



BSG Valentine

CHARTERED ACCOUNTANTS

TRANSPARENCY REPORT

1. Introduction

We have prepared this Transparency Report, in respect of the year ended 30 September 2022, in accordance with the requirements of Article 13 of the EU Regulation No. 537/2014. This report is the Firm's twelfth transparency report, the fourth report since the partnership incorporated as an LLP.

2. Legal Structure and Ownership

BSG Valentine (UK) LLP ('the Firm') is a limited liability partnership consisting of 9 partners. The Firm is owned entirely by the partners, all of whom are members of the Institute of Chartered Accountants in England and Wales.

3. Governance Structure

The Firm is a limited liability partnership and all partners attend monthly meetings at which matters of management and governance are discussed, agreed and then implemented. In addition, committees under the leadership of a partner or partners are in place to deal with technical & training, IT, salary review, client relationship and other matters that may arise from time to time. Responsible Individuals regularly attend partners' meetings in order to bring audit relevant matters to the attention of the partners.

4. Internal Quality Control Systems

ISQM1 and Ethics

The Firm complies with the requirements of International Standard on Quality Management (ISQM) 1. In 2022 the Firm implemented a new system of quality management in accordance with the requirements of ISQM (UK) 1. The Firm strives to maintain the highest audit quality standards.

The Firm is committed to offering the best possible standards of care and service to clients and before accepting a particular assignment consideration is given to the specialist knowledge required by partners and staff to perform the assignment.

Before accepting a new client, checks are carried out to ensure that the integrity of the client is not in doubt and that the risks of acting for the client are acceptable. Any cases of doubt are discussed at partners' meetings for resolution.

Ethics training is provided to partners and staff on a regular basis to ensure that all partners and staff are aware of the requirements. The Ethics Partner is Nelson Colaco. Appropriate safeguards are adhered to when there is the provision of non-audit services.

Technical knowledge

The Firm is committed to ensuring that Partners and staff maintain an excellent level of technical knowledge. To this end the Firm provides a yearly programme of Continuing Professional Development for Partners and staff in areas such as International and United Kingdom Financial Reporting Standards, International Standards of Auditing, company law, taxation and other matters as necessary.

Trainee Accountants of the Firm are provided adequate theoretical and practical training necessary to achieve their professional qualification.

File Reviews

An Engagement Quality Control Review ('EQCR') is required for certain audit assignments, including audits of public interest entities. These reviews are completed before approval of the audit report.

Cold file reviews are carried out annually by a suitably qualified and independent external audit consultant, ensuring that each Responsible Individual's work is reviewed. A detailed report is prepared for each file review, which is reviewed by the Audit Compliance Principal ('ACP'), Athanasios Athanasiou, and followed up on as necessary.

We do not publish the results of our cold file reviews as the number of files reviewed during the year is not sufficiently large so to be able to draw conclusions about audit quality across all the Firm's audits. The results of cold file reviews are taken seriously and action plans are developed to remediate any deficiencies identified.

Audit performance and monitoring

The audit performance of the Firm is monitored by the Technical Committee, which is also responsible for promulgating best practice, through training and internal communication on accounting and auditing standards. 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.

Quality control is monitored by the Technical Committee. The audit file review system ensures that the work of every Responsible Individual is subject to review and the results of these reviews are considered by the Technical Committee. All Partners and audit staff are provided with any guidance considered necessary. In addition, similar reviews of non-audit work are undertaken.

Employees

HR is delegated to the Firm's practice manager, who is supported through regular management meetings with the partners. Control procedures are in place over the recruitment, appraisal and remuneration processes.

Culture and People

The Firm recognises that the culture within its audit department is a vital component of audit quality. The Firm and the department strive to foster an open and collaborative culture, with senior team members being approachable and available to the audit team. The audit team place audit quality at the heart of each audit assignment. Audit team members are encouraged to be professionally sceptical at all times, to think critically, and to be unafraid to ask questions of the management of audited entities. The audit team are empowered to challenge each other in terms of audit process and critical thinking.

