PROFESSIONAL OVERSIGHT BOARD

TRANSPARENCY REPORTING BY AUDITORS OF PUBLIC INTEREST ENTITIES

REVIEW OF MANDATORY REPORTS

MAY 2010
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One - Introduction and Background

Introduction

This is the second review by the Professional Oversight Board of the contents of transparency reports published by auditors of public interest entities. It is the first year in which publication of the reports has been mandatory.

In our review of the seven voluntary Transparency Reports produced by firms last year, the Oversight Board identified a number of issues which we suggested firms bear in mind when drafting their 2009 reports. These are listed in Appendix 1, together with our comments on the extent to which our suggestions have been implemented.

Background

The Statutory Audit Directive, agreed in 2006, introduced a mandatory requirement for annual transparency reporting by auditors of UK companies with securities admitted to trading on a UK regulated market. In the UK, effect to this was given through the Statutory Auditors (Transparency) Instrument 2008, published by the Oversight Board in April 2008 following consultation. It applies in respect of any financial year of a relevant audit firm starting on or after 6 April 2008.

Last year, seven of the ten largest firms chose to publish a voluntary transparency report. This year is the first in which the reports have been mandatory.

So far 25 firms, out of a total of 40, have now produced transparency reports. This includes seven of the nine largest firms. The remainder, because of the dates of their financial years, may not publish a report for several months. However, we felt that the sample was sufficiently large to provide effective benchmarks for a commentary on common themes.

The Oversight Board will shortly be writing to those firms which, because of the dates of their financial years have not yet produced transparency reports to remind them to do so within three months of their financial year end. We will write to any firms that are in default and request that they produce a transparency report within 30 days. Firms which fail to comply with this request will be referred to their Recognised Supervisory Body.

It should be noted that this review has not included an assessment of whether the statements made in transparency reports are factually accurate, as this could only be achieved through a thorough inspection of each firm. For those firms subject to full scope inspections by the Audit Inspection Unit (AIU), the AIU will review the transparency report for consistency with their knowledge of the firms from monitoring work. The Monitoring Units of both the ICAEW and ICAS have agreed to do likewise from July 2010.

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1 A small number of these are technically voluntary reports as they relate to financial years beginning prior to 6 April 2008. We have not distinguished between these for the purposes of this report.
Two – Executive Summary

Overall, we believe that the quality of this year’s reports is higher than that of the previous voluntary reports. We were particularly pleased to see helpful and informative reports produced by some of the smaller firms.

In general, firms have resisted the temptation to turn their transparency reports into marketing documents. In a small number of cases, reports did contain large amounts of marketing information and we felt that those reports were weaker overall than those which stuck to descriptions of the firm and its policies and procedures and minimised the use of boilerplate statements.

A small number of firms included some information which properly belonged in the transparency report in other publications. In our view, the reports which included everything in one document were the most helpful and effective. However, we do not wish to discourage firms from developing innovative formats for their transparency reports in the future. As long as the report captures all relevant requirements, firms should not feel obliged to follow a set template.

It was notable that, although many reports included a high quality narrative describing internal quality control and other systems, none provided any objective measures demonstrating the effectiveness of those systems. We would encourage firms to give some consideration to including such objective measures, such as the firm’s performance against internal key performance indicators (KPIs) in future reports.

Although most of the reports mentioned the importance of audit quality, there was limited evidence of firms attempting to distinguish between themselves, and hence compete, on quality.

Although this year’s reports were in general of higher quality than the voluntary reports looked at previously, very few reports met all of the requirements. There were also a number of common themes emerging. In particular, we would like firms to improve the quality of their disclosures in the following areas:

- International networks;
- Independence issues; and
- Financial information.

Any comments on the information within this report, and on transparency reporting in general, should be sent to s.currie@frc-pob.org.uk.
Three - Detailed commentary

Our specific comments, set out under each of the requirements in the Statutory Instrument, are set out below. Points which we expect firms to action are in bold.

