is essential that we operate a global audit process, compliant with international and local regulation. Our clients should be assured of quality of our work across their group. To achieve this all member firms sign up to one audit methodology and one quality review standard.

Notwithstanding our global approach we are conscious that retaining our local knowledge and expertise is essential to delivering the best service for our clients.

The network's state of the art audit and assurance software, APT, encapsulates the key aspects of the methodology and is used worldwide to ensure consistent and scalable audit performance. Its many benefits include teamwork on a real-time basis and timely efficient multi-location and cross border audits. APT is regularly enhanced to ensure that it remains at the forefront of technological innovation and incorporates new and emerging audit practices.

BDO ADVANTAGE

This year has also seen continued investment in innovation and specifically in analytical tools. BDO Advantage is our cutting edge data analytics tool which combines smart technology with our knowledge and understanding of our clients' business to deliver trusted information for interpretation.

It is now being widely used in the UK firm for the analysis of entire journal sets, with further development planned in the UK and internationally to enable us to address individual aspects of the financial statement and to make the tool accessible to more teams and types of client. Further tools and techniques are being developed which will capitalize on our ability to collect, analyse and test entire data sets, and to apply process mapping to client business cycles. These innovations, taken together will transform the way audits are performed at BDO, improving audit quality and providing valuable insights.

AUDIT METHODOLOGY

In addition to investment in our technology we are continually focused on refining and updating our audit methodology to keep abreast with our clients increasingly sophisticated business needs.

One important aspect of understanding a client's system is a focus on risk arising from the complexity of the financial accounting systems. In order to achieve this we seek to develop a deep understanding of our clients' information systems and the controls operated over those systems. Where we assess those systems and controls as complex we utilise the skills of our Technology Risk and Advisory (TRA) teams.

As stated on page 22 we have placed greater emphasis on the incorporation of the work completed by TRA into the work completed by the audit team in the past auditing cycle to address findings highlighted by the AQR team. We are confident in our ability to address the previous findings.

SUPERVISION AND REVIEW

All professional work is supervised by appropriately experienced and knowledgeable individuals.

Responsible Individuals (RIs) ensure that related risks are identified and that the appropriate audit work is carried out efficiently, with appropriate scepticism, and that it meets the firm's standards in all respects.

RIs, through a review of the audit documentation and discussion with the engagement team, satisfy themselves that sufficient and appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued and that the audit has been carried out in accordance with the firm's policies and procedures. The RI is ultimately responsible for ensuring that all material or potentially material matters or issues raised during the audit are satisfactorily resolved and documented in the working papers.

An engagement quality control review is performed for audits of public interest entities and other high risk engagements. This review is performed by an audit partner other than the RI. The engagement quality control reviewer possesses the level of knowledge and competence related to accounting, auditing, and financial reporting required to serve as the person who has overall responsibility for the same type of engagement, and be knowledgeable and familiar with the client's industry, but will be independent from the audit team. They would ordinarily be an experienced audit partner and not likely to be unduly influenced by the views of a particular audit engagement partner. The engagement quality control reviewer cannot be actively involved in making ongoing decisions relating to the engagement and will not be involved in performing the engagement.

Engagement quality control reviewers are selected by our Technical Standards Group (TSG) from a list of approved reviewers, as determined by the Head of Risk and Quality.

CONSULTATION AND SUPPORT

The national Audit Stream is supported by the TSG and the Quality and Risk Management Unit (QRM).

TSG is responsible for the following:

- Maintaining the firm's independent standards
- Developing our Audit Approach and guidance to ensure compliance with auditing standards
- Maintaining the firm's technical manuals relevant to the Audit Stream and communicating developments to the firm's partners and staff
- Helping maintain the firm's audit practice to the highest standards prevailing in the profession
- Consulting with local office partners and other professionals seeking technical advice
- Overseeing the firm's audit technical initial professional development (IPD) and continuing professional development (CPD) programmes.

TSG and QRM assist the Audit Compliance Partner, who is responsible for the following:

- Monitoring of independence
- Monitoring the firm's audit work
- Coordinating the professional performance of each Strategic Business Unit (SBU) and achieving in each of them standards that measure up to the firm's professional objectives
- Evaluating the firm's quality control policies and procedures.

Our culture of openness encourages consultation with experienced partners and other specialists where appropriate in order to achieve quality outcomes that properly take into account the public interest.

The firm has a process in place for audit partners and teams to follow when consulting and seeking a 'firm' opinion, support on a client issue, judgement or risk.

DELIVERING AUDIT QUALITY

QUALITY OF OUR PEOPLE

As a professional services firm the best investment we can make is in our people. Our people proposition is the bedrock of our strategy; identifying and rewarding desired behaviours which underpin our drive for quality. We pride ourselves on being an inclusive firm and our strong support for diversity in the workplace.

INCLUSION AGENDA

Our Inclusion Steering Group, chaired by Simon Michaels, drives the firm's response to the complex diversity and inclusion agendas' challenges faced by the profession to ensure we are creating a business environment where everyone feels valued for being themselves and, in turn, values and respects others.

Gender balance is a critical part of the inclusion agenda. The Leadership Team has confirmed our ambitions that, by 2020, we will increase our female representation in the partnership to 20%, and achieve gender parity in all other senior grades across the firm. With the changes to the leadership team which take effect on 1 October 2016, the firm will have achieved the first of these goals and continues to make progress to the second goal.

We believe inclusion is critical to creating a sustainable and measurable difference to business performance and culture, which is why we do our best to ensure all of our people are valued and feel valued.

A culture of sustained inclusivity cannot be achieved overnight, and it cannot be done by one or two individuals or by single initiatives that spotlight a particular issue for a period of time, only for it to disappear once our focus changes. The Leadership Team is committed to setting the tone at a firm-wide level and initiating a collective response to bring about change over a sustained period of time. Inclusion has a permanent place on all Leadership

Team meetings and the inclusion steering group meetings are chaired by our Managing Partner, Simon Michaels, and attended by our Senior Partner, Mark Bomer, and Chief Operating Officer, Mark Sherfield, as well as one of our Independent Non-Executives, Lesley MacDonagh. We are also committed members of the 30% Club and Opportunity Now, and have signed up to the Government's Think Act Report initiative.

We have a number of forums enabling our people to participate and focus on inclusion issues. Our Women's Network is a successful example of this, but the issues are wider than gender alone, and Blend for our LGBT community and our Islamic Network are also proving to be valuable forums.

BDO AND SOCIAL MOBILITY

As with other aspects of inclusion, social mobility is a key factor in our strategy for a sustainable future. In 2014 we were proud to become a founding member of the Access Accountancy initiative in partnership with a number of firms and professional bodies which aimed to improve the social mobility for talented students from disadvantaged backgrounds and was designed to respond to the challenges posed by the Social Mobility and Child Poverty Commission. Part of our overall commitment to Access Accountancy has been to increase our number of work-experience placements (as part of an overall target of 3,750 additional placements across all members of the Access Accountancy project).