Statement on effectiveness of quality control review system

We consider that the internal quality control system is proportionate to the size of our Firm, and that the controls in place are effective.

5. External Monitoring

The Firm is subject to regular external monitoring by the Quality Assurance Department ('QAD') of the ICAEW. The Firm's last QAD review took place in December 2020. All audit files reviewed were found to be satisfactory.

In addition, the Firm is subject to external monitoring by the Financial Reporting Council ('FRC') due to the fact that the Firm has a fully listed client. The Audit Quality Review Team from the FRC are currently (January 2023) carrying out a review of our PIE audit client audit file and a Firm wide review. This is routine cyclical review. We await the results of their inspection. The last such inspection was carried out in 2020.

6. Networks

The Firm is not a member of any network of Firms or party to any similar arrangements.

7. Public Interest Entities

Public interest entities ('PIEs') are as defined by The Statutory Auditor and Third Country Auditors Regulations 2016. A list of public interest entities for which we carried out statutory audits during the year ended 30 September 2022 is set out below:

- Mountview Estates Plc

In addition, the Firm carried out statutory audits for the following other companies with publicly traded shares in the UK:

- Hermes Pacific Investments Plc (AIM listed)

8. Independence Procedures

Internal policies and procedures are maintained by the Firm to ensure maintenance of independence from its clients and that conflicts of interest are dealt with appropriately and on a timely basis.

All Partners and staff complete annual declarations of their independence. In the event of circumstances affecting independence or conflicts of interest the Audit Compliance Partner will reallocate the work to a different partner.

In addition, the Firm's audit methodology requires us to reassess independence each year. This includes consideration of whether any non-audit services provided by the Firm to audited entities may have an adverse impact on actual or perceived independence.

The audit work of the public interest entity is reviewed by an external independent audit consultant. Certain other audited entities audit entities are also reviewed on a timely basis. In accordance with the FRC Revised Ethical Standard 2019, for the audits of public interest entities, the Firm requires that engagement partners are rotated every five years and that they shall not participate again in the audit before five years have elapsed from that rotation. The length of time engagement managers have participated in the audit is also recorded and reviewed at the beginning of each audit to determine if rotation is necessary.

Our independence procedures are under constant review and are updated as necessary to take account of regulatory and professional developments, for instance the FRC Revised Ethical Standard 2019.

An internal review of the Firm's independence procedures is included in the Annual Compliance Review, which is conducted by the Firm's external independent audit consultant. A review of the Firm's independence procedures was performed by the Firm's external independent audit consultant during the year ended 30 September 2022.

9. Risks to Audit Quality

The most significant challenge faced by the Firm, and we consider across the audit profession, is human resource and attracting and retaining quality audit staff. We are continuously looking to bring in good quality, experienced audit staff whilst at the same time ensuring that we develop existing members of the audit team and provide them with opportunities for advancement.

In 2022 the other significant challenge was the introduction of new auditing standards, namely ISQM (UK) 1, ISA (UK) 315 revised and (UK) 240 revised. This involved investing a significant amount of resource into the preparation of a new quality management system, specific CPD courses and in house training sessions.

10. Statutory Auditor

All statutory auditors within the Firm maintain their knowledge and skills by undertaking Continuing Professional Development (CPD), which includes attending appropriate courses, reading of technical and non-technical material and contributing to internal discussions. CPD is undertaken to ensure that all statutory auditors comply with the requirements of International Education Standard (IES) 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised).

11. Financial Information

The total turnover of the Firm for the year ended 30 September 2022 was £7.4 million, of which approximately £70k was attributable to audit fee income from Public Interest Entities, £930k was attributable to audit fee income from other entities and £275k was attributable to permitted non-audit services provided to audited entities. Revenue from non-audit services provided to other entities was £6.1m.

12. Partner Remuneration

Partner remuneration is based on a partnership profit sharing model in accordance with the partnership agreement. Profits are based upon a performance assessment of each individual partner that takes into account various metrics. No partner remuneration is contingent upon any basis that would compromise the independence of any audit.

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January 2023