

# Price Bailey LLP Transparency Report

For the year ended  
31 March 2023

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## 1 Introduction from our Managing Director, Martin Clapson

The business world continues to endure many challenges in these difficult economic times and Price Bailey is not immune to these challenges. However, I am pleased the firm continues to grow and evolve, whilst embracing the challenges on a day-to-day basis.

In particular, our audit business has embraced the challenges well with good client wins; growth and we have achieved the following:

- Improved our System of Quality Management ensuring we have adequate controls and systems in place to ensure continuous improvement
- Registered as a Public Interest Entity (PIE) audit firm with the Financial Reporting Council (FRC) with two partners registered as PIE auditors
- Further invested in our teams and provision of extra resource
- Continuous investment in our IT systems to improve and support our audit work
- Increased our engagement with the FRC.

As a firm, we take compliance very seriously. Our core values are embedded throughout the firm and promote the importance of quality.

We are successful because we employ good people who want to do well. Our people wish to be part of a growing, professional firm, which understands the importance of quality client servicing as well as ensuring we and our clients are fully compliant with appropriate laws and regulations. Because of our success a key challenge for us is complacency and ensuring we are continuing to strive for continuous improvement.

We have been fortunate to receive many new audit engagement opportunities in the year and as a result, we have continued to grow our audit business. However, we have not accepted many of these audit opportunities, as it has been a challenge to ensure we have sufficient quality resource due to the changes in the audit market over the last few years. We have and will continue to develop and invest in our teams. Our flexible working arrangements which we introduced before the pandemic is called “Smart Working” and it continues to be a success, as it helps recruit and retain quality team members and supports inclusivity and diversity across the whole firm.

We recognise and support the increase in regulatory scrutiny and as a firm, we will continue to engage positively with our regulators.

Over the next year, we will strive to continue our growth and success as an Independent Owner Managed Chartered Accountancy Professional Advisory firm by striving to continuously Improve all parts of the firm including undertaking a full review of our system of

quality management and continuing to invest extra resources into our audit business.

**Martin Clapson, Managing Director**

## 2 The Firm

- 2.1 Price Bailey LLP is a limited liability partnership incorporated in England and Wales (registration number OC307551). It is a subsidiary of Price Bailey Group Limited, a company incorporated in England and Wales (registration number 04615377).
- 2.2 At 31 March 2023, Price Bailey LLP had 26 individual members in addition to its parent company. The majority of the individual members of Price Bailey LLP and Price Bailey Group Ltd are qualified accountants. In addition, the firm has salaried partners who are part of the leadership team.
- 2.3 Price Bailey Group is fully owned by certain members of Price Bailey LLP and by the staff through an All Employee Share Scheme.
- 2.4 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](http://www.auditregister.org.uk) under reference number C001098093.
- 2.5 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.

- 2.6 The firm is not a member of a national or international network. The firm is a member of the Association of Practicing Accountants (APA) a Managing Partner led Association of 20 leading UK professional and business advisory firms and internationally we are a member of IAPA, a global association of separately owned and independently managed accountancy, professional services and law firms.

## 3 Governance

- 3.1 An appointed Governance Board of Price Bailey is also the Board of Directors for Price Bailey Group limited. The Board is responsible for the day-to-day strategy of Price Bailey LLP, implementing policies, managing risk, quality management and overall management of the firm.
- 3.2 The members of Price Bailey LLP elect the Managing Director, for three-year terms. The Managing Director appoints the Finance Director and Chair of the Board, whilst the members of Price Bailey LLP elect the other three members of the Board for three-year terms. Both the Managing Director and other board members are eligible for re-election. There are currently six Board members.
- 3.3 The Board sets and communicates the firm's overall strategy, which it uses to guide decision-making and the development of the business in the medium to the longer term. The strategy is regularly reviewed.