We've also continued to make considerable efforts and achievements in support of the profession's increasingly important social mobility agenda. For BDO, this has included:

- Expanding our long-established school leaver programme, providing opportunities for students who are unable – or choose not – to commit to the burden of university tuition fees
- Taking part in a range of mentoring and internships with organisations specifically targeting inner city schools and students from less advantaged backgrounds, including SEO

London, Career Academies, Pure Potential, The Brokerage, Access Professions and Financial Skills Partnership

- Launching a summer school for A-level students that helps to bridge the gap between students who have previously had access to work experience and those that have not
- Introducing 'Insight Days' to allow school pupils from a variety of state schools and colleges to spend time in our offices right across the country, helping to familiarise themselves with a professional work environment, recruitment processes and the accountancy profession
- Sponsoring the ICAEW's Business, Accounting and Skills Educations (BASE) programme, during which our professionals act as mentors to students as they learn about the industry via a series of regional and national competitions.

ENABLING OUR PEOPLE TO DELIVER AUDIT QUALITY

RESOURCE MANAGEMENT

We recognise that for us to deliver a quality audit it is ultimately the ability, placement and commitment of our people that really makes a difference. Our ability to attract the right number of high quality people into the audit stream and at the right time is of utmost importance. In a competitive employment market it is never easy to second guess resource needs but we are able to use secondment programmes to help build in that flexibility.

RECRUITMENT

The post-recessionary bounce in the service sector side of the UK economy has meant that along with other firms we are on a constant search for talent. We are proud of our rigorous approach to selection at both our trainee and experienced hire levels.

For those joining us through our Graduate and School Leaver routes we assess potential trainees using a combination of:

- Entry grades or qualification requirements appropriate to their training route
- Online testing of numeracy and verbal reasoning skills
- Competency-based questions during interviews which seek to challenge potential recruits
- Assessment centres examining individual and collective responses to a range of scenarios.

Our experienced hire route into BDO Audit is no less challenging. A set of competency-based interview questions and a detailed accounts review enable us to provide the consistency and robust assessment we need to make a judgement of potential recruits; this also provides an opportunity for candidates to demonstrate their capabilities in a practical context.

PERFORMANCE DEVELOPMENT

Having a strong performance development process in place for all our people enables us on a case by case basis to recognise talented individuals as well as to identify development gaps. Just as no two audits are the same, so no two colleagues have the same development needs. All those working in audit receive annual and interim performance reviews; in addition, colleagues operating at trainee levels complete more detailed and regular job appraisals for all audit engagements in excess of 35 hours.

Our firm-wide annual 360 degree feedback process enables everyone to receive feedback from fellow professionals operating in roles above, below or at the same level. For many years now our Values have provided our roadmap as to how we operate; it is of critical importance that in addition to 'what' people do in the workplace, the 'how' they do it element is also reflected in their 360 degree feedback.

To underline the importance we attach to living our Values, we also provide opportunities for a formal upwards feedback of how all our Partners are performing against our Values. People follow people they don't just follow titles so we've continued to actively provide opportunities for less formal tools in areas such as mentoring, career conversations and coaching opportunities.

DELIVERING AUDIT QUALITY
QUALITY OF OUR PEOPLE

As part of each performance review meeting all audit staff complete a form documenting previous objectives, self-assessment and feedback on their performance against those objectives and identification of fresh objectives which are aligned to audit quality.

CAPABILITIES AND COMPETENCE

To maintain our audit quality we need to have people who are capable and competent to perform each role. In order to do this BDO provides technical training that is targeted at the initial professional development (IPD) and continuing professional development (CPD) stages of a person's career. Our audiences are potentially quite broad.

and can range from the digital-native 'millennial' generation entering the workforce for the first time right across to baby boomer colleagues who have a preference to more traditional teaching methods. Whatever the delivery mechanism, we determine the areas of focus by making use of:

- AQR/QAD inspection reports
- Thematic inspections
- Changes in regulations or standards
- Our own internal inspection reviews.

Our Technical Standards Group also liaises with local Stream Training Contacts, the ASE and risk management team to help identify additional areas of development for auditors at all levels.

Professional competence and capabilities are not just about technical skills. It is just as important that we have a talented team of auditors who are able to deliver in other areas such as leadership, collaboration, communication and commercial skills; all of these skills help our people contribute towards delivering exceptional client service. By working with our Learning and Development team we are able to provide this content on a needs basis in addition to regular offerings.

PROFESSIONAL DEVELOPMENT

Professional development is a key factor in enabling our people to deliver quality audits so as a result we have developed programmes for members of the Audit Stream which includes:

- Completion of a relevant professional qualification
- Technical training
- Professional skills development.

These programmes reflect individuals' roles within the audit stream and responsibilities to be undertaken throughout their careers – encouraging above all the application of professional judgement and development of professional scepticism skills.

Our audit trainees are immersed in an intensive orientation programme covering the firm's audit approach, tools, values, policies and procedures. Additional IPD training is then provided as each trainee progresses through their career so that they can receive the 'know-how' skills and an opportunity to apply them on a timely basis.

To enable our trainees to feel empowered and supported we consider the impact of:

- Changing expectations of each role
- Feedback from the audit stream
- Consideration of syllabus content provided by professional bodies.

All of these elements enable us to ensure that only appropriately trained individuals are performing the work at each level. This professional development is complemented by on the job coaching and captured by job appraisals and biannual performance reviews.

To successfully perform their roles our people have a personal responsibility to keep their technical and professional skills up to date. All qualified audit professionals, including managers, directors and partners, are provided with CPD training in auditing and financial reporting matters; some of these interventions are mandatory for certain individuals and elective for others, depending on their client portfolio and own professional development needs. To this end, our qualified audit professionals had access to a selection of 200 hours of available workshop based training. In addition to workshops, BDO provides additional learning opportunities on

a just in time basis throughout the year via a rolling programme which include:

- Locally organised training events
- Facilitated conference calls
- A suite of e-learning modules
- Guidance distributed via monthly email updates
- Quarterly 'quality matters' publications.

Additional sector specific audit and financial reporting training is also provided to relevant partners and staff within the Audit Stream with further support and guidance (including training) being provided to offices/sectors by the firm's Technical Standards Group (TSG) as requested. The firm requires participation in appropriate CPD programmes and monitors the fulfilment of programme obligations.

We want to make our learning accessible to all, so we provide learning maps on our intranet site that outlines professional development opportunities for everyone. Our Learning and Development team can then help support professional development via our learning management system which we use to select, book and track attendance of online or workshop based activities. As we move towards newer technology we aspire to make more use of innovative approaches to learning enabling everyone to obtain the learning and development when they require it.

Colleagues joining the business at an experienced hire level may have a wide range of prior experience so it is important that we partner with them to review their professional development needs and to build a tailored programme commensurate with their role and responsibilities in the firm. In addition to more formal induction events, experienced hire colleagues may also be offered opportunities for coaching, buddy support or additional learning as part of their induction process.

As noted earlier, taking part in regular performance reviews when combined with our 360 degree feedback process provides an excellent opportunity for individuals to continue to build their skills which enable us to improve audit quality.

