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# Kingston Smith LLP transparency report

## Year ended 30 April 2017

## Introduction from Martin Muirhead, Senior Partner

I am pleased to present the firm's transparency report for the year ended 30 April 2017, which has been prepared in accordance with the provisions of the Statutory Auditors (Transparency) Instrument 2008, issued by 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.

New standards and regulations, such as the changes to ethical and auditing standards brought in by the FRC to implement the EU Audit Regulation and Directive, and the increases in the small company thresholds, will continue to provide both challenges and opportunities.

In addition, the uncertainty of the impact on business, and the UK as a whole, of the decision to leave the European Union and the subsequent political instability makes it even more important for us to be able to support our clients with the best possible advice, based on a full understanding of their needs.

**Martin Muirhead**  
**Senior Partner**  
**Kingston Smith LLP**



# 1. About Kingston Smith

Kingston Smith LLP is a top 20 accountancy firm with 59 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, insolvency, financial services, fundraising and management, outsourcing and payroll.

Among the industry sectors that we operate in are:

## Not for Profit



Kingston Smith can help you meet the challenges a not for profit organisation faces by delivering a comprehensive range of auditing tax and accounting services.

## Entrepreneurial Businesses



Through our many years' experience of dealing with all types of entrepreneur, we understand how you think and the various stages of the business cycle that your organisation will experience.

## Private Client



Our private client services team of more than fifty dedicated professionals offers a full range of personal tax, estate planning, private office and financial services.

## Listed Companies



We act as auditors for 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 guide companies through the process to a successful flotation.

We act for clients in many industries and sectors, including charities, education, financial services, media, professional firms, property and technology. Whatever the business sector, we focus on offering our clients the highest possible standard of service, based on our knowledge of its business and industry.

# 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, 58 of the firm's 59 partners 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); one partner is a qualified solicitor. 41 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 certain criteria (such as those listed on the main London Stock Exchange) the firm's audit practice is also subject to monitoring by the Financial Reporting Council's Audit Quality Review. Such reviews have previously been delegated to the ICAEW, although this has changed as a result of the changes to the Statutory Audit Directive which require the firm, and its Public Interest Entity (PIE) audits, to be subject to monitoring by the FRC.

Certain subsidiary undertakings are also regulated by the Financial Conduct Authority (FCA). Following the firm becoming an Alternative Business Structure (ABS), the firm is also regulated by the Solicitors Regulation Authority (SRA).

### 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 by following the hyperlinks.

## 3. Morison KSi

Kingston Smith is a member of Morison KSi, a US\$1 billion international association of independent accountancy firms. Morison KSi has 158 member firms, with approximately 10,300 staff, providing coverage across 241 offices in 84 countries. The firm has two representatives on the International Board of Morison KSi out of a total of 13 from member firms around the globe.

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



Each Morison 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 Morison KSi, please visit <https://www.morisonksi.com/>.

## 4. Leadership and Governance

The leadership and running of the firm is the responsibility of the Executive Board



**Maureen Penfold**  
Managing Partner  
Kingston Smith LLP

The current members of the Executive Board are:

- **Martin Muirhead** (Senior Partner): As well as his responsibilities as Senior Partner, Martin manages a portfolio of property and entrepreneurial businesses. His broad knowledge of all types of taxation, and his vast understanding of the range of issues that businesses face, enable him to recommend an appropriate solution to virtually any scenario his clients are confronted with. Martin is regarded as a trusted adviser and sounding board.
- **Maureen Penfold** (Managing Partner): As well as her responsibilities as Managing Partner, Maureen manages a varied portfolio of audit and non-audit clients. As a chartered accountant and audit practitioner with over 30 years' experience advising entrepreneurial businesses, she has guided owner-managers through all stages of development; from start-up to growth, through crisis management and on to their ultimate sale, or passing down to the next generation.
- **Tim Stovold**: Head of Tax and 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. Tim has extensive experience of dealing with the tax authorities and is recognised for his ability to handle the difficult elements of tax investigations, devising innovative ways to solve problems.
- **Jon Sutcliffe**: a general practice partner in our City office, Jon also oversees our international association and is an International Board Member of Morison KSi. With strong international experience and contacts, Jon demonstrates a cultural sensitivity and awareness of international requirements. His understanding of cultural norms and expectations enable him to deal with situations appropriately and introduce the right third party experts, where necessary, for the individual and culture in question.
- **Graham Tyler**: a partner in our West End office, Graham has many years of experience advising key players in the media sector. In 2011, Graham led an initiative to build the firm's presence in Los Angeles, as this was becoming increasingly important to UK media clients who required support for their business activities in both markets. This show of enterprise has paid off, as he now advises clients on both sides of the Atlantic on key business issues such as funding, tax planning, profit retention and overall business strategy. He also spends part of his time each year in both offices. He is also the Vice-Chairman of Morison KSi.

