

Transparency Report for the year ended 31st March 2020

Under Article 13 of EU Regulation 537/2014 certain statutory auditors are required to prepare a transparency report each financial year. It applies in respect of any financial year of a relevant audit firm commencing on or after 17th June 2016. This report covers our financial year to 31st March 2020. We published reports under the Regulation for the years to 31st March 2018 and 31st March 2019.

Under the Statutory Auditors (Transparency) Instrument 2008, published by the Professional Oversight Board on 3rd April 2008, certain statutory auditors were required to prepare a transparency report each financial year. This Instrument was superseded by the EU Regulation 537/2014. We published reports for the years to 31st March 2016 and 31st March 2017 under the Instrument.

A. Legal structure and ownership

F. W. Smith, Riches & Co. (the ‘Firm’) is a partnership. All of our professional services are carried out through the one Firm. The Firm has four partners, all of whom are members of the Institute of Chartered Accountants in England and Wales (‘ICAEW’). The Firm is owned by the two equity partners. The Firm has three responsible individuals (‘RI’), all of whom are partners.

The Firm operates from one office and there are no related firms or overseas branches.

B. Network

The Firm was a member of the international network MGI Worldwide throughout the year. MGI Worldwide is an international network of independent audit, tax and accounting firms, with some 6000 professionals in over 300 locations around the world. MGI Worldwide is a quality controlled network and, like all member firms, we are subject to review of our quality assurance systems and procedures against international standards. MGI Worldwide does not provide any services and its member firms are not an international partnership. Each member firm is a separate entity.

C. Governance structure

The Firm’s strategy is primarily the responsibility of the equity partners together with the other partners. There are regular meetings at which the Firm’s strategy is discussed together with monthly reporting of financial performance.

D. Internal control system

The Firm's internal control policies are designed to ensure that the Firm and its personnel comply with professional standards and applicable legal and other regulatory requirements. They are designed to ensure that the system encompasses the six elements of quality control within the International Standard on Quality Control 1 ('ISQC 1') which are set out below.

The Firm's partners are satisfied that the internal control system is operating successfully.

Leadership responsibilities for quality within the Firm

Martin Rooney is the Firm's Senior Audit Partner and is therefore responsible for ensuring that the Firm establishes and maintains quality control policies and processes. He is responsible for the development, documentation and communication of these matters within the Firm. He is required to ensure that the quality of audit engagements conducted by the Firm is never compromised by commercial considerations.

Martin Rooney is also the Audit Compliance Partner and he is therefore responsible for ensuring that the Firm complies with Audit Regulations. He is the first point of contact with the ICAEW in relation to audit matters.

The established procedures in relation to quality control and compliance with Audit Regulations are set out in detail in the Firm's Audit Procedures Manual. Martin Rooney ensures that this is kept up to date and that all audit staff have access to the manual and read it annually and whenever there are updates.

Ethical requirements

As the Firm has three or fewer RIs there is no requirement to appoint an Ethics Partner and we have not done so. Accordingly all the partners act as a committee to ensure that the Firm complies with the FRC Ethical Standard.

Ethical issues, including the provision of non-audit services to audit clients are considered prior to the commencement of each audit assignment. Where we do not consider that appropriate safeguards can be put in place an assignment would be declined. Ethics training is provided to partners and staff on a regular basis.

Acceptance and continuance of client relationships and specific engagements

New appointments are only accepted subject to completion of a client due diligence assessment which encompasses the requirements of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and client acceptance assessment which considers whether there are any ethical, independence or other reasons why the Firm should not act.

The Firm is committed to only entering into engagements in which it is competent to perform the engagement and has the capabilities, including time and resources, to do so.

Where there is any doubt, acceptance of the client or engagement is discussed by the partners and/or referred to the Money Laundering Reporting Officer ('MLRO'), Martin Rooney.

Human resources

The Firm is committed to employing sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to perform engagements in accordance with professional standards and applicable legal and regulatory requirements and allow the Firm or engagement partners to issue reports that are appropriate in the circumstances.

The partners are responsible for the development and maintenance of procedures covering quality of staff, recruitment, grievances and appraisals.

Martin Rooney is the qualified person responsible for training and Jane Lowden is student counsellor and as such they are responsible for the training programme for our ICAEW trainees.

All professional staff and partners not currently studying for professional examinations are required to carry out Continuing Professional Development ('CPD'). They are required to consider their training requirements at the commencement of each year and commit to undertaking training to cover the relevant areas. They are required to review the effectiveness of their CPD training at the end of each year.

