

Kingston Smith LLP transparency report

Year ended 30 April 2014

Introduction from Sir Michael Snyder, Senior Partner

I am pleased to present the Firm's transparency report for the year ended 30 April 2014, which has been prepared in accordance with the provisions of the Statutory Auditors (Transparency) Instrument 2008, issued by the Professional Oversight Board of the Financial Reporting Council.

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, including compliance with auditing and ethical standards. The report focuses on the information we believe that our clients, and potential clients, would like to know in these areas.

Maintaining – and being perceived to maintain – the highest standards of audit quality and independence, together with providing a high quality professional service to clients, is of paramount importance not just to the firm but to the profession as a whole, against a background of increasing regulation and scrutiny. New regulation, including the introduction of mandatory audit rotation for public interest clients and further restrictions on the provision of non-audit services being brought in by the EU, provides new challenges but also new opportunities.

The market we operate in is changing, and the firms that serve it must themselves change and adapt to ensure that the services we provide to our clients are tailored to their needs in an ever evolving world.

Sir Michael Snyder

Senior Partner
Kingston Smith LLP



1. About Kingston Smith

Kingston Smith LLP is a top 20 accountancy firm with 55 partners and six offices in London and the South East. 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, including corporate finance, human resources consultancy, management accounting and outsourcing, and payroll.

Among the industry sectors that we operate in are:

Entrepreneurial businesses

We have many years of experience of dealing with entrepreneurial businesses in a wide variety of industries and at all stages of the business life cycle, from start up through well established companies to succession and exit strategies. We understand the issues that entrepreneurs face and are therefore able to offer an integrated service tailored to meet their needs.

Not for profit organisations

We are a leading auditor of not for profit organisations and act for a number of significant charities. Our City office maintains a department dedicated to advising not for profit organisations and we also have not for profit specialists in our other offices.

Media businesses

Our West End office, located in the heart of Soho, has specialised for many years in providing integrated, commercial and focused advice to the media industry.

Listed companies

We act as auditors of one company listed on the main London Stock Exchange and a number of companies with other listings. Our Corporate Finance department is also able to provide advice to companies that are thinking of obtaining a listing, and guide them through the process to a successful flotation.

Property

We act as auditors and professional advisers to a wide variety of property companies of all sizes, including investment property, construction and property development.

Professional firms

We act for professional firms in a wide variety of industries, including accountants, law firms, architects and chartered surveyors.

We also act for clients in many other industries and sectors, including financial services, manufacturing, healthcare, technology and leisure and hospitality. Whatever the business sector, we focus on offering the client the highest possible standard of service, based on our knowledge of the business and the industry in which it operates.

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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 various subsidiaries 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 date of writing the firm has 55 partners, all of whom are members either of the Institute of Chartered Accountants in England and Wales (ICAEW) the Association of Chartered Certified Accountants (ACCA) or the Chartered Institute of Taxation (CIOT). 45 of these partners have been granted Responsible Individual status by the ICAEW.

Regulation

The firm's audit practice is regulated by the ICAEW, and subject to regular monitoring by its Quality Assurance Department (QAD). In respect of clients that meet its criteria, such as those listed on the main London Stock Exchange or large charities, the firm's audit practice is also potentially subject to monitoring by the Financial Reporting Council's Audit Quality Review. Such reviews are currently delegated to the ICAEW, although this is likely to change as a result of recent changes to the Statutory Audit Directive.

Certain subsidiary undertakings are also regulated by the Financial Conduct Authority (FCA).

Locations

As well as our offices in the City of London and the West End, we provide audit services from offices in Heathrow, Redhill, Romford and St Albans.

Full contact details for each of our offices can be found on our website.

3. KS International

The firm is a member of Kingston Sorel International, which is known as 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 2014, 188 offices in 69 countries (2013: 170 offices in 62 countries).