GLOBAL TRAINING

As a key member of the BDO International network of member firms we are also able to benefit from technical training that is shared or developed at a global level. As well as sharing best practice approaches to the development of content this has also enabled the UK firm to tap into a Global Audit Curriculum to help identify areas of additional content as well as adopt a collaborative approach to content development during major changes in our audit approach.

CAREER DEVELOPMENT AND PROGRESSION

We want to safeguard our talent pipeline; to help us do this, we only promote our people to the next level when there is a business case and each individual has been prepared for the increased responsibilities that promotion entails.

To enable us to measure readiness for promotion we provide an opportunity at key promotion points for nominated individuals to demonstrate that they have the ability to perform a role. This may include attendance at development or assessment centres with a focus on safe-guarding audit quality and a variety of technical, work-based and personal skills-based scenarios or interviews.

To help support our colleagues throughout their careers and as a part of our lifelong learning agenda, we also make available on our intranet the 'Your Development' pages and support via a 'Career and Performance Wheel'.

We want to provide every opportunity for our people to succeed in their roles. When individuals are struggling to deliver then we will consider a range of responses which might include additional support, further learning and development or performance improvement processes.

GOVERNANCE – UK FIRM

BDO LLP is a member of an international network.

LEGAL STRUCTURE AND OWNERSHIP

BDO LLP (the LLP or the firm) is a limited liability partnership, incorporated in the UK and is owned by its members (who are often referred to as partners). At 1 July 2016, there were 200 members.

For the purposes of transparency reporting under the Instrument, this report contains information about BDO which is relevant to all other service lines, as well as specific matters relevant to our audit business.

A service company, BDO Services Limited, employs our people and contracts with suppliers and recoups its expenditure from the LLP by way of management charge. It also provides services to third parties.

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

The firm has a wholly owned subsidiary, BDO Corporate Finance (Middle East) LLP, registered in the Dubai International Financial Centre and authorised and regulated by the Dubai Financial Services Authority. BDO Corporate Finance (Middle East) LLP provides corporate finance advice and other specialist advisory services.

BDO Limited in Guernsey, a wholly owned subsidiary of BDO LLP, is a limited liability company incorporated in Guernsey and is authorised to undertake audits in the UK by the ICAEW. BDO Limited employs approximately 65 people in Guernsey and six of its nine Directors are partners in BDO LLP. Clients range from listed entities to small owner managed businesses, with a substantial number of clients that operate in the Financial Services sector.

BUSINESS STRUCTURE

At 1 July 2016 our business operated from 17 locations nationwide. Our business is structured into both geographical strategic business units (SBUs) and service lines (streams). Our practice management departments (PMDs) support the SBUs and streams.

The firm offers a broad range of services in three main areas: Audit, Tax and Advisory. Further details of these services, including key contacts, are available on our website. These business streams have dedicated teams of partners and professional staff nationwide tailoring high quality business solutions for their clients.

MANAGING PARTNER AND LEADERSHIP TEAM

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

The Managing Partner appoints the Leadership Team. The Leadership Team is approved by the Partnership Council. The Leadership Team comprises seven executive members together with two Independent Non-Executives (INEs) who add value to the firm by bringing independent challenge and improved governance.

The Leadership Team provides strategic and operational leadership to the firm. It met formally 11 times during the period under review. Additional informal Leadership Team meetings were also held.

The Leadership Team sets and implements strategy with a high degree of emphasis on the firm's services to its clients.

The Managing Partner maintains an ongoing dialogue with the wider firm through regular business updates on strategy and development to all partners and employees (including a formal six monthly update on the performance of the business) as well as periodic engagement sessions, giving individuals at all levels the opportunity to raise questions and issues directly with him.

PUBLIC INTEREST COMMITTEE

The Public Interest Committee (PIC) has been created to consider public interest matters that affect the firm, and to enhance stakeholder confidence in the public interest aspects of the firm's activities, including those activities in the firm's business that are not otherwise effectively addressed by regulation. As part of this overall objective the PIC provides a forum for considering the impact of public interest matters arising from within the profession and wider society through direct engagement with, or a review of information originating from: the firm, the profession and the firm's wider stakeholder base. In accordance with the Audit Firm Governance Code, the PIC and its individual members form part of the firm's performance assessment regime.

The firm's INEs form the majority of the PIC, one of whom takes the role of Chairman. The other permanent member of the PIC is the firm's Ethics Partner. Observers and contributors are invited to meetings, as appropriate to the agenda. The firm's Managing Partner ordinarily attends in this capacity.

The PIC's public report can be found on pages 7 to 9 of this Transparency Report. The PIC also report internally to the firm's Partnership Council and Leadership Team, as appropriate.

The PIC has scheduled meetings four times a year with the option for further meetings if required.

INDEPENDENT NON-EXECUTIVES

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

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

It is a condition of the appointment that INEs comply with the firm's policies and procedures applicable to employees and partners including independence rules as outlined on pages 12 to 16.

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

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

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

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

GOVERNANCE – UK FIRM

SENIOR PARTNER

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

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

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

PARTNERSHIP COUNCIL

The Partnership Council is independent from the Leadership Team and has overall responsibility for equity and governance matters; including the accountability and oversight of management.

The Partnership Council meets about once each month, chaired by the Senior Partner, to consider matters such as partner equity issues, profit sharing and new admissions to and exits from the partnership. Its composition is designed to ensure appropriate representation of partners by region. It consists of 12 elected partners together with the Senior Partner, Managing Partner and two representatives from the Leadership Team who may attend by invitation of the Managing Partner. Elected partners are elected for a four year term, with a maximum of two consecutive terms subject to transitional arrangements in relation to the merger. Partners can be re-elected after a break of two years and only elected partners have voting rights.

AUDIT COMMITTEE

The Audit Committee comprises four members of the Partnership Council. Members of the Audit Committee are appointed by the Partnership Council and each member has skills and experience appropriate to the LLP's business. Their term of office coincides with their time on the Partnership Council.

The Audit Committee meets with the external auditors and management to provide a forum for the external auditors' reporting. It met three times during the last financial year. Each year it seeks reassurance from the external auditors of their independence and objectivity. It assesses and monitors their independence in line with the ICAEW publication 'Reviewing auditor independence: guidance for Audit Committees'.

It reviews and monitors the integrity of the firm's financial statements, including key judgements made by management, before they are submitted to the partnership. It considers the effectiveness of the internal controls maintained and monitored by management as well as reviewing management's prioritisation of key operational risks.

QUALITY AND RISK COMMITTEE

The Quality and Risk Committee (Q&R Committee) meet monthly. The Q&R Committee has responsibility for ensuring appropriate strategies and plans are drawn up, implemented and monitored to ensure the effective management of risk and the delivery of quality services consistent with the firm's strategy. This includes understanding and monitoring all the risks facing BDO as a business (be they strategic, reputational, financial, operational) and for scrutinising the processes in place within the business for managing and mitigating these risks.