Engagement performance

The Firm is committed to ensuring that its engagements are carried out in accordance with professional standards and applicable legal and regulatory requirements. All the Firm's audit manuals and work programmes are provided by the HAT Group of Accountants ('HAT') and all audits performed by the Firm follow the procedures set out by HAT. HAT is an independent company which provides training, recruitment and compliance services to accountancy firms.

We plan our audit work to ensure that the appropriate procedures are performed relevant to the particular engagement and by suitably competent staff. Junior staff are supervised by managers and partners.

It is the Firm's policy that all work performed by less experienced team members is reviewed by more experienced team members.

The Firm maintains an extensive technical library and has support contracts in place with HAT and others to ensure that appropriate consultation can take place on contentious matters.

The Firm has established policies and procedures requiring, for appropriate engagements, an engagement quality control review that provides an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the report. Depending on the nature of the engagement these reviews can be performed before the Firm has issued an audit report ('hot') or after such a report has been issued ('cold'). The Firm ensures that at least one cold audit file review is performed for each RI each year; such reviews are carried out by HAT.

Where HAT make comments on the performance of engagements following their reviews these are discussed by the Firm's RIs and any recommendations for the improvement of future work are agreed and passed on by the RIs to more junior staff.

As members of MGI Worldwide we will be subject to review of our quality assurance systems and procedures against international standards. At present no such review has taken place.

Monitoring

The Firm has established a process to monitor the overall system of quality control to ensure that it is relevant, adequate and operating effectively. An Annual Compliance Review is carried out to ensure that the Firm is following the procedures laid out in respect of laws, regulations and professional standards; client acceptance and disengagement; competence; quality control; and audit procedures. We engage HAT to carry out this review and report back to us with their findings.

The partners discuss the results of the Annual Compliance Review and agree and implement any action points.

E. External monitoring

The Firm is subject to monitoring by the Quality Assurance Directorate ('QAD') of the ICAEW. The last review by the QAD into our audit work was in October 2016. There were no significant findings and our audit registration continued.

As an auditor of a public-interest entity we are also subject to review by the Audit Quality Review ('AQR') team of the Financial Reporting Council. To date we have had no reviews from the AQR.

F. Public-Interest Entities

During the year to 31st March 2020 the Firm was auditor to Auctus Growth plc, a company listed on the London Stock Exchange.

G. Independence procedures and practices

In addition to the procedures set out above under quality control, all partners and staff are required to complete annual declarations of Fit, Proper, Confidentiality and Independence which are reviewed by the Audit Compliance Partner.

The Audit Compliance Partner is notified of any matters which may have an effect on independence, or of any actual or potential conflicts of interest. If any are identified then appropriate action is taken.

An annual review of independence is carried out as part of the Annual Compliance Review mentioned above under quality control. The Firm's partners are satisfied that the independence procedures and practices are appropriate to the Firm and are being implemented satisfactorily.

H. Continuing professional development

As noted in the quality control section above, staff and partners who are not studying for examinations are required to perform CPD. In addition to attendance at courses on specific matters the Firm arranges quarterly technical updates from HAT. The Firm also arranges in-house training on important topics, for example FRS 102.

Staff and partners are required to record their CPD and these are reviewed as part of the Annual Compliance Review.

I. Basis of remuneration of partners

The allocation of profits is agreed by the equity partners.

The remuneration of partners is not linked to the selling of non-audit services to audit clients.

J. Audit staff rotation

The firm follows the FRC Ethical Standard in relation to participation of key audit partners and senior audit staff in the statutory audit of public-interest entities. In general this means that such staff may not participate in the audit for a period of more than five years from the date of appointment, following which point they would not be involved in the audit for a further period of five years. In some circumstances it is possible that the five year period for participation in the audit can be extended to seven years, where the client's audit committee considers that the circumstances are appropriate and where appropriate safeguards are entered into under the Ethical Standard.

K. Financial information

The following sets out the revenue of the Firm for the year ended 31st March 2020 and the preceding year:

	2020 £ '000	2019 £ '000
Revenue from statutory audit work for public-interest entities	10	10
Revenue from statutory audit work for other entities	534	568
Revenue from non-audit services provided to audit clients	364	446
Revenue from services provided to non-audit clients	840	1,008
Total revenue	1,748	2,032

Non-audit services provided to audit clients include the preparation of financial statements, corporation tax compliance, payroll services, general business and tax advisory work. The provision of non-audit services to audit clients is subject to ongoing review to ensure that their provision is acceptable under the FRC Ethical Standard and the Firm's policies and procedures.

F. W. Smith, Riches & Co.
31st July 2020