

Price Bailey LLP Transparency Report

For the year ended 31 March 2017 under Regulation (EU) No 537/2014



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1 The firm

- 1.1 Price Bailey LLP is a limited liability partnership incorporated in England and Wales (registration number OC307551). It is a subsidiary of Price Bailey Group Ltd, a company incorporated in England and Wales (registration number 04615377)
- 1.2 At 31 March 2017 Price Bailey LLP had 28 individual members in addition to its parent company. A majority of the individual members of Price Bailey LLP and Price Bailey Group Ltd are qualified accountants.
- 1.3 Price Bailey LLP is registered by the Institute of Chartered Accountants in England and Wales (ICAEW) to carry out audit work in the UK. Details about our registration can be viewed at www.auditregister.org.uk under reference number C001098093.
- 1.4 In addition to the above entities the Price Bailey Group includes various other entities which provide a wide range of accounting, audit, tax, corporate finance, corporate recovery and insolvency and similar services to businesses and individuals, mainly in the UK and Guernsey.
- 1.5 The firm is not a member of a network. The firm is a member of the UK200 Group a national association of separately owned and independently managed accountancy and lawyer firms and IAPA a global association of separately owned and independently managed accountancy firms.

2 Governance

- 2.1 An appointed Management Board is responsible for the day to day strategy of Price Bailey LLP, implementing policies, reviewing operations, managing risk and overall management of the firm.
- 2.2 The Board, including the Managing Director, is elected by the members of Price Bailey LLP for three year terms, which are renewable.
- 2.3 The Board sets and communicates the firm's overall strategy which it uses to guide decision making. The strategy is regularly reviewed to guide the development of the business in the medium term.
- 2.4 Board meetings are held monthly and are attended by all Board members. At all meetings the Board reviews operations including sales, personnel and finances, considers short term risks and opportunities, and ensures medium and longer term strategy is always being followed. The Board conducts formal business at additional meetings as necessary.
- 2.5 The firm operates in a highly regulated sector and is required to meet a range of statutory regulations and requirements in order to conduct its business. These obligations arise from its membership of the ICAEW and range of other professional bodies along with its registrations as auditors, as financial and corporate advisers with the Financial Conduct Authority, as legal advisers with the Solicitors Regulation Authority and as fiduciary service providers in Guernsey. The Board therefore takes compliance obligations seriously, accepting that any major failure could be critical to the business.

- 2.6 The Board is also responsible for Performance Review, a process designed to support and appraise the senior team including partners. Grades, pay, expectations and partner profit sharing is directly linked to this review process.
- 2.7 The Board has appointed Heads of Service to each of the business segments and also to each of the principal functional and support groups. The Heads report to the Board and their role is to manage and develop the areas which they are responsible for within the strategy, guidelines and policies established and communicated by the Board.
- 2.8 All partners and team members are encouraged to raise areas of concern with their Heads or alternatively through the Managing Director, Ethics Partner or Board Chairman as appropriate to the circumstances.
- 2.9 The Management Board and partner team strongly support the firm's values of best practice, continuous improvement, consistency, value to all. These values encourage good quality of work.
- 2.10 As part of the firm's policies and culture the firm has six golden rules which all partners and staff are required to adhere to otherwise they can face disciplinary action. These Golden Rules ensure that people operate within their authority levels and areas of knowledge.

3 Internal quality control system

- 3.1 The firm has adequate procedures and policies in place to ensure that the firm complies with the International Standard on Quality Control (UK) 1 (Revised June 2016) (ISQC1).
- 3.2 The majority of the Management Board and partner team have the audit qualification and fully support the importance of maintaining audit quality through out the firm which is reflected in the firm's culture of completing quality work.
- 3.3 The firm has appointed an Audit Compliance Partner who evaluates the firm's quality control procedures on an annual basis, considers compliance with ISQC1, reviews the feedback from the internal and external quality reviews and ensures that appropriate methodology is being used and auditing standards are being adhered to. The audit compliance partner reports the findings to the Board and the partnership team.
- 3.4 The firm adopts the audit methodology and procedures manual from a reputable supplier. The Audit Compliance Partner ensures that it is updated as appropriate. Further internal policies and guidance are issued where appropriate. Copies of all of the manuals, policies and guidance are available to all staff on the firms intranet.

- 3.5 The firm is subject to a comprehensive programme of quality assurance reviews both internally and externally. Annually the firm's compliance team organise a programme of internal file reviews covering most aspects of the firm's work across all of our offices including audit work. In addition as a member of the UK200 Group the firm is subject to external independent file reviews including reviews of audit, tax, accounting and corporate finance work across our UK offices.
- 3.6 All listed audit clients will have an Engagement Quality Control Review carried out by an independent Responsible Individual.
- 3.7 Where the firm has appointed a new Responsible Individual or for a Responsible Individual has given notice of intended retirement from the firm EQCRs will be introduced on their audit files for a period of time decided by the firm's Audit Compliance Partner.
- 3.8 The results of the internal and UK200 file reviews are fed back to the appropriate partner and manager. In addition key learning points are fed back at team meetings. In certain circumstances an Responsible Individual's files may be placed under EQCR if significant issues have been identified, until such time the Audit Compliance Partner is comfortable they are no longer required.
- 3.9 The Management Board is satisfied that the firm's internal quality control programme operated effectively for the year ended 31 March 2017.