A description of the legal structure and ownership of the transparency reporting auditor

All firms provided a description of their legal structure and the vast majority provided further information including the number of partners/members, the number and location of offices, principal lines of business etc. Relatively few reports mentioned related UK firms or overseas branches. In most cases this is likely to be because there were no related firms or overseas branches; however this was rarely made clear. It would be helpful if firms were to state explicitly when certain disclosures are not applicable to them.

Where the transparency reporting auditor belongs to a network, a description of the network and the legal and structural arrangements of the network

Thirteen of the firms whose reports we reviewed reported that they belonged to an international network. Those that did not belong to a network generally said so explicitly, or explained that although they were not part of a network, they did have arrangements with overseas firms to facilitate cross-border client work. In general firms were open about the name and legal form of the network and the majority included one or more indicators of the size of the network.

In contrast to last year, a number of reports contained information on network governing bodies, including names of key partners, functions of committees and procedures for appointments to that governing body. We were pleased to see this improvement in the information provided.

What was lacking in almost all of the reports we reviewed was a clear and detailed explanation of the rights and responsibilities conferred on member firms by the network agreement. Where agreements are mentioned, it is often in very defensive terms, stressing that each firm was a separate legal entity and that the central organisation does not provide services directly. We understand risk management considerations around contagion and the need for firms to protect themselves from cross-border litigation. However, in our view the descriptions of networks and network agreements in the transparency reports do not always accord with the way in which those networks appear to operate in practice and, in particular, how they are presented to clients. We would recommend firms provide greater clarity in this area in future reports.

A description of the governance structure of the transparency reporting auditor

Most reports included a clear description of the governance structure of the audit firm, and many included helpful information such as details of relevant committees and names of key partners. Those firms which have moved from a purely UK to a European management structure all provided an explanation of the regional governance arrangements, as well as those which are exclusive to the UK.
Some smaller firms had no management structure beyond regular meetings of all partners, where key decisions were discussed and agreed.

Overall we believed that most disclosures in this area were adequate and we have no further recommendations for firms on this at this time.

A description of the internal quality control system of the transparency reporting auditor and a statement by the administrative or management body on the effectiveness of its functioning

This section was the strongest in most of the reports, and we were impressed with the quality and detail provided by many firms under this requirement.

Most organised disclosures under the International Standard for Quality Control (ISQC) 1 headings. Particular attention was paid to engagement performance and internal monitoring, with some firms describing their audit methodology in detail. One firm provided a useful explanation of its resolution process for technical disputes arising on audits.

In some cases we believe that firms could have provided more detail on Human Resources policies and procedures and the firm’s leadership. The more informative reports provided information about recruitment, training, promotion criteria and ongoing support for staff development, rather than limiting disclosure to one or two of these issues. Disclosures regarding leadership were often vague and consisted of little more than a reference to “tone at the top” or similar. The stronger reports set out clearly the specific responsibilities of management for quality.

A small number of firms organised disclosures using the FRC’s Audit Quality Framework (AQF) or otherwise made reference to it. This proved useful in some cases, especially where use of the AQF led to a discussion on aspects of audit quality not otherwise covered by ISQC1. For example, one report included a section on factors outside of the firm’s control affecting audit quality. This section acknowledged some of the external factors that can impact on audit quality and went on to explain the actions the firm was taking to mitigate those risks. We believe that inclusions such as this are informative for readers and serve to increase trust in audit firms.

We were pleased to note that a small number of firms included information on other internal controls, for example their procedures for complaints handling.

Despite some impressively detailed disclosures in this area, however, it was difficult to distinguish one firm from another through the descriptions of systems of quality control and there appears to be limited attempts by firms to compete on quality. In our view firms should consider providing more objective measures of the effectiveness of their systems of quality control, for example by including detail on their key performance indicators (KPIs), and their internal assessments of performance against these KPIs in future reports.

