

Wilkins Kennedy LLP

Transparency report

Year ended 30 April 2018

1. Legal structure and ownership

Wilkins Kennedy LLP (the firm) is a limited liability partnership registered in England and Wales (OC370220) with its registered office based in London, England. We are a member firm of and are regulated by the Institute of Chartered Accountants in England and Wales (ICAEW) and our registered number is C003164470.

The firm is owned entirely by its members, who are described as partners herein. At 30 April 2018 the firm had 75 (2017: 71) partners, of whom 54 (2017: 51) were qualified ICAEW members who held 80.3% (2017: 78.9%) of the voting rights within the firm.

Our professional activities are carried out by the firm and various subsidiaries and associated businesses (the group). Services offered by the firm and our business divisions include:

- audit and assurance;
- tax;
- advisory services;
- corporate finance;
- restructuring and recovery services;
- forensic accounting;
- outsourced services; and
- human resources.

The firm is a Registered Auditor with ICAEW. All statutory audit work is carried out by the firm. At 30 April 2018 37 (2017: 36) partners and 2 (2017: 3) employees had responsible individual (RI) status granted by ICAEW. Partners with the Audit Qualification (AQ) held 80.6% (2017: 84.6%) of the voting rights within the firm.

2. Network membership

The firm is a member of three network organisations as detailed below. None of these above-named organisations are networks as defined in the Statutory Auditors (Transparency) Instrument 2008.

Allinial Global

The firm is the largest UK member of Allinial Global, an accounting firm association of around 137 (2017: 120) legally independent accounting and consulting firms with offices throughout the world in 50 (2017: 40) countries. Allinial Global Inc is a foreign non-profit corporation registered in Louisiana, USA.

ILAS

International Legal and Accounting Solutions (ILAS) is an international association of independent professional firms, whose members include lawyers, accountants, auditors and financial, insolvency and tax experts. ILAS is able to assist its members and their clients by providing access to high quality professionals across a broad range of countries, who can provide an efficient, effective and personal

service. ILAS provides its members with a global forum for the exchange of ideas, information and developments relating to the provision of professional legal, accountancy, auditing, financial, insolvency and tax services with a view to assisting ILAS members in maintaining and developing their respective businesses. ILAS Ltd is a company limited by guarantee registered in England and Wales (07094870). Stephen Grant, a partner in the firm, is a director of ILAS.

Association of Business Recovery Professionals

The Association of Business Recovery Professionals, otherwise known as R3 (Rescue, Recovery, Renewal), is the trade association for the UK's insolvency, restructuring, advisory, and turnaround professionals. R3 offers its members unrivalled technical support, providing regular briefings, guides and courses on how to comply with new rules and regulations in practice. It also raises awareness of the key issues facing the UK insolvency and restructuring profession and framework among the public, government, policymakers, media, and the wider business community. The Association of Business Recovery Professionals is a non-profit company limited by guarantee registered in England and Wales (02553435).

3. Governance structure

The firm operated from 17 offices based in the South of England, grouped into four regions. The firm's office in the Falkland Islands was sold during the year. Many of the day to day aspects of running the firm during the year were delegated to the Management Committee, including the Managing Partner and representatives of the regions. At 30 April 2017 the membership of the Management Committee comprised:

- David Fenn (Managing Partner of the Firm)
- Stephen Grant (Head of North Thames Region)
- Nicholas Parrett (Head of Property & Construction Group)
- Robert Reynolds (Head of South Region)
- Ian Talbot (Managing Partner of the Winchester and Romsey offices)
- Kevin Walmsley (Head of West Region)
- William Payne (Head of Central Region and Ethics Partner)

The firm also had a number of other Committees that dealt with specific aspects of the firm's professional operations:

- Audit Committee
- Tax Committee
- Practice Assurance Committee
- Training Committee
- IT Committee
- Promotions Committee
- Acquisitions and Mergers Committee
- Finance Committee
- Marketing Committee
- Staff Committee

The first three committees were made up of representatives from each office plus other partners with specific relevant responsibilities e.g. the Audit Compliance Partner, Qualified Person Responsible for Training (QPRT) etc. Each Committee met with varying frequency depending on need. The Audit Committee had an executive sub-committee to whom was delegated many of the routine tasks, with the full Committee meeting more infrequently to consider more high level and strategic issues only. Matters affecting individual offices were generally dealt with at office level, led by each office's managing partner.