Additionally, emphasis is placed on ensuring the firm, in conducting its activities, has due regard to ethics and properly takes the public interest into consideration.

The Q&R Committee is responsible for:

- Promoting a quality and risk management culture throughout the Firm that is based on:
  - ethical standards, laws and professional regulations and standards, best practice and professional scepticism
  - the firm's fundamental quality and risk principles: awareness, ownership and judgement
  - effective project management
  - effective communication
  - technical and professional quality.
- Monitoring of external intelligence including monitoring competitor quality and risk activity, regulatory change, the firm's KPI's and trends in quality and risk performance
- Monitoring and evaluating the exposure and risk profile of the activities of the firm and assessing the firm's appetite for risk
- Ensuring that the firm has a comprehensive map of risk to the business
- Monitoring changes in risk profile and ensuring appropriate responses are initiated
- Reviewing and evaluating the resources devoted by streams and the firm, centrally, to risk and quality
- Reviewing and evaluating the risks arising from the development of new or amended services
- Monitoring whether all areas of service delivery meet the required levels of quality and following up where necessary
- Monitoring the success of implemented plans against requirements and making changes where necessary
- Considering the findings of the firm's root cause analysis
- Monitoring compliance with professional standards and regulations and the firm's policies and guidelines through cold review programmes and other procedures and reviewing cold review programme results to identify opportunities for improvement and focus
- Approving significant risk and quality policies and material changes of such policies
- Promoting effective management of practice protection issues (claims and regulatory investigations)
- Sharing knowledge and best practice on risk and quality matters across the firm.

AUDIT STREAM EXECUTIVE

The firm's Audit Stream Executive (ASE) has a leadership role within the Audit Stream. The ASE works to implement strategy and deliver on the stream's objectives, through action planning and communication with local audit partners. The ASE comprises the Head of Business Assurance, the Head of the Technical Standards Group, the Operations Director National Audit Stream and six partners from a range of sectors and SBUs.

The role of the ASE is to:

- Ensure audit quality remains at the top of our agenda
- Develop and deliver the national Audit Stream strategy
- Monitor commercial and regulatory activity in the audit market
- Support practitioners to be successful in the market
- Set Audit Stream policies and procedures
- Create a culture of consultation and support
- Provide oversight of quality, licensing and rotation
- Considering the findings of the quality control reviews and root cause analysis.

PARTNER GROUP MEETINGS

Certain matters are specifically reserved for decision by all partners. Arrangements for voting are laid down by the Members' Agreement and reckonable votes (which reflect profit sharing entitlements) are determined by the Partnership Council at each annual profit sharing review.

PARTNER REMUNERATION

MEMBERS' PROFIT SHARES

Profits are shared among all equity partners under a framework set out in the Members' Agreement. The Leadership Team is responsible for allocations and these are considered on an annual basis. They are based on a fixed first tranche, plus a second tranche based on the points held by each individual partner. There is provision to make payments for exceptional performance or severance payments.

Salaried partners receive an annual salary, cash allowance and core benefits.

A number of criteria are used in assessing the performance of each partner. These include quality and risk management, delivering exceptional client service, technical excellence, growing and developing our people, contributing to the firm's financial success and growing our brandand reputation. Partners are subject to annual performance development reviews which include feedback on the quality of the relevant partner's work and 360 degree feedback from staff and peers. The performance development review includes a risk and quality grading by the relevant stream executive. If a partner receives a risk and quality grading of 'requires improvement' it will have a direct impact on their remuneration. In forming these gradings for Audit Partners, the Audit Stream Executive draw upon factors such as: the results of external and internal audit file reviews and other ad-hoc reviews, attendance or involvement in training courses claims or complaints and any breaches of Ethical Standards. The firm has instigated a system of fines for partners who are given a risk and quality rating of 'requires improvement'. Audit partners are not remunerated by reference to the sale of non-audit services to their audit clients.

CAPITAL, LOANS AND DRAWINGS

Equity partners share in the profits and, where required under our Members' Agreement, subscribe the entire capital and loan requirement of the firm. Each equity partner contributes £5,000 of capital and their loan contribution is linked to their share of profit. The rate of loan contribution is determined from time to time depending on the financing requirements of the business.

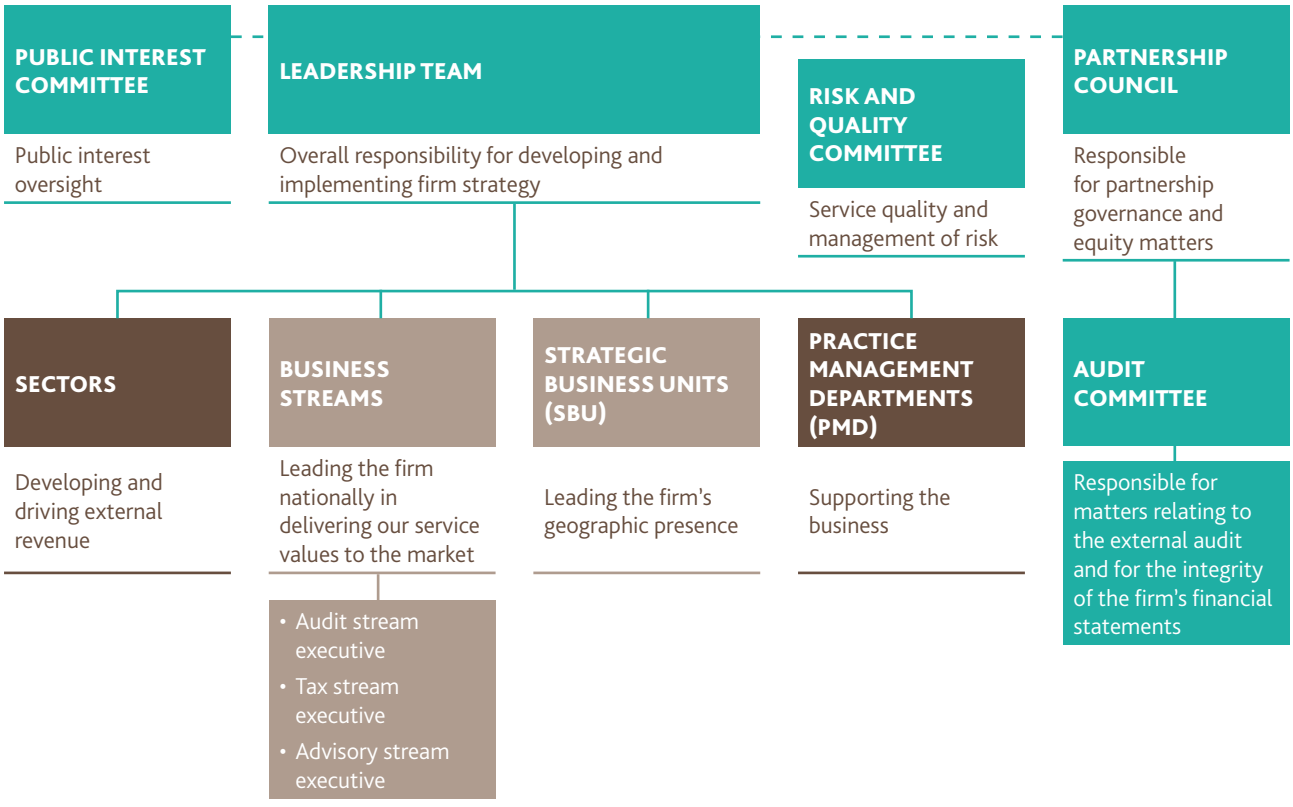
The policy for equity partners' drawings is to distribute the majority of profit during the financial year, taking into account the need to maintain sufficient funds to settle partners' income tax liabilities and to finance the working capital and other needs of the business. The Leadership Team sets the level of equity partners' monthly drawings and reviews this at least annually.