Unlike last year, a number of reports included an unequivocal confirmation that the firm’s management was satisfied with the operation of its internal quality control system. Those firms which did not include such a statement this time should do so in future reports.
A statement of when the last monitoring of the performance by the transparency reporting auditor of statutory audit functions… took place

All of the reports mentioned monitoring by the Audit Inspection Unit (AIU) as well as the Recognised Supervisory Bodies. Some of the larger firms also included information on reviews by overseas regulators and/or monitoring of the firm’s investment business function by the Financial Services Authority.

Only a handful of firms summarised the results of external monitoring and/or included links to AIU reports and even fewer included an explanation of actions taken to address matters raised by external bodies. We consider that those firms which gave this additional detail provided a fuller picture. However, we would discourage firms from quoting only positive parts of external monitoring reports. While this may assist with marketing, it is in our view inappropriate in a transparency report.

Not all of the reports specified the date(s) of the last inspection(s) and **we would remind firms that this is a specific requirement and therefore should be included**.

A list of public interest entities in respect of which an audit report has been made by the transparency reporting auditor in the financial year of the auditor

All firms bar one provided this information, either through a list of clients in the report or via a link to the firm’s website. Larger firms generally published a list of clients as at a certain date, rather than a complete history of all public interest entities audited during the year. We believe that this is a reasonable interpretation of the requirement.

There was evidence of some confusion as to the definition of “public interest entity” for these purposes, with some firms listing AIM-listed companies in the report. Although we have no objection to firms including other major clients in their reports, **we would suggest that the report indicates which clients are “public interest entities” under the Instrument and which are not**.

A description of the transparency reporting auditor’s independence procedures and practices including a confirmation that an internal review of independence practices has been conducted

Almost all of the reports included some information on the firm’s independence procedures and practice, although the amount of detail provided varied substantially. Perhaps unsurprisingly, the larger firms tended to have more detailed and complex procedures.

There was a tendency for firms of all sizes to focus on personal independence procedures and practices, in some cases at the expense of information on non-audit services. Although systems were often described in considerable detail, most firms were vague as to what their actual policies were in this area. **We believe that greater disclosure about firms’ independence policies would improve the quality of the reports.**
Only four reports contained an unequivocal statement that an internal review of independence practices had been conducted. The remainder either ignored this part of the requirement entirely; made vague references to practices being under constant or regular review; or referred to existing quality assurance practices such as audits of partners’ financial affairs or checks on whether all staff on a particular audit had completed an independence confirmation. **We do not consider that this meets the requirement and we would ask firms to correct this in future reports.**

*A statement on the policies and practices of the transparency reporting auditor designed to ensure that persons eligible for appointment as a statutory auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level*

Most reports included some information on the firm’s policies and procedures for ensuring that audit partners and staff (the majority did not distinguish between these) maintain their skills and technical knowledge. Some reports included only a short statement regarding “on the job training” or the availability of training courses, however the majority contained significantly more information. If a firm does have mandatory courses for their audit partners and/or staff, or other distinguishing features, **it would be informative to refer explicitly to them.**

*Financial information for the financial year of the transparency reporting auditor to which the report relates, including the showing of the importance of the transparency reporting auditor’s statutory audit work*

Overall, we were disappointed with the nature and quality of disclosures in this area. Although some firms provided clear financial information under all the suggested headings, along with an explanatory narrative, these were in a minority.

Two firms provided no financial information whatsoever, apparently on the grounds that the information was available elsewhere. However in one case the information elsewhere did not meet the requirement and in the other there was no direct link to the alternative source of information. Although we realise that firms structured as LLPs or limited companies are already required to disclose some of this information in their annual accounts, the transparency report is intended to be a standalone document and as such we believe that **it should also be included in the transparency report, even if similar information is published elsewhere.**

There were examples of firms disclosing revenues from “assurance” rather than statutory audit specifically, making comparisons between them and other firms difficult. We have no wish to burden firms by forcing them to change their internal accounting systems purely for the transparency report, but we would suggest that, where the disclosure concerns a wider category of work than statutory audit, more detail is provided on the additional inclusions.