- **Anjali Kothari:** a specialist not for profit partner based in our City office, Anjali manages a broad portfolio of not for profit audit clients, including schools. Anjali's in-depth knowledge and expertise in the critical issues facing organisations within the not for profit sector is supported by having spent the past 18 years advising numerous charities and education institutions. Making it her mission to identify and raise potential challenges and risks at the earliest possible stage, Anjali is relied upon by her clients to advise them on all aspects of fulfilling their goals and ambitions.

The Executive Board is responsible for formulating and carrying out the firm's strategy and policies, and for the recommendation of appointment of new partners to the partnership. 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; the partnership and the Executive Board may delegate certain matters up to the Managing Partner to take forward. In addition, sub-committees 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 and to represent the members of the partnership.

## 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 and are committed to continuing improvement as a firm.

### Responsibility for quality within the firm

Responsibility for quality within the firm for the year ended 30 April 2017 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)

John Staniforth took over as Chair of the Technical Committee on 1 May 2017, following David Benton's retirement.

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 them 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 awareness of the requirements, including the FRC's revised Ethical Standard. The firm has in place policies and detailed internal guidance to ensure compliance with Ethical Standards. The firm has in place policies and detailed internal guidance to ensure compliance with the Ethical Standards.

### 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.

We continue to develop our audit methodology to ensure we provide the highest possible standard of client service. This includes, where appropriate, use of technology, for instance the use of specialist software that combines artificial intelligence and machine learning with more conventional data science techniques. This allows us to complete in depth testing on the transactions that are most important in the context of audit.

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), guidance on the new UK financial reporting framework which is now in effect for all entities, and the firm's framework for performing audits. In addition, the Technical Department holds regular technical meetings at all offices which provide an additional forum for discussion of technical issues.

## 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.

## 7. Independence procedures

The firm maintains internal policies and procedures to ensure 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 conflict 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 any changes to Ethical Standards.

## 8. Training and human resources

### Training, learning and development

The firm's Learning and Development team organises 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 FRS 102;
- International Standards on Auditing, ethical standards and audit best practice;
- Corporate and personal taxation; and
- Personal development skills.

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. A programme of personal development courses has been developed by the Learning and Development Team to assist staff in their career progression.

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.

Our non-technical skills programmes focus on building employees' wider business advisory capacity through a range of off-the-job learning opportunities including management development centres, client relationship management and leading business building. Our suite of non-technical skills programmes are designed and delivered for all client facing employees, across all areas of 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 recruitment, appraisal and remuneration processes to ensure that we employ, retain and properly reward individuals with the right skills for our firm.

# Kingston Smith LLP transparency report

Year ended 30 April 2017

The firm has introduced competency frameworks for general practice and tax staff, covering all levels from trainee to partner, and similar frameworks will be rolled out for other staff over the coming year. These set out the expectations that the firm expects to be met by partners and staff in performing their roles.

## 9. External monitoring

As noted elsewhere in this report, the firm is currently subject to regular external monitoring by the Quality Assurance Directorate of the ICAEW. The firm's last QAD review took place in December 2016. The firm had three clients which fell within the remit of the Audit Quality Review of the Financial Reporting Council during the year ended 30 April 2017, although only one will remain in scope in the future.

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. As an Alternative Business Structure, the firm is also regulated by the SRA.

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 NEX (formerly ISDX) 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 2017 is as yet unaudited.

Analysis of revenue - Kingston Smith LLP:

	2017	2016
	£000	£000
Total revenue	37,854,273	36,487,985
Revenue from audit work	12,897,818	12,432,293
Revenue from non-audit work for audit clients	8,503,236	8,196,326
Revenue from non-audit work for non-audit clients	16,453,219	15,859,366

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

	2017	2016
	£000	£000
Total revenue	46,117,182	43,990,555
Revenue from audit work	12,897,819	12,432,293
Revenue from non-audit work for audit clients	10,147,164	9,457,695
Revenue from non-audit work for non-audit clients	23,072,199	22,100,567

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 requirements and application of the Ethical Standards, which is kept under review.

## 12. Partner remuneration

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

The firm has 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.

An annual appraisal for each partner 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, 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.