Subsequent to the year end the firm's management structure has been reorganised into two strategic and operating boards led by the firm's new Senior Partner, William Payne, who took over leadership of the firm from David Fenn on 1 May 2018.

4. Internal quality control system

The firm is required to comply with International Standard on Quality Control (UK) 1 (ISQC1) issued by the Financial Reporting Council (FRC) and the Audit Regulations. The firm has documented policies and procedures in place to ensure it complies with these requirements as summarised below. These policies and procedures are maintained by the firm's Compliance Department and approved by the Audit Committee. Any updates are communicated to all relevant partners and staff.

ISQC1 was revised for audits of periods commencing on or after 17 June 2016. As firm elected not to adopt the standard early, its first audits under the revised standard were conducted during the year ended 30 April 2018.

Leadership responsibilities for quality within the firm

Audit quality is something the firm takes very seriously. The firm's Managing Partner, David Fenn, and subsequently the firm's Senior Partner, William Payne, have ultimate responsibility for the firm's systems of quality control. The firm's Audit Compliance Partner, Robert Southey, chairs the firm's Audit Committee. The firm's policies and procedures relating to audit matters are set by the Audit Committee, with day-to-day matters delegated to the executive sub-committee.

Relevant ethical requirements

The firm's ethical policies and procedures are set out within the firm's staff handbook, ISQC1 procedures document and the audit compliance manual. Audit partners and staff are required to sign an annual declaration to confirm that they have read the manual and will comply with the rules and procedures set out in it. Amendments are notified to all partners and staff.

For the period covered by this report the firm's Ethics Partner was William Payne, who was available for consultation about and provided advice on ethics queries, supported by the Compliance Department.

The firm requires all partners, staff (permanent and temporary) and sub-contractors to sign an annual declaration of independence and fit and proper status upon joining the firm and thereafter annually, with any changes in the intervening period to be reported immediately. The responses are collated and reviewed by the Compliance Department. The firm maintains a register of restricted use on audit assignment to cover potential issues that have been identified and the safeguards that have been put in place to deal with them. This will usually include ensuring that the member of staff has no involvement in the entity's audit process.

The firm maintains a register of audit assignments which includes the number of years which the RI and audit manager have been involved with each engagement. Where the RI and staff in senior positions have a long association or extensive involvement with an audit client, the firm assesses the threats to integrity, objectivity and independence and applies safeguards to reduce the threats to a level where independence would not be compromised, such as those set out in the FRC Ethical Standard Part B 3.5. Where the chosen safeguard is to have an Engagement Quality Control Review (EQCR), the reviewer is appointed by the Audit Committee.

The firm's policies and procedures for public interest entity and other listed entity audits set out requirements for the rotation of the RI, the EQCR reviewer and other key partners and senior staff, which are summarised below:

At the start of such an audit engagement, the RI must draw up a timetable of planned rotation covering themselves and the EQCR reviewer as an absolute minimum, including specifying which partners are planned to take over from them on rotation, for a rolling period of ten years. The plan must ensure that the RI rotates off after five years, and never in the same year as the EQCR reviewer, who should rotate off earlier if needed to avoid such a situation from occurring. The plan must be retained on the permanent file section of the audit file, and reviewed and updated by the audit engagement partner annually to ensure that it maintains compliance with the above principle and takes into account any changes in firm personnel or expertise required for the engagement.

Although rare in practice within the firm, the plan should also cover any other key audit partners where such persons form part of the audit engagement team.