4 Independence procedures

- 4.1 The Management Board has appointed an Ethics Partner, who advises on specific ethical questions as necessary. Guidance is also available in the firm's audit manual and on the firm's intranet. Technical updates are issued on the firm's intranet covering any changes.
- 4.2 The audit team and the Responsible Individual are required to consider any ethical threats at the beginning of the audit to ensure the firm is able to continue to be the auditor and that adequate safeguards are in place. Certain matters, set out in the firm's procedures, require consultation with the firm's Ethics Partner. Ethical issues and safeguards then also have to be considered and documented again at the completion stage before the audit report is finalised.
- 4.3 On an annual basis all staff and partners are required to declare their independence and fit and proper status. This includes confirmation that they do not hold any shares or other interests in any audit clients. All responses are reviewed. In addition compliance with the firm's ethical policies is reviewed as part of the annual file review process.
- 4.4 The partners also receive an update on any changes to the requirements in an annual report prepared and presented by the firm's Compliance Partner.

5 Professional skills and training

- 5.1 The firm ensures that all qualified staff undertake relevant Continuing Professional Development (CPD) training including audit training. The main CPD training is provided by an external training firm, however in house training is often provided to cover specific areas. If there are any particular learning points identified as part of the file reviews these points are either covered in the main CPD programme or in house training. The CPD programme covers specialist areas/sectors as required.
- 5.2 The CPD records are monitored for Statutory Auditors to ensure that they have attended appropriate CPD courses.
- 5.3 All staff and partners have a review/appraisal meeting at least once a year. As part of this meeting training needs are discussed and agreed, as well as any feedback on specific job performance for the audit team.

6 Policy on rotation of key audit partners and staff

- 6.1 For all listed clients the Responsible Individual is now rotated after 5 years and the Engagement Quality Control Reviewer (EQCR) does not act for more than 7 years.
- 6.2 For non listed clients where the audit partner has acted for the client for more than 10 years the threats are discussed with the client and the Ethics Partner and appropriate safeguards are put in place which can consist of partner rotation, a review by an EQCR, an ethics review or cold file reviews.
- 6.3 Where any senior staff are involved in the audit of a listed client for more than 7 years or a non listed entity for more than 10 years the ethical threats are discussed with the audit partner and where appropriate the EQCR. Safeguards are put in place dependent on the particular circumstances.

7 Regulatory monitoring

- 7.1 The firm was last visited by the Financial Reporting Council's Audit Inspection Unit (now replaced by the Audit Quality Review Team) in 2012. This was due to one of the listed client's market capitalisation temporarily exceeding the limit which required a review by the AIU. Subsequent to this the firm's listed clients met the criteria to be reviewed by the Quality Assurance Directorate (QAD) of the ICAEW.
- 7.2 Following the implementation in the UK in June 2016 of the EU Audit Directive the FRC, as the UK single competent authority, is now required to inspect the audits of public interest entities, and audits of AIM listed clients with a market capitalisation in excess of 200m Euros.
- 7.3 As a consequence the firm's one public interest audit client, which is listed on the London Stock Exchange, will in future be reviewed directly by the AQRT, but not its AIM or ISDX clients.
- 7.4 The firm's last audit monitoring visit from the ICAEW's Quality Assurance Directorate (QAD) was in 2014. The QAD performed an interim Practice Assurance and Designated Professional Body review in 2016.

8 Public interest and other listed entities

- 8.1 During the year ended 31 March 2017, the firm carried out statutory audits on the financial statements of the following entities:
- 8.2 Public interest entities as defined
- Bluebird Merchant Ventures Ltd
- 8.3 Other UK listed companies
- Oracle Coalfields Plc AIM
 - Valiant Investments Plc ISDX

9 Partners' remuneration

- 9.1 The profits from Price Bailey LLP are allocated to the members on a fixed basis and agreed annually by the Management Board. A bonus can be paid to the partners which is dependant on the profits of the group and whether the particular partner met their objectives.
- 9.2 Audit partners remuneration is not calculated by reference to the selling of non audit services to audit clients.
- 9.3 Additionally some of the partners of Price Bailey LLP are shareholders of Price Bailey Group and will receive further dividends based on the profits of the group.

10 Financial information

- 10.1 For the year ended 31 March 2017 the turnover of Price Bailey LLP was as follows:

Revenues from:	£000
The statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity	20
The statutory audit of annual and consolidated financial statements of other entities	4,400
Permitted non-audit services to entities that are audited by the firm	1,932
Non-audit services to other entities	13,857
	20,209

Approved by the Management Board on 25 July 2017.

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