

# Transparency Report

## 1. Introduction from Sir Michael Snyder, Senior Partner

The Statutory Auditors (Transparency) Instrument 2008, published by the Professional Oversight Board in April 2008, required the publication of a transparency report by all auditors of UK companies with securities admitted to trading on a regulated market in the United Kingdom. The Firm now presents its third transparency report, for the year ended 30 April 2011.

This report is designed to provide an overview of who we are, our values and the policies and procedures we have in place to ensure the maintenance of audit quality. The profession – and the firms within it – necessarily stands or falls on the maintenance of both actual and perceived audit quality, independence, and the provision of a high quality, rounded professional service to our clients. This report is brief; the promotion of transparency does not, in our opinion, require the disclosure of large amounts of detail, which may in some situations serve to obscure the facts. The report focuses on the information we believe our clients and potential clients need to know, in the context of the regulations.

Kingston Smith LLP is a top 20 accountancy firm with 54 partners and six offices in London and the South East. The firm continues to support entrepreneurial businesses, charities and individuals with specialists across a number of industry sectors. The firm has a number of subsidiaries and associated businesses which provide a wide range of services developed specifically with the needs of business owners in mind.

## 2. Legal structure and ownership

### Legal structure

Kingston Smith LLP (the Firm) is a limited liability partnership registered in England and Wales. Our professional activities are carried out by the Firm, and by our subsidiary undertakings and associated businesses. All statutory audit work is carried out by the Firm.

### Ownership

The Firm is owned entirely by its members, who are described as partners for the purpose of conducting its activities. At the time of writing the Firm has 54 partners, all of whom are either members of the Institute of Chartered Accountants in England and Wales or members of the Association of Chartered Certified Accountants.

### Regulatory body

The firm's audit practice is regulated by the Institute of Chartered Accountants in England and Wales, and is subject to review by its Quality Assurance Directorate. In addition, certain subsidiary undertakings are regulated by the Financial Services Authority (FSA).

### UK offices

The Firm operates out of six offices in the United Kingdom which provide audit services, and a further two which provide non-audit services through our subsidiaries and associated businesses.

## 3. KS International

The Firm is a member of KS International (KSi), an international association of independent accountancy firms, operating in a wide variety of countries across the globe from the Americas to the Far East – as at 30 April 2011, 131 offices in 59 countries. Each member firm of KS International is an independent legal entity in its own right and they are governed and administered in the countries in which they operate. KS International firms are not members of any international partnership or network and there is no common ownership across the firms; KS International is not a network as defined

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in the Statutory Auditors (Transparency) Instrument 2008.

Each KS International firm offers a personal service based on a thorough understanding of both the local culture, and the particular international needs of its clients. The service provided encompasses audit, accounting, taxation and general business advice to a wide variety of clients and industries, from small start up businesses to publicly traded corporations.

#### **4. Leadership and Governance**

The leadership of our Firm is primarily the responsibility of our Senior Partner, Sir Michael Snyder. He is responsible for the ultimate formulation of the firm's strategy and policies in all areas, and for the appointment, remuneration and ongoing appraisal of the firm's partners. He also takes ultimate responsibility for ensuring that the Firm provides the highest possible standard of client service.

As the Firm is a Limited Liability Partnership, it does not have a traditional board structure. Instead, the Firm is owned by its members, the partners. All partners attend meetings at which matters of governance and management are discussed and therefore participate in the decision making process as regards the running of the Firm. In addition, subcommittees chaired by a partner deal with technical & training, IT, salary review and certain other matters.

Some of the Firm's subsidiaries and associated businesses are corporate entities and certain partners are directors of these for the purpose of company law.

#### **5. Quality control systems**

##### *Leadership responsibilities for quality within the firm*

Responsibility for quality assurance processes within the firm rests with David Benton as Chairman of the Technical & Training Committee, Peter Timms as Head of Audit and Martin Burchmore as Quality Assurance Partner. The Firm complies with the requirements of ISO 9001 and is regularly monitored to ensure that the required ISO standards are maintained. Each of the firm's committees (some chaired by the Senior Partner) is responsible for ensuring that the highest quality standards are met in their area, together covering every

aspect of the Firm. This includes, but is not limited to, compliance with the requirements of International Standard on Quality Control 1.

##### *Ethical requirements and client acceptance and continuance*

Before accepting a new client, we assess the client to ensure that the integrity of the client is not in doubt and that the risks (if any) of acting for the client are deemed acceptable. In cases of doubt, acceptance of the client will be discussed by our Risk Committee and where doubts cannot be resolved the engagement is declined.

Ongoing ethical issues, including the provision of non-audit services to audit clients, are considered by the Ethics Partner, Peter Holgate, with assistance from the Technical Department. Where appropriate safeguards cannot be put in place, the assignment is declined. Ethics training is provided to partners and staff on a regular basis to ensure that all partners and staff are aware of the requirements.

As noted elsewhere, the Firm is committed to offering the very best possible standards of client care and service and we therefore ensure before accepting a particular assignment that the relevant partners and staff have the appropriate specialist knowledge to perform the assignment.

##### *Technical excellence*

Providing the highest standard of client service involves ensuring that the Firm's partners and staff maintain a consistently excellent level of technical knowledge in their relevant fields. The Firm therefore provides an annual programme of Continuing Professional Development geared to meeting the development needs of partners and staff. The training provided incorporates developments in International and United Kingdom Financial Reporting Standards, company law, taxation and other matters as necessary. Staff are expected to consider their development needs carefully and commit to undertaking the required amount of training; the level and type of training received is also monitored to ensure that it is adequate and appropriate for the individuals concerned.