Salaried partners do not subscribe capital or loan requirements.

GOVERNANCE STRUCTURE OF THE UK FIRM AS AT 1 JULY 2016

Biographical details of members of the firm's governance structures and management team are given in Appendix C along with meeting attendance details for the year in Appendix D.

An overview of the governance structure is shown below with a high level summary of the composition and purpose of the key committees.



GOVERNANCE – UK FIRM

BODY	COMPOSITION	RESPONSIBILITIES
Leadership Team	• Elected Managing Partner • Six executive members appointed by managing partner • Two Independent Non-Executives (INEs) • The Senior Partner ordinarily attends.	• Provides strategic and operational leadership with emphasis on the firm's services to its clients.
Public Interest Committee	• Two INEs • Ethics Partner • The Managing Partner ordinarily attends.	• Considers public interest matters that affect the firm, with a goal of enhancing stakeholder confidence in the public interest aspects of the firm's activities.
Partnership Council	• 12 elected partners • Senior Partner • Managing Partner • Two representatives from the Leadership Team who may attend by invitation of the Managing Partner.	• Equity and governance matters; including the accountability and oversight of management.
Audit Committee	• Four members of the Partnership Council.	• Meets with the external auditors and management to provide a forum for the external auditors' reporting • Assesses and monitors the independence of auditors • Reviews and monitors the integrity of the firm's financial statements • Considers the effectiveness of the internal controls maintained and monitored by management as well as reviewing management's prioritisation of key operational risks.

BODY	COMPOSITION	RESPONSIBILITIES
Risk and Quality Committee	• Head of Risk and Quality • One Independent Non-Executive • Managing Partner • Head of Professional Services • Head of Business Assurance • Head of International Advisory and Risk and Quality • Head of Practice Protection • Head of Risk Management Unit • Head of Technical Standards Group.	• Ensuring appropriate strategies and plans are drawn up, implemented and monitored to ensure the effective management of risk and the delivery of quality services consistent with the firm's strategy.
Audit Stream Executive	• Head of Business Assurance • Head of Technical Standards Group • Operations Director for the National Audit Stream • Six partners from a range of sectors and regional offices.	• Ensures audit quality remains at the top of our agenda • Develops and delivers the national Audit Stream strategy • Monitors commercial and regulatory activity in the audit market • Supports practitioners to be successful in the market, creating a culture of consultation and support • Sets Audit Stream policies and procedures • Provides oversight of quality, licensing and rotation.

GOVERNANCE STRUCTURE – BDO INTERNATIONAL NETWORK

BDO is an international network of public accounting, tax and advisory firms, the BDO Member Firms, which perform professional service under the name and style of BDO.

BDO is an international network of public accounting, tax and advisory firms, the BDO Member Firms, which perform professional services under the name and style of BDO. BDO is the brand name for the BDO network and all BDO Member Firms. BDO is a registered trademark of Stichting BDO. Stichting BDO is a Dutch Foundation whose registered office is in Eindhoven. The objects of the foundation are:

- To promote high standards of auditing, accountancy, financial, fiscal and business advice throughout the world by the use of the business name BDO and the development of the BDO network
- To own and protect any and all rights to the name BDO its accompanying logos and styles and any other intellectual property and rights
- To grant licenses to use the BDO name

The BDO network aims to deliver exceptional client service through:

- Anticipating client needs and being forthright in our views to ensure the best outcome for them
- Being clear, open and swift in our communication
- Agreeing to and meeting our commitments
- Providing the right environment for our people and the right people for our clients
- Creating value through giving clients up to date ideas and valuable insight and advice they can trust.

SIZE OF NETWORK

The global aggregated turnover for BDO Member Firms (including their exclusive Alliances) for the year ended 30 September 2015 was in excess of $7.3bn. At 30 September 2015, the BDO network consisted of 112 voting member firms, operating in 154 countries with 1408 offices. At 30 September 2015, the BDO network had just over 64,000 partners and staff.

LEGAL AND STRUCTURAL ARRANGEMENTS IN THE NETWORK

Each BDO Member Firm is a member of BDO International Limited, a UK company limited by guarantee, either as a voting member (one per country) or a non-voting member.

Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a Belgian limited liability company with its seat in Brussels.

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

Each of BDO International Limited, Brussels Worldwide Services BVBA and the BDO Member Firms is a separate legal entity and has no liability for another such entity's acts or omissions, unless they contract with each other for the provision of services. Such liability could arise because the client's sole recourse is to the contracting firm who is liable for its sub-contractors. Nothing in the arrangements or rules of BDO shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide services BVBA and/or the BDO Member Firms.

GOVERNANCE OF THE NETWORK

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

The Council comprises one representative from each voting member and represents the members of BDO International Limited in general meeting. The Council approves budgets, appoints the Global Board and approves any changes in the Articles and Regulations of BDO International Limited. The Council meets annually.

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

The Global Leadership Team is tasked with coordinating the activities of the network on a day-to-day basis. It is headed by the Chief Executive Officer (CEO) and comprises the Global Heads of Audit and Accounting, Tax, Advisory, People, Clients and Markets, Network Development, the CEO Europe, the CEO Asia-Pacific and the Head of the Brussels Worldwide Services BVBA Legal Department. The Global Board elects a CEO to hold office for a term as may be specified by the Global Board. The CEO appoints the Global Leadership Team, with the prior approval of the Global Board. There is no limit to the number of terms that an individual may serve on the Global Leadership Team.

International committees comprising professionals from BDO Member Firms and Brussels Worldwide Services BVBA report to the respective members of the Global Leadership Team, the CEO and/or the Global Board. The international committees produce materials, policies and guidelines to serve the needs of BDO Member Firms.

The main committees are:

- Audit Steering Committee
- Tax Advisory Committee
- Advisory Leadership Group
- International Corporate Finance Group
- International Risk Management Committee
- International Brand and Marketing Committee
- International Human Resources and Development Committee
- International IT Committee.

