

# Transparency Report 2020




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## Legal structure and ownership

We are pleased to publish our Transparency Report in accordance with EU Audit Regulation 537/2014 Article 13, covering the year ended 30 April 2020.

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## AGN International

During the year we have not acted as auditor to any Public Interest Entities, and so this Report has been published on a voluntary basis, rather than being required by the Legislation. One of the entities that we audit was admitted to the London Stock Exchange during the year, but we did not sign any audit reports between the date of its listing and the 30 April 2020. We have also been appointed auditors of a further Public Interest Entity since 30 April 2020.

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### Legal structure and ownership

Shipleys LLP ("the Firm") is a limited liability partnership incorporated in England and Wales. At the time of writing there are fourteen members ("principals") of the Firm, the ten designated members being its owners.

Six principals are members of the Institute of Chartered Accountants in England & Wales (ICAEW), one is a member of the Institute of Chartered Accountants in Ireland and three are members of the Association of Chartered Certified Accountants.

Both of the Firm's offices provide audit services and there are in total thirteen Responsible Individuals of the Firm.

The audit practice is regulated by the ICAEW and is subject to review by its Quality Assurance Department (QAD). In respect of the two audited entities that meet its criteria, such as companies listed on the main London Stock Exchange, the Firm's audit practice will also be subject to monitoring by the Audit Quality Review team of the Financial Reporting Council (FRC) going forward.

### AGN International

Shipleys LLP is a member of AGN International Ltd, a worldwide association of independent accounting and consulting firms. It is not a network as defined by Article 2 of Directive 2006/43/6C and there is no common ownership across the firms. AGN International Ltd has representative members in 85 countries.

### Governance structure

The Firm, whose managing principal is Simon Robinson, is governed by its principals, who are responsible for the formulation of the Firm's strategies and policies. Responsibilities are delegated to a small number of Committees, comprising principals and senior staff. These Committees make recommendations and report to the principals at regular meetings. The decision-making process rests with the principals of the Firm.

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## Internal quality control systems

### Leadership responsibilities

Responsibility for quality assurance within the Firm rests with the Audit Technical Committee, made up of five Responsible Individuals together with senior staff from both audit offices, chaired by the Audit Compliance Principal. Its main responsibility is to establish, implement and monitor the quality control procedures and policies of the Firm in relation to audit, non-audit and other assurance assignments. The Firm promotes a quality control orientated internal culture at all levels of operation, and ensures compliance with professional standards and regulatory requirements.

### Ethical Requirements

The Firm's ethics Principal has overall responsibility for the Firm's policies and procedures relating to integrity, objectivity and independence, compliance with the Auditing Practices Board ethical standards, and effective communication and guidance of these to Principals and staff. The Ethics Principal is supported by the Ethics Committee, made up of the Ethics Principal, the Audit Compliance Principal and senior staff members.

### Acceptance and continuance of client relationships

The Firm has established robust engagement acceptance procedures for all of its prospective clients, which are monitored throughout the duration of the client relationship. They include, inter alia, a clear understanding of the client's requirements, our commitment to offering the very best quality of service and an approval process that is appropriate to the perceived risk.

### Human resources

Our HR team, headed by a principal, is responsible for the recruitment, training, appraisal and remuneration processes. Vigorous selection techniques are pivotal to our policies, together with continuing support at all levels for career development and progression.

### Engagement performance and monitoring

The audit performance of the Firm is principally monitored by its Audit Technical Committee, which is also responsible for the creation of quality control procedures and policies within the Firm and for training and dissemination of technical information throughout the audit practice. It is also responsible for internal and external reviews and monitoring, including engagement quality control and the provision of a forum for consultation on audit and other assurance engagements.

The Firm makes use of independent external consultants to assist with a compliance review of completed audit files. It is the policy of the Firm that at least one audit file is reviewed for each Responsible Individual within at least a two year period. The reviewed files are scored and the results for reviews undertaken in the year are:

Score	% of reviewed files
GRADE B	66.7%
GRADE C	22.2%
GRADE D	11.1%

The results of the reviews have been feedback to the audit team along with review points for consideration on future files. The responsible individual and senior staff members involved in the Grade D file will be subject to additional compliance reviews.

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## Professional skills and values

The Firm is committed to developing and maintaining the highest possible standards for all principals and staff throughout the Firm and it provides an annual programme of Continuing Professional Development, supported by regular internal and external lectures and presentations. A current focus for training is developments in IFRS, FRS 102 and auditing standards, including the revised Ethical Standard. Staff and Principals will undertake work commensurate with their professional competence and expertise. The individual professional development needs of each member of staff are assessed as part of their annual performance appraisal.