Each member firm of KSi is an independent legal entity and they are governed and administered in the countries in which they operate. KSi firms are not members of any international partnership or network and there is no common ownership across the firms: KSi is not a network as defined in the Statutory Auditors (Transparency) Instrument 2008.



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

For more information about KSi, please visit www.ksi.org

4. Leadership and Governance

The leadership and running of the firm is the responsibility of the Executive Board, which includes the Senior Partner, Sir Michael Snyder, the Managing Partner, Julie Walsh, and five other partners.



Julie Walsh

The Managing Partner
Kingston Smith LLP

The current members of the Executive Board are:

- **Sir Michael Snyder:** as well his responsibilities as senior partner and retaining involvement with a varied client portfolio, Michael chairs the government's Professional and Business Services Council which advises Ministers and senior civil servants on economic, business and regulatory issues affecting the professional services sector.
- **Julie Walsh:** as well as her responsibilities as managing partner, Julie heads up our Professional Firms sector and manages a portfolio of clients in a wide variety of entrepreneurial businesses.
- **Graham Tyler:** a partner in our West End office, Graham has many years of experience advising key players in the media sector. He spends some of his time in Los Angeles where the firm has recently established a presence to assist our UK media clients in the LA market.
- **Jon Sutcliffe:** a partner in our City office, Jon heads up our technology sector team as well as being the current Association Secretary of KSi.
- **Martin Muirhead:** a partner in our City office, Martin heads up our property sector. Martin manages a portfolio of property and entrepreneurial businesses including entities regulated by the FCA.
- **Maureen Penfold:** a partner in our Heathrow office, Maureen manages a varied portfolio of audit and non-audit clients.
- **Tim Stovold:** a specialist tax partner based in our City office, Tim has advised a wide range of clients from owner managed businesses to large listed companies on tax planning and emerging issues.

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The Executive Board is responsible for formulating and carrying out the firm's strategy and policies and for the appointment of the firm's partners. The Executive Board are all committed to ensuring that the firm provides the highest possible standard of client service and adheres fully to all relevant standards and regulations, including taking overall responsibility for quality.

The Executive Board is elected by the partners on a periodic basis. 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, marketing, 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 assurance, ethics and risk management

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

However, this year, we have set up a Quality Review panel to review many of our internal processes and consider whether any improvements are required. This will comprise an across the board review not limited to the firm's audit practice. This demonstrates our commitment to continuing improvement as a firm.

Responsibility for quality within the firm

Responsibility for quality within the firm for the year ended 30 April 2014 rested primarily with the following individuals:

- David Benton (Chair of the Technical Committee)
- Janice Riches (Head of Audit)
- Tom Moore (Quality Assurance Partner)
- Tessa Park (Technical 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 of which are chaired by the Senior Partner or the Managing 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.

Risk management

Before accepting a new client, we assess the client to ensure that the risks of accepting the engagement are deemed acceptable.

In cases of doubt, acceptance of the client is discussed by our Risk Committee and where doubts cannot be resolved the engagement is declined. The Risk Committee also considers situations where there may be risks of continuing to act for an existing client, for instance in the event of a major change in the client's operations.

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.

Ethical requirements

Ongoing ethical issues, including the provision of non-audit services to audit clients, are considered by the Ethics Partner, Moira Hindson, with assistance from the Technical Department. Where appropriate safeguards cannot be put in place, the engagement 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, including the Ethical Standards for Auditors.

Commitment to 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 areas of expertise. The firm's training programme is discussed in more detail below.

Partners and staff are encouraged to discuss accounting and auditing issues with the Technical Department in the case of any doubt as to the appropriate accounting treatment or course of action and are expected to consider at the audit planning stage whether technical issues are likely to arise.

The Technical Department is also responsible for producing regular Technical Bulletins which are sent out to all general practice staff and which cover 'hot topics' new policies, and guidance on best practice, as well as other technical documentation which includes guides to the application of auditing and accounting standards (including IFRS) and the firm's Framework for performing audits.