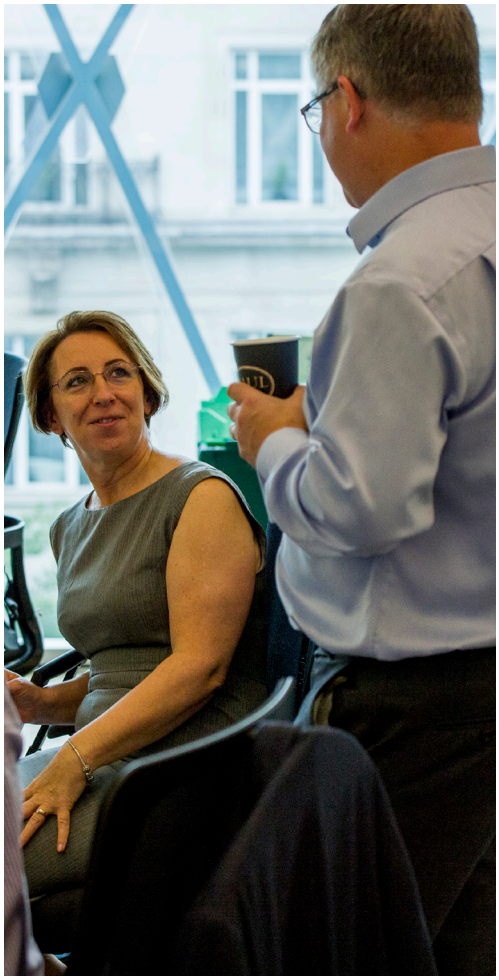
The committees are complemented by various other sub-groups, task forces and working parties.

KEY FEATURES OF THE MEMBER FIRM NETWORK AGREEMENT

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

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

Obligations include the capability to offer the minimum core services, including accounting and auditing, taxation and specialist advisory services, and a high standard of professionalism and ethics.



APPENDIX A

AUDIT FIRM GOVERNANCE CODE STATEMENT OF COMPLIANCE

In accordance with Audit Firm Governance Code ('the Code') principle E.4: Governance Reporting we make the following statement with regards to the application in practice of each of the principles of the Code on which we are required to report.

BDO LLP complies with the principles and provisions of the Code as explained below.

LEADERSHIP	**A.1 Owner accountability principle** Decisions made by the Leadership Team are reviewed by the Partnership Council. There are specific matters which are reserved for the decision by the Partnership Council and certain matters which are reserved for decision by all partners. Our Transparency Report gives further details on the Leadership Team, the Partnership Council and other governance structures. We have formal processes for on-going performance evaluation of the firm's governance structures and management team and their members. **A.2 Management principle** The Leadership Team provides strategic and operational leadership to the firm.
VALUES	**B.1 Professionalism principle** The Leadership Team and the whole firm are committed to quality work, the public interest and professional judgement and values. Along with the firm's management, the Head of Risk and Quality reinforces the appropriate 'tone at the top' by instilling professional and ethical values in the firm. We have an internal code of conduct which employees are expected to comply with. More details on our values can be found at www.bdo.co.uk/about-us/our-values. **B.2 Governance principle** We remain committed to applying the principles and provisions of the Code and continue to review our detailed structures and governance procedures to consider whether they meet the spirit and the requirements of the Code. **B.3 Openness principle** Our culture of openness encourages consultation with experienced partners and other specialists where appropriate in order to achieve quality outcomes that properly take into account the public interest.

APPENDIX A
AUDIT FIRM GOVERNANCE CODE STATEMENT OF COMPLIANCE

INDEPENDENT NON-EXECUTIVES	**C.1 Involvement of independent non-executives principle** We appointed Independent Non-Executives ('INEs') in July 2008. In 2013, we established a Public Interest Committee (PIC) to consider public interest matters that affect the firm, and to enhance stakeholder confidence in the public interest aspects of the firm's activities, including those activities in the firm's business that are not otherwise effectively addressed by regulation. The firm's INEs form the majority of the PIC, one of whom takes the role of Chairman. Further details on the terms of reference and composition of the PIC can be found on pages 38 and 51. A report from our PIC can be found on pages 6 to 8. The INEs met with the Partnership Council during the year to discuss matters relating to their remit under the Code. Page 33 gives further details about the INE's appointment, duties and the support available to them. **C.2 Characteristics of independent non-executives principle** Our INEs comply with the same independence requirements as our partners and employees. Individuals are chosen to ensure they have sufficient experience and expertise to command the respect of the partners. Biographical details of our INEs are given on page 50. **C.3 Rights of independent non-executives principle** The INEs have formal contracts covering their duties. They are also covered by our professional indemnity insurance and have sufficient resources to undertake their duties including having access to independent professional advice at the firm's expense, if needed. We have formalised procedures by which fundamental disagreements between the INEs and the firm are resolved. Further details of the procedures are given on page 33. Where ultimately the disagreement cannot be resolved and results in the resignation of the INE they have the right to report this resignation publicly.
OPERATIONS	**D.1 Compliance principle** We have policies and procedures in a series of manuals and internal online guidance designed to ensure that we comply with professional standards and applicable legal and regulatory requirements. Our procedures for managing potential and actual conflicts of interest are explained on pages 12 to 13. We welcome independent inspection of our audit process and the findings and observations from these inspections assist us in achieving our shared objective of improving audit quality. **D.2 Risk management principle** Page 5 of our Transparency Report includes further details on: • The internal audit function's activities • The reviews performed by the firm in 2014/15. During 2013/14, an enhanced internal audit function was introduced, with a three year internal audit plan being developed, based on the Top Ten Risks of the firm. The internal audit function is the primary mechanism by which the effectiveness of the firm's system of internal control is reviewed and tested.

OPERATIONS

D.3 People management principle

We have policies and procedures in place for managing people across the whole firm that support our commitment to professionalism, openness and risk management.

Lesley MacDonagh, one of our INEs, provides support on the firm's people agenda with a particular focus on diversity and inclusion, potential partners and succession planning.

D.4 Whistleblowing principle

The firm's whistleblowing policy has been designed to ensure that partners and staff deal responsibly and in the interest of all concerned in the event of any malpractice within the firm. Under our policy it is a requirement that all actions arising out of incidents of whistleblowing, including reports from any investigations, be reported to the Head of Risk and Quality who will make an annual report on incidents to the INEs.

Further information on our whistleblowing policy is given on page 15.

REPORTING

E.1 Internal reporting principle

Our Leadership Team, Public Interest Committee, Partnership Council, Audit Committee and Q&R Committee are supplied with information in a timely manner and in a form and of a quality appropriate to enable them to discharge their duties. Agendas and relevant papers are sent out well in advance of upcoming meetings.

E.2 Financial statements principle

We publish annual audited financial statements prepared in accordance with UK GAAP.

E.3 Management commentary principle

Our annual report and accounts include a commentary by management on the firm's financial position, performance and prospects.