The plan must also consider the role of the audit manager and audit senior. Where such persons have been involved in the engagement for a continuous period of more than seven years at senior level or higher (or in combination thereof), the plan must assess their significance to the engagement. Where the risk is considered to be significant, either the individual is rotated off the engagement for a minimum of two years, or the EQCR reviewer must widen the scope of their review to specifically consider the relevant person's work.

Any deviation from the above policy must be considered and approved in advance by the firm's Audit Executive Committee.

For existing clients that list or become public interest entities, the length of time that each such individual has served on the engagement team must be taken into account when drawing up the rotation plan and determining the year of rotation.

Acceptance and continuance of client relationships and specific engagements

In all cases when considering a potential audit appointment, a conflict check email is issued to all partners and staff within the firm asking if there are any potential conflicts. If a response is received, the matter identified is reviewed and considered by the Compliance Department, and referred to the Ethics Partner if considered necessary.

On an annual basis, at the beginning of an audit assignment, an acceptance of appointment /reappointment form is completed. This covers both independence and other matters relevant to acceptance/continuance of the audit. In addition, the RI must consider whether or not the appointment requires any specialist skills and whether those skills are held within the firm and by the individual partners. A register of specialisms is maintained by the Compliance Department to help facilitate this consideration.

For ongoing appointments, consideration is given to independence and potential conflicts at the start of every audit assignment, and the firm's procedures also require audit teams to be aware of any changes over the course of the audit, referring any such matters to the RI in the first instance, and if necessary, to the Ethics Partner.

If there is any doubt as to whether the firm or any partner has the skills to perform a certain assignment; or an appetite for the risks associated with any appointment, the issue must be discussed by the Audit Committee.

Human resources

Paragraph 29 of ISQC1 requires the firm to establish policies and procedures designed to provide the firm with reasonable assurance that they have sufficient personnel with the capabilities, competence and commitment to ethical principles necessary to:

- Perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and
- Enable the firm or engagement partner to issue reports that are appropriate in the circumstances.

This is achieved through the following:

- Proper recruitment procedures;
- Adequate training of partners, staff, sub-contractors and consultants;
- Adequate supervision of staff, sub-contractors and consultants;
- Effective evaluation of each individual's capabilities and potential;
- Appropriate, relevant work experience; and
- Appropriate monitoring of the firm's human resources and work flow to ensure that there are sufficient resources to meet the work load adequately.

It is the policy of the firm to obtain proper written references for all potential new employees, sub-contractors and consultants.

When a new member of staff has joined the firm, or a new sub-contractor or consultant is being used, he or she must:

- Complete an independence and fit and proper declaration as described above;
- Read the staff handbook;
- For audit staff, read the Audit Compliance Manual and sign a confirmation as evidence that he or she understands the procedures laid down by the firm, and agrees to abide by them; and
- Where appropriate, attend an induction course to become familiar with the firm's approach to auditing and other matters.

Engagement performance

The system for monitoring engagement performance is complex, drawing on many different procedures that work together to ensure that work performed is of satisfactory quality.

All working papers are reviewed during the course of the audit, unless they are prepared by the RI. The firm's procedures set out the minimum level of review for an audit file, although in practice the majority of files show a greater evidence of review than the minimum.

To assist staff in the performance of their duties, the firm provides access to an online and offline technical library via Croner-i (formerly CCH) to supplement internally provided resources. Audit guidance is also available within the Audit Compliance Manual.

The Compliance Department and other selected individuals within the firm provide technical support and assistance to audit teams with technical queries

Training is provided for all professional staff as standard, with additional/specialist training as considered necessary for the staff to perform their roles. See Section 8 below for further details.

Monitoring

All audit RIs are subject to one internal hot review and one cold file review, currently performed externally. These are selected annually by the audit executive sub-committee. The hot and cold file review process is used to ensure that audit files are following the firm's processes and procedures. Copies of all hot and cold review reports are retained by the compliance department. Weaknesses identified are followed up, with additional support or training as necessary.

