

## TRANSPARENCY REPORT

### Introduction

In accordance with the Statutory Auditors (Transparency) Instrument 2008, published by the Professional Oversight Board, Begbies Chartered Accountants & Registered Auditors is pleased to present its transparency report for the year ended 31 March 2021.

The 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 high quality standards in our audit services.

### Legal structure and ownership

The practice includes the partnership, Begbies, which provides statutory audit services as well as a range of other accounting services, and a limited company, Begbies Chettle Agar Ltd, which provides accounting services including taxation, bookkeeping, payroll and general business advice.

The partnership currently has 10 partners, all of whom are either members of the Institute of Chartered Accountants in England & Wales or the Association of Chartered Certified Accountants.

The Firm operates from offices in the City of London and in Cranbrook, Kent, and has no other related UK firms or overseas branches.

The public interest entity audit reports which prompt this report, were conducted by the partnership.

The partnership is wholly owned by its partners.

### Governance

The partners are responsible for setting the firm's strategy, providing leadership on quality control and protecting the interests of its members. The day-to-day management of the firm is the responsibility of the managing partner, Robert Maples.

Regular meetings are held by the partners to review the performance of the firm and to consider actions required to maintain the quality of audit services. Consultation by partners and staff is encouraged and ad hoc and departmental meetings between staff and their related partners take place throughout the year.

Begbies embraces best practice in a way that is relevant to its activities, the risk environment it faces and the needs of its clients and people.

Partners	Robert Maples, ACA Christopher Bates, FCA Katherine Dee, FCA, DchA, CTA Michael Firman, FCA Chris Pexton, FCA, CTA Stephen Richards, FCA, ATII Jeremy Staines, FCCA Virginia Underhill, FCA Daniel Valentine, ACA Colin Wain, FCA, CTA
----------	---



### **Network arrangements**

Begbies is not a member of a network

### **Internal Quality Control System**

The Firm has established a quality control system that encompasses the elements of quality control detailed within the International Standard on Quality Control (UK and Ireland) 1 (ISQC1) and the key quality drivers set out in the audit quality framework published by the Financial Reporting Council.

The Firm's system of quality control is designed to provide reasonable assurance that the firm, its partners and staff comply with all relevant professional standards and regulatory and legal requirements, and that reports issued by the firm are appropriate in the circumstances.

### **Leadership responsibilities**

Begbies endeavours to create an environment where quality, integrity and ethical behaviour is valued, invested in and rewarded. The central importance of quality in the audit practice is reinforced by clear, consistent and frequent messages from the partners and is supported by the firm's actions.

The managing partner (Robert Maples) has ultimate responsibility for the firm's system of quality control and is responsible for the audit work that is carried out and for completing the annual Practice Assurance review of the firm and the firm's annual return to the ICAEW.

Our commitment to quality, and the quality control procedures needed to ensure that it is achieved, are embedded in our training and technical materials and communicated through both formal and informal types of communication.

### **Ethical requirements**

Professionalism, ethics and independence take precedence over all other aspects of the firm's work

Responsibility for the firm's policies and procedures lies with the managing partner who also provides confidential advice and guidance to other partners and members of staff on professional ethics.

Induction training for staff includes an introduction to our ethical and independence policies and further training on the firm's policies and procedures in relation to professional ethics is provided regularly.

The firm ensures that it has appropriate mechanisms in place to ensure that it has a central record of the work undertaken in respect of every client and can evaluate the overall effect that this has on the firm's independence.

The firm's policies and procedures meet or exceed the requirements set by the Institute of Chartered Accountants in England & Wales and the Auditing Practices Board.



### **Client and engagement acceptance**

Begbies has developed robust procedures which deal with all ethical, statutory and practical aspects relating to client acceptance and which play a major role in the firm's ability to deliver a professional, high quality service.

Before accepting any new audit appointment certain procedures to assess the risks associated with that client must be carried out. These include:

- Assessing the potential client's business and the risks associated with the industry or area within which it operates
- Obtaining evidence on the identity of the owners and officers of the business
- Inquiring of the outgoing auditors as to the circumstances surrounding the proposed change in auditor and whether there are any professional or ethical reasons why we should not accept the appointment
- Assessing any potential risks in relation to independence and conflicts of interest
- Assessing the firm's resources and experience, to ensure that the firm will be able to complete the assignment to the highest professional standards

Similar safeguards apply to ongoing client relationships and the firm's independence in relation to audit clients is reassessed at both the commencement and the conclusion of each audit.

### **Human resources**

People are central to our ability to provide high quality professional services.

Begbies operates as a chartered accountants training office and many of the long-standing members of the firm have been recruited through this process. This enables us to ensure the calibre and quality of our key professional staff from the outset.

In order to ensure that we have partners and staff with the integrity, intelligence, motivation and competence to provide the quality of audit work we require, we have established clear policies and procedures covering:

- Recruitment
- Regular evaluation of performance
- Capabilities and competence
- Career development and promotion
- Compensation
- Estimation of staff needs



We value staff who exhibit objectivity and professional scepticism in their work and who are robust in dealing with issues identified during the audit process.

Induction training, professional courses and other specific internal training courses are provided in order to help staff reach their full potential and keep them at the forefront of new developments and regulations.

Our level of staff resources is monitored on a regular basis in order to ensure that we have the right levels of expertise within each audit team.