E.4 Governance reporting principle

This statement forms the required statement under E.4. Our Transparency Report for the 52 weeks ended 3 July 2015 includes those disclosures required by Code Provisions in the following sections:

Provision	Description	Reference to Transparency Report
A.1.2	The firm should state in its transparency report how its governance structures and management team operate, their duties and the types of decisions they take.	**Pages 37 to 39** Governance structure - UK firm
A.1.3	The firm should state in its transparency report the names and job titles of all members of the firm's governance structures and its management team, how they are elected or appointed and their length of service, meeting attendance in the year, and relevant biographical details.	Governance structure - UK firm
C.2.1	The firm should state in its transparency report its criteria for assessing the impact of independent non-executives on the firm's independence as auditors and their independence from the firm and its owners.	**Report of the public interest committee,** Governance structure of the UK firm
D.1.3	The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.	Ethics and independence

APPENDIX A
AUDIT FIRM GOVERNANCE CODE STATEMENT OF COMPLIANCE

REPORTING

Provision	Description	Reference to Transparency Report
D.2.2	The firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summarise the process it has applied and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary.	**Report from Head of Risk and Quality**
D.2.3	In maintaining a sound system of internal control and risk management and in reviewing its effectiveness, the firm should use a recognised framework such as the Turnbull Guidance and disclose in its transparency report the framework it has used.	**Report from Head of Risk and Quality**

E.5 Reporting quality principle

The Audit Committee meets with the external auditors and management to provide a forum for the external auditors' reporting. Each year the Audit Committee seeks reassurance from the external auditors of their independence and objectivity. It assesses and monitors their independence in line with the ICAEW publication 'Reviewing auditor independence: guidance for Audit Committees'.

DIALOGUE

F.1 Firm dialogue principle

We recognise that dialogue between audit firms and stakeholders is essential in order for the firm to keep abreast of shareholder opinion. Representatives of the firm have met informally with representatives of listed companies and their shareholders during the year. The firm ensures that it is well represented on panels and working groups relating to our profession and the wider economic environment. Senior representatives of the firm meet frequently with our domestic and international regulators and members of the UK Government, both individually, and collectively. Typically these groups include representatives from the investor community. Discussions concerning the future developments of audit and the audit report have been of particular relevance this year and partners from the firm have met with a number of key institutional shareholders in order to understand their needs and help the firm play its part in shaping the future.

In addition to our proactive measures to increase dialogue, our senior partners and INEs continue to engage with stakeholders who would like to understand more about our approach to the Code, audit quality, or indeed any other matters affecting the audit profession.

APPENDIX B
FINANCIAL PERFORMANCE

REVENUE	2015 £M	2015 %	2014 £M	2014 %
Audit	143	33	132	34
Advisory*	167	38	140	36
Tax	126	29	119	30
Total	436	100	391	100
Audit and directly related services	143	33	132	34
Non-audit work – entities audited by the firm	71	16	70	18
Non-audit work – entities not audited by the firm	222	51	189	48
Total	436	100	391	100
Operating profit – Audit	26		24	

Note: Unless stated otherwise, all disclosures above are unaudited.

* Including exceptional disbursements of £31m.

Audit comprises statutory audit work and directly related services.

The stream analysis of operating profit is stated after charging direct costs and central overheads where these can reasonably be allocated to the streams. Direct costs comprise employment costs (including internal recharges for work performed cross stream) and other costs incurred directly within the streams; central overheads that are deemed to be attributable to streams are allocated pro-rata on the basis of headcount, revenue or floor space occupied.

APPENDIX C

MEMBERS OF THE FIRM'S GOVERNANCE STRUCTURES AT 1 JULY 2016

LEADERSHIP TEAM

The executive members of the Leadership Team at 1 July 2016, all of whom are based in the London office, are:

SIMON MICHAELS

MANAGING PARTNER

Simon's role is to lead BDO in the UK with overall responsibility for strategy, building our brand and reputation and ensuring that the correct tone at the top is set in relation to risk and quality, growth and investment. He represents the firm on the BDO International Global Board and has oversight of partner development and performance. Simon was elected to serve as Managing Partner with effect from 5 July 2008 and was re-elected during 2012 for a second term which expires on 30 September 2016.

PAUL EAGLAND

HEAD OF PROFESSIONAL SERVICES

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

MARTIN GOODCHILD

HEAD OF PRACTICE PROTECTION

Martin is responsible for managing the firm's client and reputational risks, PII and legal counsel and engages with partners on risk matters. He has served on the Leadership Team since 29 March 2013.

SCOTT KNIGHT

HEAD OF BUSINESS ASSURANCE

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

GERVASE MACGREGOR

UK HEAD OF INTERNATIONAL ADVISORY AND QUALITY AND RISK

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

MARK SHERFIELD

CHIEF OPERATING OFFICER (COO)

Mark works alongside the Managing Partner, Head of Professional Services and Finance Partner in the operational running of the firm and is responsible for People Leadership and PMD budgets and performance. He is specifically responsible for HR, L&D and IT. He chairs our Inclusion Steering Group. He has served on the Leadership Team since 1 January 2010.

CALUM STEWART

FINANCE PARTNER

Calum is responsible for both the firm and partner finances and for our real estate portfolio Calum has served on the Leadership Team since 29 March 2013.

APPENDIX C
MEMBERS OF THE FIRM'S GOVERNANCE STRUCTURES AT 1 JULY 2016

INDEPENDENT NON-EXECUTIVES

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

LESLEY MACDONAGH

INDEPENDENT NON-EXECUTIVE

Lesley had an impressive legal career at the international law firm, Lovells (now Hogan Lovells). During her terms as Managing Partner, the firm doubled in size and expanded to 27 locations around the world, becoming the sixth largest law firm in the world. Lesley has had a portfolio of non-executive directorships which has included Segro (formerly Slough Estates) and Bovis Homes Group plc (both FTSE listed companies). Lesley has been an INE at the firm for six years.

SIMON FIGGIS

INDEPENDENT NON-EXECUTIVE

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

PUBLIC INTEREST COMMITTEE

The Public Interest Committee at 1 July 2016 comprised the following members:

NAME	TITLE
Simon Figgis (Chair)	Independent Non-Executive
Lesley MacDonagh	Independent Non-Executive
David Isherwood	Ethics Partner

SENIOR PARTNER

The Senior Partner at 1 July 2016 was Mark Bomer. Mark was elected as Senior Partner with effect from 21 June 2011 and is in his second term which expires on30 September 2018. He is a member of our Inclusion Steering Group and is our representative at the 30% Club and its professional services sub-group, which are committed to seeing more women on the boards of UK companies.