- 3.4 Board meetings are held at least monthly and are attended by all Board members.
- 3.5 A separate Operations Board includes the Heads of the main service lines, HR, Finance, Marketing and representation of the Governance Board. The operations Board discusses day-to-day operational issues including business development, personnel and finances.
- 3.6 The Compliance Partner and Money Laundering Reporting Officer (MLRO) meet with the Managing Director on a quarterly basis and attends a Governance Board meeting quarterly. The Compliance Partner and MLRO also present at the main partners conference in November, with an interim report to the partners in June.
- 3.7 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 being a registered PIE audit firm, its membership of the ICAEW and registration with them as auditors, as well as other regulatory bodies. The Board takes compliance obligations seriously, accepting that any major failure could be critical to the business.
- 3.8 The Firm continues to monitor the changes currently being proposed concerning audit and corporate governance, considers any changes that need to be implemented, and responds to relevant consultations.
- 3.9 One of the key challenges faced in the year similar to many other firms is ensuring we have sufficient resource with the right skills. There has been recently a shortage of auditors with the right experience and knowledge. The firm continues to recruit and retain good people but has also used subcontractors to ensure we are resourced appropriately.
- 3.10 The firm has had a significant number of opportunities to tender for new audit engagements and opportunities. Before accepting any engagement or opportunity, we carefully consider whether they fit the firms risk profile and whether we have adequate expertise and resource.
- 3.11 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.
- 3.12 The Board has appointed Heads of Department to each of the business segments and 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.
- 3.13 All partners and team members are encouraged to raise any concerns with their Heads or alternatively through the Managing Director, Compliance Partner or Board Chair as appropriate to the circumstances.
- 3.14 Audit work is conducted by the Corporate Department, and the Corporate Department partners meet monthly to discuss resourcing, compliance, and operational matters.

- 3.15 The Board and partner team strongly support the firm's values of Best Practice, Continuous Improvement, Consistency, and Value to All. These values encourage a good quality of work.
- 3.16 As part of the firm's policies and culture, the firm has six Golden Rules to which all partners and staff are required and expected to adhere otherwise they can face disciplinary action.

The Golden Rules are as follows:

1. Recognise any sign or indication of client dissatisfaction. Never cover up or turn a blind eye, and always refer to an appropriate complaints handler.
2. Know the boundaries within which you are expected to work and your primary objectives.
3. Know and respect the extent to which you are allowed to represent or commit the firm.
4. Be aware of the impact that your actions and decisions have on the reputation and performance of the firm.
5. Always be quick to refer any doubts or concerns about any performance or operating issues to a Partner or member of the Risk Management Team.
6. Always follow systems and guidelines set by the firm.

The Golden rules are discussed during the induction for all new staff and partners and regular reminders are provided to all staff. These Golden Rules ensure all our people operate within their authority levels and areas of knowledge.

During every annual Partner and Manager Conference the Managing Director and Compliance Partner emphasise the importance of the example they set as leaders within the firm, how all team members monitor their actions and it is important that they follow the firms policies and procedures including the Golden Rules.

## 4 System of quality management

- 4.1 During the year we completed the implementation of our system of Quality Management in compliance with the International Standard on Quality Management (UK) 1 (ISQM 1). As part of the preparation for this, the firm completed a detailed risk assessment, and reviewed the controls we had in place to address the risks and implemented further controls, policies and procedures. The firm will continue to enhance, and review its system of quality management to ensure we deliver high quality audits. The first main review will be completed in November 2023.
- 4.2 The majority of the Board and partner team have the audit qualification and fully support the importance of maintaining audit quality throughout the firm, which is reflected in the firm's culture of completing quality work.
- 4.3 The firm has appointed an Audit Compliance Partner who evaluates the firm's quality control procedures on an annual basis, considers compliance with ISQM, 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 partner team.

- 4.4 The firm adopts the audit methodology and procedures manual from a reputable supplier and supplements it with additional policies and guidance as required. The Audit Compliance Partner ensures that these are updated as appropriate. Copies of all of the manuals, policies and guidance are available to all staff on the firm's intranet.
- 4.5 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 aspects of the firm's work across all of our offices. In addition, the firm arranges external independent file reviews including reviews of audit work across our UK offices.
- 4.6 The external audit file reviews were graded 1 to 4, with 1 to 2 being acceptable, although grade 2 indicates some minor improvement, grade 3 shows more significant improvement is needed, and grade 4 would indicate major improvement is required.
- 4.7 In 2022 15% were graded 1, 70% were graded 2, 15% were graded 3. Comparative information has not been provided, as the grading structure was different in previous years.
- 4.8 All listed audit clients have an Engagement Quality Review (EQR) carried out by an independent Responsible Individual and in accordance with ISQM 2.
- 4.9 Where the firm has appointed a new Responsible Individual, or where a Responsible Individual has given notice of intended retirement from the firm, reviews are undertaken by another Responsible Individual prior to the audit report being signed on

their audit files. This will be carried out for a period of time decided by the firm's Audit Compliance Partner which will be dependent on the number of audits they are responsible for and feedback from the reviews.