In addition to this, the Firm provides a structured training programme for its trainees which covers the skills – both technical and 'soft' – that they will

require to service clients, and to progress within the Firm.

##### *Human resources*

HR matters are the responsibility of the HR Partner, John Staniforth and the Firm's Human Resources team maintains control over all HR matters. Maintenance of good HR procedures is vital for ensuring the quality of our personnel and to this end robust control procedures are in place over the recruitment, appraisal and remuneration processes.

##### *Engagement performance of audits*

As noted above, training is provided to all levels of the firm's personnel which covers not only technical accounting topics but also audit best practice. The audit performance of the firm is principally monitored by the Technical Committee, which is also responsible for promulgating best practice, through training and other means such as the provision of internal written documentation on the application of accounting and auditing standards, and regular Technical Bulletins which are sent out to all staff. The Technical Committee is also responsible for the Firm's audit methodology, which is based on a proprietary software package supplemented as necessary with additional material and guidance. Our internal review system, discussed further below, also assists in ensuring that standards are met and that any issues identified can be addressed at an early stage.

##### *Monitoring*

Quality control is monitored by the Technical Committee. The audit file review system ensures that the work of every audit partner is subject to review by the Technical Committee in every year; the results of these reviews are considered by the Technical Committee, chaired by David Benton. In addition, similar reviews of non-audit work are undertaken.

The reviews focus on compliance with relevant professional standards and our internal policies and procedures, as well as on the quality of the work performed. The reviews are risk focused and performed by partners and staff who are independent of the office under review; additionally, every audit internal review team includes a member of the Technical Department, to ensure that the reviews are conducted in accordance with the Firm's procedures. The Technical Department also provides

training to all reviewers on the objectives and conduct of the reviews.

#### *Statement on quality control review system*

We consider that the internal quality control system is functioning at a suitable level of effectiveness for a firm of our size.

### **6. External monitoring**

As noted above the Firm is subject to regular external monitoring by the Quality Assurance Directorate of the ICAEW. The Firm's last QAD review took place in December 2010. The Firm did not have any clients which fell within the remit of the Audit Inspection Unit during the year ended 30 April 2011.

As noted above, certain of the Firm's associated businesses are regulated by the Financial Services Authority. Our systems are accredited to conform to the provisions of ISO 9001 and are subject to regular inspections as a result of this.

The Firm's financial statements are audited by Price Bailey LLP, Chartered Accountants.

### **7. Public interest entities**

During the year the Firm did not express an audit opinion on the financial statements of any audit clients traded in a regulated market in the European Union and therefore the Firm did not technically fall within the scope of the Statutory Auditors (Transparency) Instrument 2008. However, because the Firm has a number of public interest clients traded on the Alternative Investment Market and the Plus-quoted market, the Firm has decided to continue publishing a report in the interests of ongoing transparency. In addition, the Firm has one client which has obtained a Standard listing on the London Stock Exchange during the year ended 30 April 2011 and on which the Firm therefore expects to express an opinion during the year ending 30 April 2012.

### **8. Independence procedures**

The Firm maintains internal policies and procedures to ensure that it maintains independence from its clients and that conflicts of interest are dealt with appropriately and on a timely basis.

All partners and staff are required to complete annual declarations of their independence and to notify the Head of Audit, Peter Timms, of any circumstances which may have an effect on their independence, or of any actual or potential conflicts of interest. In the event of any such circumstances an appropriate action plan is formulated in consultation with the Ethics Partner.

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In addition, the firm's audit methodology requires independence to be re-assessed each year. This includes consideration of whether any non-audit services provided by the Firm to our audit clients may have an adverse impact on our actual or perceived independence.

An additional review of audit work by an independent partner is mandatory for all publicly traded clients and is also required for certain other clients. Mandatory partner rotation every five years is required for the audits of publicly traded clients. Our independence procedures are under constant review as part of the peer review process and are updated as necessary to take account of regulatory and professional developments, for instance the revised Ethical Standards for Auditors.

### **9. Financial information**

The Transparency Regulations require certain financial information to be provided in a Transparency Report. This information is set out in the table below for the year ended 30 April 2011 and the Firm's previous accounting period. The information in respect of 30 April 2011 is as yet unaudited.

	Group		LLP	
	2011	2010	2011	2010
	Draft financials	Final	Draft financials	Final
	£000	£000	£000	£000
Total revenue	41,222	42,731	30,907	32,345
Revenue from statutory audit work	12,675	13,184	12,675	13,184
Revenue from non-audit services from audit clients	7,908	8,550	7,475	7,760
Revenue from non-audit services from non-audit clients	20,639	20,997	10,757	11,401

Revenues from non-audit services to audit clients are not easily analysed further but include (and are not limited to) accounts preparation work for unlisted clients, corporation tax work, tax planning, VAT advisory work and general business advice. In all cases, when undertaking non-audit work for an audit client, the requirements of the Ethical Standards for Auditors are borne in mind. The Firm maintains detailed internal ethical guidance on the provision of non-audit services to audit clients which is kept under review.

### **10. Partner remuneration**

The remuneration of partners is dependent on a number of factors. As noted elsewhere in this report, the firm aims to provide the highest standard of client service and the quality of the work performed, as well as the risks involved, are taken into account. Partner remuneration is based on the partnership model and therefore involves the allocation of profit shares.

Audit partners are not remunerated by reference to the selling of non-audit services to audit clients, thereby assisting in maintaining the independence of the audit function where non-audit services are provided.

Each partner is subject to an annual performance review with the Senior Partner and all aspects of the partner's performance are discussed including allocation of profit shares.