The results of these reviews are also taken into account by the promotions committee when considering candidates for promotion to partner, and for existing partners being considered for promotion to more senior roles.

For all audits lasting in excess of three days staff are required to complete a job appraisal form. These are reviewed by the managers and partners in each office and form a part of the ongoing appraisal process for audit staff.

All staff are required to attend an appraisal interview at least once a year, although trainees are appraised more frequently as part of their training contracts. Partner appraisals were introduced during the year. During this interview the firm will comment on the member of staff's performance, including his or her performance on audits (where appropriate). Based on this, the firm will discuss and identify any training needs that each member of staff may have.

5. Regulatory monitoring

The most recent completed regulatory review of the firm's audit work was carried out by the ICAEW's Quality Assurance Department (QAD) in the autumn of 2014. At that date the firm did not have any public interest entity audit clients but had one other major audit client within review scope of the FRC's Audit Quality Review (AQR) department.

The QAD's report of the review findings was responded to by the firm, and action taken to implement various recommendations. The firm's audit registration was confirmed by the Audit Registration Committee of the ICAEW on 25 February 2015.

6. Public interest entity audit clients

During the year ended 30 April 2018 the firm issued audit reports on the financial statements of the following public interest entities:

Public interest entities	Market
Upland Resources Limited	London Stock Exchange

In addition, the firm also issued audit reports on the financial statements of the following companies with publicly traded shares:

Other audit clients with publicly traded shares	Market
Best of the Best plc	AIM

7. Independence procedures and practices

In addition to those independence procedures and practices set out above in Section 4, the firm has also set out policies and procedures on client employment, gifts and hospitality, the provision of non-audit services and other areas as prescribed by the FRC Ethical Standard and the ICAEW Handbook. The firm's independence practices are reviewed annually as part of the firm's audit quality control processes,

8. Policies and practices for maintaining the knowledge, professional skills and values of the firm's RIs and audit staff

All partners and professional staff (other than those under a training contract) are required to undertake Continuing Professional Development (CPD) activities. They are required to reflect on their expected training needs at the start of the CPD year and plan to obtain sufficient appropriate CPD for their role.

The firm arranges a number of technical update courses to be run in-house during the year covering audit, accounting and financial reporting, ethics, tax and payroll, usually presented by external specialist lecturers. The firm also runs an internal training programme on personal skills for qualified staff and partners. This training is supplemented by other courses and webinars from external providers on an individual by individual basis based on their training needs and specialisms.

To ensure the professional development activities are effective, partners and professional staff must then document and consider the impact of the training undertaken at the end of the CPD year, and roll any deficiencies into their CPD plan for the following year. Their CPD returns are reviewed by the individual Branch Compliance officers, who know the staff and have an understanding of the work performed.

CPD returns are collated and reviewed by the Compliance Department. Where staff do not achieve the expected level of course attendance for their role, further enquiries are entered into to ensure that adequate training has been achieved. For partners or staff working in specialised areas, a review of CPD relevant to that specialism is also performed.

9. Financial information for the year ended 30 April 2018

The group's turnover for the year ended 30 April 2018 was £53.9m (2017: £47.7m), divided into the following categories:

Turnover	y/e 30 April	
	2018	2017
Audit of public interest entities	£18k	£16k
Audit of other entities	£11.2m	£9.9m
Permitted non-audit services provided to audit clients	£8.4m	£8.0m
Non-audit services provided to other clients	£34.3m	£29.8m
Total	£53.9m	£47.7m

10. Basis for the remuneration of partners

Partners are remunerated as follows:

- A partners receive a variable profit share depending on the firm's results for the year, their role and seniority within the firm.
- B partners receive a fixed profit share.

Audit partners and covered persons (as defined in the glossary to the FRC Ethical Standard) are not remunerated on the basis of selling non-audit services to audit clients.

Wilkins Kennedy LLP

London

31 August 2018