The firm devotes considerable time and resources to appraising and developing all professional staff through an annual appraisal process, regular feedback and mentoring. Factors considered may include professional and technical competence, leadership, management, and analytical and judgement skills.

### **Engagement performance**

Our policies and procedures are designed to ensure that audits meet all applicable professional standards and regulatory and legal requirements. Fundamental to our audit approach is the requirement to understand the client's business, consider the specific risks associated with that client and to tailor the audit work to address those risks.

Partners are actively involved in audit planning and the establishment of a framework and procedures to obtain sufficient appropriate audit evidence effectively. Consultation by partners and staff is encouraged and appropriate technical support is available to the audit team whenever required.

We encourage staff and partners to be robust in dealing with issues that are identified during the audit and objective in forming a considered, professional opinion. All such matters that are important in arriving at the audit opinion are documented.

We ensure that the collection of sufficient audit evidence is not constrained by financial pressures which could have a negative effect on the quality of our audit work

All public interest audits and other high- risk assignments require a second independent partner review prior to the audit report being signed. The review is carried out by an experienced audit partner with no other involvement in the provision of services to the client. Through these procedures we are able to ensure that work is being performed in accordance with all applicable standards and that matters of significance are identified and addressed.

## **Monitoring**

Begbies is registered to undertake audit work by the Institute of Chartered Accountants in England & Wales. Our audit work is examined externally by both:

- The Audit Quality Review team of the Financial Reporting Council, for public interest audits; and
- The ICAEW's Quality Assurance Directorate for other audits

The firm's last QAD review took place in 2017 and the Audit Registration Committee of the ICAEW confirmed the continuance of the firm's audit registration.

Senior management considers recommendations made by regulators and takes action to implement appropriate changes.

External reviews ostensibly take place on a three- yearly cycle.

The firm conducts an internal review of its work on an annual basis and is supported by independent external reviewers. The findings of external reviews are communicated within the firm.

## **Statement on the effectiveness of the internal quality control system**

These policies, procedures and monitoring activities have provided the Firm's management with reasonable assurance over the effectiveness of the Firm's internal control system and that the Firm, its partners and staff have materially complied with applicable professional, regulatory and legal requirements, that work has been performed to a consistently high standard and that appropriate reports have been issued.

## **Risk Management**

The Partners are responsible for considering the key risks the firm faces and the effectiveness of the systems to control those risks.

Begbies has identified four principal areas of risk; financial, operational, strategic and professional.

Financial risks include working capital, liquidity and credit risk, which are managed by regular monitoring and review of exposure.

Operational risk is mitigated by a system of formal controls and processes and is backed up by the firm's disaster recovery and business continuity plans.

Financial and operational risks are the responsibility of the Managing Partner.

Strategic risk is monitored by the Partners.

Professional risk is the responsibility of the Partners. The Partners seek to ensure the quality, objectivity and independence of client services, through the provision of guidance and oversight on client acceptance and the conduct of professional services.

## **Independence procedures**

Maintaining the independence and objectivity of audit teams and professionals is critical to sustaining confidence in the audit profession. Begbies has well-established systems 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.

The firm is required to apply and is committed to the application of the IFAC, ICAEW and APB independence requirements. The principal components of the independence procedures and practices are:

- A requirement that at the end of every audit, and then prior to commencing the audit of the same client the following year, the audit partner assesses the Firm's independence in the light of current professional relationships and ethical obligations.
- An annual confirmation by all professional staff in the Firm of their continuing independence from the Firm's clients

## **Internal review of independence practices**

The firm obtains confirmation of compliance with independence requirements from all partners and staff annually. All partners and employees are required to confirm in writing their independence from any financial interest in audit clients and whether or not they are subject to any criminal, civil or disciplinary action.

### **Continuing professional development**

Begbies emphasises professional training and development and is committed to developing and maintaining standards of technical competence.

We provide relevant technical reference materials which cover all aspects of policy, procedure and methodology and maintain a library of UK and international accounting, auditing and ethical requirements.

All professional staff are personally responsible for keeping up to date with the knowledge and skills they need to successfully carry out the roles to which they are assigned. Staff members must assess their training and development needs on an annual basis and undertake appropriate further study.

In order to support and keep theoretical knowledge up to date, all partners and staff eligible for appointment as statutory auditors receive regular communications on technical and regulatory topics

**Public interest audit clients**

During the financial year of the firm to 31 March 2021, audit reports were issued on financial statements of the following entities:

Rights & Issues Investment Trust plc

**Financial information**

The Transparency Regulations require certain financial information to be provided in a Transparency Report. The information is set out in the table below for the year ended 31 March 2021.

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Audit services	854	970
Non-audit services to audit clients	175	Nil
Service to non-audit clients	3498	3,888
<b>Total turnover</b>	<b>4527</b>	<b>4,858</b>

Services to unlisted audit clients typically involve provision of associated accounting and taxation services provided by the same team. In these cases analysis of fees in relation to audit and non-audit services is not practicable.

In the case of our public interest audits, all of which relate to investment trusts, non-audit services are limited to monitoring compliance with tax exemption requirements.

**Partner remuneration**

Partners are remunerated solely out of the profits of the firm. The final allocation and distribution of profit to individual members is made, once their performance has been assessed and the annual financial statements have been approved.

Partners are expected to be responsive to their clients' needs but they are not evaluated or remunerated by reference to their success in cross-selling non-audit services to audit clients.