Several firms did not distinguish between non-audit services to audit clients and non-audit services to non-audit clients, and very few provided any sort of analysis of the non-audit
services provided to audit clients. **We would ask firms to improve the level of detail disclosed in this area**².

*Information about the basis for the remuneration of partners*

All firms (apart from one which limited the disclosure to Responsible Individuals) provided some information about the basis for the remuneration of partners and the vast majority went beyond a simple statement that partners were remunerated from the distributable profits of the firm. Many firms described the various elements to partner remuneration, which might include a semi-fixed “salary” element, a profit-share, a performance-related component and/or a payment based on length of service or seniority. Some firms stated specifically that the performance-rated component was linked to quality and/or compliance with ethical and independence requirements. A small number of firms included a figure for average profit per partner.

None of the reports we looked at set out clearly the relative importance attached to each component of partner remuneration. **We consider that firms would provide a more meaningful disclosure if they were to give some indication of the weight given to each element.**

Almost all of the reports included a confirmation that audit partners are not remunerated on the basis of selling non-audit services to audit clients. One firm included a confirmation that the same was true of audit staff. **We would remind those firms which did not include such a confirmation that they should do so in their next transparency report.**

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² Firms may find it useful to refer to the CCAB’s Voluntary Code of Practice on Disclosure of Audit Profitability (www.cab.org.uk/PDFs/voluntary%20code_final.pdf) – see Footnote 4 below
## Appendix 1 - Issues arising from 2008 Reports