## Statement on the effectiveness of our internal quality control systems

We consider that our internal quality control systems are functioning very well.

## External monitoring

As noted above, the Firm is subject to regular external monitoring by the QAD. The last such review took place in June 2018, and in December 2018 the QAD confirmed completion of their review. The firm has not faced any FRC or ICAEW disciplinary proceedings during the year.

The Firm's financial statements are audited by SRG LLP, Chartered Accountants.

The Firm did not have any listed clients that fell within the remit of the Audit Quality Review of the FRC during the year ended 30 April 2020, but anticipates falling under their remit in the next financial year

## Public interest entities

During the year the Firm did not express an audit opinion on the financial statements of any which were traded on a regulated market in the European Union.

## Independence procedures and practices

The Firm maintains internal policies and procedures to preserve its independence and to act with integrity and objectivity. All Principals and staff are required to complete, firstly upon joining and annually thereafter, statements of independence and confidentiality, as well as confirmation of fit & proper status. Any subsequent changes must be notified to the HR and Ethics Principals when they occur. Any occasions of actual or perceived threat or conflict of independence or any other ethical issues will be documented by the Ethics Principal and a plan for their elimination be formulated and acted upon. Compliance with independence procedures and practices is monitored at all stages of the audit relationship, starting at the point of client acceptance. It is then reassessed during the course of each audit or when client ownership or governance changes occur. There are strict procedures for the rotation of principals who have been acting for audit clients over a prolonged period, as required by the ethical standards. There is mandatory Audit Engagement partner rotation after 5 years for audits of public interest and other listed clients. For all other clients, consideration of the need to rotate after 10 years is made through discussion with the Ethics Partner. Independent partner reviews are undertaken if rotation is not considered necessary.

There are also detailed procedures for the provision of non-audit services to audited entities.

Compliance with our independence procedures is ongoing throughout the year. In addition, an internal review of independence practices within the Firm is carried out annually.

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## Challenges to delivering high quality audits

The current Covid-19 pandemic has raised numerous challenges for auditors in terms of remote working. Whilst all our audit files have been paperless for many years and can be compiled and reviewed remotely, not all clients have remotely accessible records, and some audit areas, particularly inventory, are difficult to audit without a site visit.

In some cases, clients have extended their accounting periods to allow for a later inventory check once restrictions have eased. Companies House have also allowed a three month extension to the date that financial statements need to be filed by, allowing additional time to schedule any necessary onsite work.

Face to face discussions are often an important element of assessment of audit evidence. We have rolled out Microsoft Teams across the firm to allow greater use of audio-visual communication, which also allows for video calls and screen shares both with management of the audited entity – useful for certain tests such as when walking through the audited entity's systems and controls – and within the audit team – which is useful for collaborating on tests and when reviewing the file.

Overall it is likely that the pandemic will result in an increased number of modified audit reports where we are unable to obtain sufficient appropriate evidence around areas like property valuations or inventory, and an increased number of references to going concern uncertainty in audit reports given the difficulties in some industries of accurately projecting future trading levels.

## Financial information

Turnover	2020 £'000	2019 £'000
<b>Total Turnover</b>	<b>14,232</b>	<b>13,720</b>
<b>From statutory audit work</b>		
- of public interest entities	-	-
- of other audit clients	3,422	3,360
<b>From non-audit services from audit clients</b>	<b>1,850</b>	<b>1,384</b>
<b>Sub-total</b>	<b>5,272</b>	<b>4,744</b>
<b>From non-audit services to non-audit clients</b>	<b>8,960</b>	<b>8,976</b>
<b>Total</b>	<b>14,232</b>	<b>13,720</b>

The 2020 figures have yet to be audited. Non audit services include accounting, tax compliance and advice, business planning, corporate finance and transaction support, payroll and company secretarial matters. A minor amount of corporate recovery insolvency work is also included in the above non audit figures which has arisen on a run off basis. This service ceased to be offered to new clients prior to 30 April 2015.

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## Remuneration of Principals

Profits are shared in accordance with the Members' Agreement and are determined following a performance review and assessment at a meeting of the designated members. Performance assessment includes delivery of an outstanding service to clients, technical excellence, quality and risk management, staff development and the overall contribution made to the financial success and reputation of the Firm.

Audit Principals are not remunerated by reference to the selling of non-audit services to audited entities.

A handwritten signature in black ink that reads "Shipleys LLP".

Shipleys LLP.  
London, August 2020

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