- 4.10 The results of the internal and external 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 a Responsible Individual's audit files may be placed under EQR if significant issues have been identified from a review, until such time the Audit Compliance Partner is comfortable they are no longer required.
- 4.11 The Board is satisfied that the firm's system of quality control management operated effectively for the year ended 31 March 2023.

## 5 Independence Procedures

- 5.1 The Board has appointed an Ethics Partner, who advises on specific ethical issues as necessary. Guidance and updates on audit and technical issues, including ethics, is available to all teams on the firm's intranet.
- 5.2 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 also have to be considered and

documented again at the completion stage before the audit report is finalised.

- 5.3 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.
- 5.4 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.
- 5.5 An annual internal review of independence is conducted.

## 6 Professional skills and training

- 6.1 The firm ensures that all qualified staff undertake relevant Continuing Professional Development (CPD) training including audit training. An external training firm provides the main CPD training, however in house training is often provided to cover specific areas. If there are any particular learning points identified as part of our file reviews, these are covered either in the main CPD programme or through in house training. The CPD programme also covers specialist areas/sectors as required.
- 6.2 The firm also runs with external support a Stepstones and a Stepahead programme, which focuses on personal development at

different stages of development, from trainee to leaders within the firm.

- 6.3 The CPD records for the firm's Responsible Individuals are monitored to ensure that they have attended appropriate CPD courses. A specific update course was held for Responsible Individuals and those who will be looking to become Responsible individuals in the next 12-18 months. We are currently reviewing our CPD monitoring in anticipation of the new ICAEW CPD regulations coming in November 2023.
- 6.4 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.

## 7 Policy on rotation of key audit partners and staff

- 7.1 For all listed clients the Responsible Individual is rotated after 5 years and the Engagement Quality Reviewer (EQR) does not act for more than 7 years. There is a cooling off period of at least 5 years before they can be the Responsible Individual or EQR for that client again.
- 7.2 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 with appropriate safeguards put in



place, which can consist of partner rotation, an EQR, an ethics review or cold file review.

- 7.3 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 between the ethics partner and the audit partner with safeguards put in place dependent on the particular circumstances.

## 8 Regulatory monitoring

- 8.1 The firm is a Tier 3 firm within the FRC's supervision regime. As we audit PIE's we applied under the FRC's transitional provisions to be a PIE auditor under the PIE Audit Registration Regulations which came into force at the end 2022.
- 8.2 The firm's last completed audit monitoring visit was from the QAD in 2020. As part of the review, 6 files were reviewed and a further file was an aspect review. Although there were some development points noted on some of the reviews, the six files were either adequate or satisfactory. The QAD performed a Practice Assurance review in June 2022.

## 9 Public interest and other UK listed entities

- 9.1 During the year ended 31 March 2023, the firm carried out statutory audits on the financial statements of the following entities:

### Public interest entities

- RCB Bonds plc

### UK listed companies

- Angling Direct Plc (AIM)
- Feedback Plc (AIM)
- Oracle Power Plc (AIM)
- Marula Mining Plc (Aquis Exchange Growth)

## 10 Partners' & Board remuneration

- 10.1 The profits from Price Bailey LLP are allocated to the members on a fixed basis and agreed annually by the Board. A bonus can be paid to the partner which is dependent on the profits of the group and whether the particular partner met their objectives. The Board's remuneration is calculated on the same basis as all other partners.
- 10.2 Audit partners' remuneration is not calculated by reference to the selling of non-audit services to audit clients.

- 10.3 Additionally some of the partners of Price Bailey LLP and Board members are shareholders of Price Bailey Group Limited and will receive further dividends based on the profits of the group.

## 11 Financial information

- 11.1 For the year ended 31 March 2023 the turnover of Price Bailey LLP was as follows:

Revenues from:	£000
The statutory audit of accounts of public-interest entities and members of groups of undertakings whose parent undertaking is a public-interest entity	20
The statutory audit of accounts of other entities	9,332
Permitted non-audit services to entities that are audited by the firm	2,233
Non-audit services to other entities	19,751
	<u>31,336</u>

**Approved by the Governance Board**

## Contact

Catherine Hardinge

Audit Compliance Partner

01279 712712

07799 866010

catherine.hardinge@pricebailey.co.uk :

Office:

Causeway House

1 Dane Street

Bishop's Stortford

Hertfordshire

CM23 3BT

[www.pricebailey.co.uk](http://www.pricebailey.co.uk)