6. Monitoring audit performance

Audit engagement performance

The audit performance of the firm is principally monitored by the Technical Committee, which is also responsible for promulgating best practice, whether through training or other methods such as the internal written documentation referred to above.

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. The firm's Audit Framework sets out the policies and procedures we have in place for performing audits, together with practical hints and tips.

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 every year. In addition, similar reviews of non-audit work are undertaken. This internal review system helps ensure that standards are met and that any issues identified can be dealt with at an early stage.

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, and the clients, 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.

The results of these reviews are considered by the Technical Committee. The Technical Committee will form a judgement as to the quality of each file reviewed and where necessary follow up with the relevant partners to ensure that any shortcomings are addressed.

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7. 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, Janice Riches, 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, who also reviews all the annual declarations.

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

8. Training and human resources

Training

The firm provides an annual programme of Continuing Professional Development geared to meeting the development needs of partners and staff. Partners and staff are expected to consider their development needs carefully and commit to undertaking an appropriate level of training to obtain or maintain the level of expertise they need. The level and type of training received is monitored to ensure that it is adequate and appropriate for the individuals concerned.

The training provided includes, but is not limited to:

- Developments in IFRS and UK GAAP, including the introduction of the new UK financial reporting framework;
- International Standards on Auditing, ethical standards and audit best practice; and
- Corporate and personal taxation.

The training is provided both by appropriate specialist staff within the firm, including the Technical Department and tax specialists, and where appropriate by external training providers.

In addition the firm provides a structured training programme for its trainees covering the skills – both technical and 'soft' – which they will require to service clients, and to progress within the firm.

Human resources

HR matters are the responsibility of the HR partner, Mark Twum-Ampofo, 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 to ensure that we employ, retain and properly reward individuals with the right skills for our firm.

9. External monitoring

As noted elsewhere in this report, 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 2013. The firm had two clients which fell within the remit of the Audit Quality Review of the Financial Reporting Council during the year ended 30 April 2014.

As noted above, certain of the firm's associated businesses are regulated by the Financial Conduct 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.

10. Public interest entities

During the year, the firm expressed an audit opinion on the financial statements of one audit client which was traded on a regulated market in the European Union, Avation Plc, which has a Standard Listing on the London Stock Exchange.

The firm also has a number of other public interest audit clients traded on the Alternative Investment Market and the ISDX (formerly Plus) Market.

11. Financial information

The Transparency Regulations require certain financial information to be provided in a Transparency Report. The information given below for the year ended 30 April 2014 is as yet unaudited.

Analysis of revenue - Kingston Smith Group (including subsidiaries):

	2014	2013
	£000	£000
Total revenue	41,865	40,060
Statutory audit work	12,223	11,138
Non-audit services provided to audit clients	8,488	8,313
Non-audit services provided to non-audit clients	21,154	20,609

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Analysis of revenue - Kingston Smith LLP:

	2014	2013
	£000	£000
Total revenue	33,430	32,868
Statutory audit work	12,223	11,138
Non-audit services provided to audit clients	7,754	7,384
Non-audit services provided to non-audit clients	13,453	14,366

Revenues from non-audit services provided to audit clients are not easily analysed further but include (although 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.

12. Partner remuneration

The remuneration of partners, which involves the allocation of profit shares, is dependent on a number of factors, both subjective and objective, is set by the Executive Board.

During the year, the firm has undertaken a thorough review of the remuneration framework and established a Partner Remuneration Oversight Board (PROB), comprised of two members of the Executive Board and three independent partners. The PROB is responsible for oversight of the remuneration framework to ensure it is applied as intended.

Remuneration is discussed with each partner at their annual appraisal, which is conducted by the Managing Partner. All aspects of the partner's performance are discussed at the appraisal, including the quality of audit and other work performed, and the quality of client service and other behavioural and operational factors.

Audit partners (and audit personnel) 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.