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<th>Requirement</th>
<th>2008 findings</th>
<th>2009 comments</th>
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<tr>
<td>Where the UK audit firm belongs to a network, a description of the network and the legal and structural arrangements of the network.</td>
<td>“There are differences in the extent of the information given about the network arrangements, with in some cases very little information on the structure of central Boards or committees and their functions. In general we consider that the reports would be more transparent were there a fuller statement of the obligations and undertakings of the firm under the agreement for membership of the network.”</td>
<td>Although this year’s reports saw an increase in detail on the structure and governance of international networks, there remained a lack of information on the obligations and undertakings included within network agreements. Additionally, the language used in the description of the network was often legalistic and defensive in tone.</td>
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<tr>
<td>A description of the governance structure of the UK audit firm.</td>
<td>“In some cases the description of the UK governance structure is restricted to the main Management Board and a committee of elected partners. Other transparency reports give more detail on the structure, including for example on the role of various sub-committees of the Board. We consider that those firms giving the fuller picture provide the better model.”</td>
<td>The description of the UK governance structure in most reports was in our view adequate. Larger firms tended to provide information on important sub-committees and names of key partners.</td>
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<tr>
<td>A description of the internal quality control system of the transparency reporting auditor…</td>
<td>“Most firms, using either the ISQC1 structure or broadly comparable headings, give detailed information on the procedures and practices designed to deliver high quality audits. However, one firm says little more than that its quality control systems cover the six elements required by International Standard on Quality Control (ISQC) 1. Again we consider that the fuller presentation provides the better model. Whilst the minimalist approach arguably meets the legal requirement, in our view it falls well short of meeting the spirit of transparency reporting.”</td>
<td>Most reports contained useful information on the firm’s policies and procedures. There was little evidence of firms continuing to adopt a minimalist approach, although in some cases more information could have been provided on leadership and HR policies and how they contribute to internal quality controls.</td>
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<td>“Three firms refer explicitly in their reports to the use they have made of the Audit Quality Framework (AQF). One of these firms comments against each driver identified in the AQF. It is also clear one further firm has prepared its</td>
<td>Use of the AQF remains patchy, with only eight firms making an explicit reference to it.</td>
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<td>transparency report with the AQF drivers and indicators very much in mind, even though there is no specific reference. The use of the AQF is less obvious in the other reports, though, in two of these reports, there are comments on some of the drivers and related indicators. Overall, the use made of the Audit Quality Framework is patchy. Whilst we recognise that there is much in common between the Framework and the requirements of ISQC1 - and we do not want to see repetition within a report - we consider that it would be helpful if all reports showed clearly and systematically the steps the firm takes to achieve audit quality, by reference to the drivers and related indicators. In particular, taken overall the reports were relatively weak in commenting on the indicators of audit quality relating to the skills and personal qualities of audit partners and staff, and on the indicators of audit quality relating to the reliability and usefulness of audit reporting”</td>
<td></td>
<td>Thirteen of the reports included an unambiguous statement that the firm’s management was satisfied with the effectiveness of its internal quality control system. Two others included statements which fell slightly short of an unequivocal confirmation.</td>
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<td>… and a statement by the administrative or management body on the effectiveness of its functioning</td>
<td>“It is difficult to find a statement in any transparency reports that unequivocally meet this requirement. The closest is the comment by one firm that it has taken or is taking the “necessary actions to remedy any significant failings or weaknesses identified in the review [of quality]”. We would expect to see a clear statement in transparency reports to meet this requirement.”</td>
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<td>Confirmation that an internal review of independence practices has been conducted</td>
<td>“There is no explicit confirmation in any of the reports that the firm has conducted an internal review of independence practices. Only one firm comments explicitly under this heading. However, all the firms comment on their monitoring of compliance with independence requirements, for example by auditing a sample of partners’ personal investments. Whilst the statutory requirement does not set</td>
<td>Four of the reports stated explicitly that an internal review of independence practices had taken place, with two providing the dates of the review. None of the reports provided detail of exactly what the review had involved. A number of other reports included statements to the</td>
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<td>Requirement</td>
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<td>2009 comments</td>
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<tr>
<td><strong>Requirement</strong></td>
<td><strong>2008 findings</strong></td>
<td><strong>2009 comments</strong></td>
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<td>a time scale for such an internal review, we would expect a clear statement in transparency reports to meet this requirement.”</td>
<td>effect that independence processes were under “constant review”. We do not consider that this adequately meets the requirement. As last year, the remainder were either silent on the point or made reference to ongoing monitoring of compliance with independence requirements, such as annual confirmations of independence, audits of certain partners’ financial affairs or QA reviews of particular audits.</td>
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| Financial information for the financial year of the transparency reporting auditor to which the report relates, including the showing of the importance of the transparency reporting auditor’s statutory audit work | “One firm notes, quite reasonably, that there is no detailed guidance to audit firms on what financial information should be provided in transparency reports. Our preliminary view, in the light of the information firms have provided in these reports is that all firms required to publish a transparency report should provide the following financial information:  
- Total revenues, broken down to show revenues from statutory audit work, from non-audit services provided to audit clients, and from non-audit services to non-audit clients.  
- Comparative figures for the previous year.  
- An analysis of the types of non-audit services provided to audit clients. There is a separate statutory requirement on firms that are LLPs or | We were disappointed with the quality of disclosures under this requirement in many reports. Information on non-audit services provided to audit clients was particularly lacking.  
In some cases information was lacking altogether, and in others it was organised in such a way as to make it difficult to make meaningful comparisons.  
Two of the larger firms failed to provide any information under this requirement at all, apparently on the grounds that it was available elsewhere. |

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3 We suggest that firms use the definition of “work on statutory audit and directly related services” in the CCAB Voluntary Code of Practice on the Disclosure of Audit Profitability – see footnote 4 below.  
4 The Consultative Committee of Accountancy Bodies published the Code in March 2009. It was developed at the request of the FRC and in response to one of the recommendation of the Market Participants’ Group aimed at increasing choice in the audit market. The firms within scope of the Code are those firms subject to full-scope inspection by the Audit Inspection Unit.
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<td><em>limited companies to provide such an analysis in their accounts but we consider that it would be helpful to include this also within the transparency report.</em></td>
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<td><em>In addition, those audit firms within the scope of the Voluntary Code of Practice on Disclosure of Audit Profitability should consider whether to include in the Transparency Report the information on audit profitability required under the Code. The Code states that the reporting firm should make the disclosure either in its Annual Report or in its Transparency Report.</em></td>
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Appendix 2 – Statistics on disclosures under each requirement