PARTNERSHIP COUNCIL

The Partnership Council at 1 July 2016 comprised the following members:

NAME	TITLE
Mark Bomer (Chair)	Senior Partner
Simon Michaels	Managing Partner
Additional Leadership Team representatives:	
Paul Eagland	Head of Professional Services and Tax
Martin Goodchild	Head of Practice Protection
Elected partners	
Solly Benaim	Audit Partner
Ian Bingham	Tax Partner
Russell Field	Audit Partner
Malcolm Cohen	Business Restructuring Partner
Stuart Collins	Audit Partner
Gary Hanson	Audit Partner
David Pooler	Tax Partner
Keith Ferguson	Corporate Finance Partner
Martha Thompson	Business Restructuring Partner
Wendy Walton	Tax Partner
Matthew White	Audit Partner Chair of the Audit Committee
Julien Rye	Audit Partner

AUDIT COMMITTEE

The Audit Committee at 1 July 2016 comprised the following members:

NAME	TITLE
Mark Bomer	Senior Partner
Matthew White	Audit Partner Chair of the Audit Committee
Stuart Collins	Audit Partner
Gary Hanson	Audit Partner

RISK AND QUALITY COMMITTEE

The R&Q Committee at 1 July 2016 comprised the following members:

NAME	TITLE
Iain Lowson (Chair)	Head of Risk and Quality
Paul Eagland	Head of Professional Services
Simon Figgis	Independent Non-Executive
Martin Goodchild	Head of Practice Protection
Scott Knight	Head of Business Assurance
Nicole Kissun	Head of Technical Standards Group
Gervase MacGregor	Head of International Advisory and Risk and Quality
Pauline McGee	Head of Risk Management Unit
Simon Michaels	Managing Partner
Angela Foyle	MLRO

APPENDIX D

LEADERSHIP AND GOVERNANCE MEETING ATTENDANCE IN THE YEAR ENDED 1 JULY 2016

NUMBER OF MEETINGS HELD		LEADERSHIP TEAM	PARTNERSHIP COUNCIL	PUBLIC INTEREST COMMITTEE	AUDIT COMMITTEE	QUALITY AND RISK COMMITTEE
		10	8	4	3	11
NAME	POSITION	NUMBER OF MEETINGS ATTENDED				
Simon Michaels[1]	Managing Partner	10	8 (in attendance)	4 (in attendance)		6
Paul Eagland	Head of Professional Services	10	8 (in attendance)	1 (in attendance)		8
Martin Goodchild	Head of Practice Protection Retired 1 July 2016	9	8 (in attendance)			9
Scott Knight	Head of Business Assurance	10		3 (in attendance)		8
Gervase Macgregor	Head of International Advisory and Risk and Quality	7				1
Mark Sherfield[2]	Chief Operating Officer	10				
Calum Stewart[3]	Finance Partner	10			3	
Simon Figgis[2]	INE	10	1	4 (chair)		10
Lesley MacDonagh	INE	10	1	4		
Mark Bomer[4]	Senior Partner	6	8		2	
Solly Benaim	Audit Partner		8			
Ian Bingham	Tax Partner		8			
Malcolm Cohen	Business Restructuring Partner		8			
Stuart Collins	Audit Partner		7		3	
Keith Ferguson	Corporate Finance Partner		7			
Russell Field	Audit Partner		8			
Gary Hanson	Audit Partner		8		3	
David Pooler	Tax Partner		8			
Julien Rye	Audit Partner		8			
Martha Thompson	Business Restructuring Partner		8			
Wendy Walton	Tax Partner		8			
Matthew White	Audit Partner Chair of Audit Committee		8		3	
David Isherwood	Ethics Partner			4		
Iain Lowson[2]	Head of Quality and Risk	5		4 (in attendance)	1	10
Pauline McGee	Head of Risk Management				1	11
Nicole Kissan	Head of Technical Support Group					11
Angela Foyle[5]	Money Laundering Reporting Officer					5

1 The Managing Partner attends Public Interest Committee meetings by invitation. During the year, he attended all Public Interest Committee meetings.
2 Invited to attend specific Audit Committee meeting
3 Calum Stewart is not a member of the Audit Committee and sits 'in attendance'
4 The Senior Partner is invited to all Leadership Team meetings and sits 'in attendance'
5 Angela Foyle became a member of Quality & Risk Committee February 2016

APPENDIX E
PUBLIC INTEREST AUDIT CLIENTS

A list of public interest entities as at 1 September 2016 is set out below. For the purposes of this transparency report, public interest entities are defined as 'an issuer

a) Whose transferable securities are admitted to trading on a regulated market

b) The audit of which is a statutory audit within the meaning of section 1210 of the Companies Act 2006.'

Audit clients listed on a EU regulated market:

- A2D Funding II Plc
- A2D Funding Plc
- AcenciA Debt Strategies Ltd
- Albion Development VCT PLC
- Albion Enterprise VCT PLC
- Albion Technology & General VCT PLC
- Albion Venture Capital Trust PLC
- Alpha Pyrenees Trust Limited
- Alpha Real Trust Limited
- Amati VCT 2 plc
- Amey Roads NI Financial plc
- AmicusHorizon Finance plc
- Amur Minerals Corp
- Anglo Eastern Plantations PLC
- Atlas Estates Limited
- Better Capital PCC Ltd
- Bisichi Mining plc
- Blue Coast Properties plc
- Bluefield Solar Income Fund
- British Smaller Companies VCT plc
- Castings PLC
- Chrysalis VCT PLC
- Crown Place VCT PLC
- Downing Four VCT PLC
- Downing ONE VCT PLC
- Downing Three VCT PLC
- Downing Two VCT PLC
- Elderstreet VCT plc
- Empiric Student Property plc
- Endeavour SCH plc
- European Real Estate Investment Trust Limited
- Great Places Housing Group Limited
- Green Dragon Gas Ltd
- Greencoat UK Wind PLC
- Gresham Computing PLC
- Hargreave Hale AIM VCT 1 PLC
- Hargreave Hale AIM VCT 2 PLC
- Haynes Publishing Group plc
- Hazel Renewable Energy VCT 1 plc
- Hazel Renewable Energy VCT 2 plc
- HSS Hire Group plc
- Income & Growth VCT plc
- JUTURNA (EUROPEAN LOAN CONDUIT N0 16) Plc
- Kings Arms Yard VCT PLC
- Malina Financing 2013-1 plc
- Meridian Hospital Company Plc
- Metropolitan Funding Plc
- Mithras Investment Trust plc
- Mobeus Income & Growth VCT 2 PLC
- Mobeus Income & Growth VCT 4 PLC
- Mobeus Income & Growth VCT PLC
- MORPHEUS (EUROPEAN LOAN CONDUIT NO 19)
- NATS (En Route) plc
- North Midland Construction plc
- Octopus AIM VCT 2 PLC
- Octopus AIM VCT PLC
- Octopus Eclipse VCT plc
- Paragon Treasury PLC
- Peterborough (Progress Health) plc
- Petra Diamonds Limited
- PICTS plc
- Playtech PLC
- Proven Growth & Income VCT plc
- Proven VCT plc
- PT (JERSEY) Limited
- Randgold Resources Ltd
- River and Mercantile Group plc
- Software AG
- Soho House Bond Limited
- Solar Financing 2012-1 plc
- The Law Debenture Corporation Plc
- Titon Holdings PLC
- Town Centre Securities PLC
- Triad Group PLC
- Tritax Big Box REIT PLC
- Triton (European Loan Conduit No.26) Plc
- uLysses (European Loan Conduit No 27) Plc
- Unicorn AIM VCT plc
- Urban&Civic Plc
- Ventus 2 VCT plc
- Ventus VCT plc
- Wacker Chemie AG
- Walker Crips Group Plc
- Wereldhave NV
- White City Property Finance PLC

FOR MORE INFORMATION:

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HB007860