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<th>Firms subject to full scope AIU inspections (7)</th>
<th>Others (18)</th>
<th>Total (25)</th>
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<tr>
<td><strong>1. A description of the legal structure and ownership of the UK audit firm.</strong></td>
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<td></td>
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<tr>
<td>(a) Legal form and where incorporated</td>
<td>7</td>
<td>18</td>
<td>25</td>
</tr>
<tr>
<td>(b) Who owns the firm</td>
<td>6</td>
<td>17</td>
<td>24</td>
</tr>
<tr>
<td>(c) Number of partners/members</td>
<td>5</td>
<td>18</td>
<td>23</td>
</tr>
<tr>
<td>(d) Related firms in UK</td>
<td>3</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>(e) Number of offices in the UK</td>
<td>4</td>
<td>14</td>
<td>18</td>
</tr>
<tr>
<td>(f) Whether firm has branches outside the UK; and if so information on them.</td>
<td>4</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>(g) List of principal business lines</td>
<td>5</td>
<td>8</td>
<td>13</td>
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<tr>
<td><strong>2. Where the UK audit firm belongs to a network, a description of the network and the legal and structural arrangements of the network.</strong></td>
<td></td>
<td></td>
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<tr>
<td>(a) Name of network to which firm belongs</td>
<td>7</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>(b) Name and legal form of central organisation</td>
<td>6</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>(c) Size of network in terms of revenues, number of offices, countries and employees</td>
<td>4</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>(d) Name of Network Central Body/Governing Body and related Boards and relationships between them.</td>
<td>5</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>(d) How appointments are made to Central Body/Governing</td>
<td>3</td>
<td>4</td>
<td>7</td>
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5 Currently, there are nine audit firms which are subject to full scope AIU inspections. At the time of writing, seven of them have produced Transparency Reports
6 A number of other firms provided some, but not all, of these metrics
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<tr>
<th></th>
<th>Firms subject to full scope AIU inspections (7)</th>
<th>Others (18)</th>
<th>Total (25)</th>
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<tbody>
<tr>
<td>Body and related Boards.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(e) Functions of Central Body/Governing Body and related Boards</td>
<td>5</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>(f) Frequency of meetings of Central Body/Governing Body and related Boards</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>(g) Key features of the Member Firm Network agreement including extent of profit sharing arrangements</td>
<td>0(^7)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>3. A description of the governance structure of the UK audit firm.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Names of principal management bodies and committees and relationship between them.</td>
<td>7</td>
<td>12(^a)</td>
<td>19</td>
</tr>
<tr>
<td>(b) Names of partners on principal management body</td>
<td>7</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>(c) Relationships between the management bodies</td>
<td>7</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>(d) How membership of principal management bodies and committees is determined.</td>
<td>5</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>(e) Functions of principal management bodies and committees</td>
<td>7</td>
<td>10</td>
<td>17</td>
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<tr>
<td>4. A description of the internal quality control system and a statement on the effectiveness of its functioning</td>
<td></td>
<td></td>
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<tr>
<td>(a) Leadership responsibilities for quality within the audit firm</td>
<td>6</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td>(b) Ethical requirements</td>
<td>7</td>
<td>16</td>
<td>23</td>
</tr>
<tr>
<td>(c) Acceptance and continuance of client relationships and specific engagements</td>
<td>6</td>
<td>16</td>
<td>22</td>
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\(^7\) One firm provided some limited details of the agreement
\(^a\) Some of the smallest firms have no management bodies, with all major decisions being taken by a vote by all partners
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<tr>
<th></th>
<th>Firms subject to full scope AIU inspections (7)</th>
<th>Others (18)</th>
<th>Total (25)</th>
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<tbody>
<tr>
<td>(d) Human resources</td>
<td>6</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td>(e) Engagement performance of audits</td>
<td>7</td>
<td>14</td>
<td>21</td>
</tr>
<tr>
<td>(f) Monitoring</td>
<td>7</td>
<td>18</td>
<td>25</td>
</tr>
<tr>
<td>Use of the FRC’s <em>Audit Quality Framework</em> to show how firm ensures audit quality</td>
<td>6</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Statement on the effectiveness of the functioning of the internal quality control system</td>
<td>3</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>5. A statement of when the last external monitoring of the audit firm took place.</td>
<td>7</td>
<td>15</td>
<td>22</td>
</tr>
<tr>
<td>6. A list of public interest entities in respect of which an audit report has been made in the financial year of the auditor.</td>
<td>7</td>
<td>16</td>
<td>23</td>
</tr>
<tr>
<td>7. A description of the auditor’s independence procedures and practices including a confirmation that an internal review of independence practices has been conducted.</td>
<td>7</td>
<td>17</td>
<td>24</td>
</tr>
<tr>
<td>Description of independence procedures and practices</td>
<td>7</td>
<td>17</td>
<td>24</td>
</tr>
<tr>
<td>Confirmation that an internal review of independence practices has been conducted.</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>8. A statement on the policies and practices designed to ensure that auditors continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.</td>
<td>7</td>
<td>15</td>
<td>22</td>
</tr>
<tr>
<td>9. Financial information, including the showing of the importance of the auditor’s statutory audit work.</td>
<td>6</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td>Total revenues</td>
<td>6</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td>Revenues from statutory audit work</td>
<td>5</td>
<td>18</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Firms subject to full scope AIU inspections (7)</td>
<td>Others (18)</td>
<td>Total (25)</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------------------------------------</td>
<td>-------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Revenues from non-audit services for audit clients</td>
<td>4</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Revenues from non-audit services to non-audit clients</td>
<td>4</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Further analysis of non-audit services to audit clients</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Comparative information for previous year.</td>
<td>5</td>
<td>8</td>
<td>13</td>
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<tr>
<td><strong>10. Information about the basis for the remuneration of partners.</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>List of criteria for remunerating partners/members/elements of partner remuneration</td>
<td>7</td>
<td>18</td>
<td>25</td>
</tr>
<tr>
<td>Confirmation that audit partners not remunerated by reference to sale of non audit services to audit clients</td>
<td>7</td>
<td>11</td>
<td>18</td>
</tr>
</tbody>
</table>
Appendix 3 – list of Transparency Reports reviewed

BDO LLP
BSG Valentine
Chantrey Vellacott DFK LLP
Chiene Tait
Clement Keys
Deloitte LLP
Ernst & Young LLP
FW Stephens
French Duncan LLP
Grant Thornton LLP
Hawsons
Hazlewoods LLP
Kingston Smith
KPMG LLP & KPMG Audit plc
Mazars LLP
Menzies LLP
Moore Stephens LLP
Nexia Smith & Williamson Audit Ltd
PKF (UK) LLP
PricewaterhouseCoopers LLP
Rees Pollock
Shipleys LLP
Smith Cooper Nottingham
Tenon Audit Ltd
UHY Hacker Young LLP

At the time of writing we are awaiting Transparency Reports from the following firms:

Baker Tilly
Begbies Chettle Agar
CLB Coopers
Everett & Son
Haymacintyre
Horwath Clark Whitehill
Hurst & Company Accountants LLP
Hyman Capital Services Ltd
James Cowper LLP
Littlejohn LLP
Littlestone Martin Glenton
PRB Accountants LLP
Royce Peeling Green Ltd
Saffery Champness
Steele Robertson Goddard & Co

We expect all of these firms to publish Transparency Reports by July 2010.