

Transparency Report 2022

PKF

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We are pleased to present our Transparency Report for the year ended 31 May 2022 designed to give information on the ownership and governance of the firm and the measures we take to maintain independence and high-quality standards in our audit and other services.

We have delivered another strong year of growth across our firm and, in particular, in our insurance audit and listed audit teams – we are now the sixth largest auditor to LSE listed companies and second-ranked for those on AIM.

We are proud of this growth and the team of people we have who have helped us to achieve it.

We also take pride in the fact that this growth has been accompanied by a significant investment in our people, our processes and our infrastructure. We believe that this investment is vital to ensure that our work remains of the highest quality as the firm takes on larger and increasingly complex clients, and comes under increasing scrutiny from the public, the markets and regulators.

The resulting transformation has been evident across our business, in areas such as recruitment in both client facing and support functions, training, data analytics, IT platforms as well as relaunching our in-house skills training courses and values inductions following the end of pandemic linked restrictions. All of these initiatives have made a positive difference in terms of how we behave as individuals and how we operate collectively as the firm.

Our Technical team and Professional Standards Committee – with the full support of the firm’s Leadership Team and oversight from our independent non-executives – have played a key role in the design and delivery of these elements. We would like to thank them for their work.

Quality control is central to our culture and we are mindful that the rapid growth of the audit divisions has the potential to impact on the delivery of consistently high-quality audits. We set out how we monitor engagement performance later in this report. We also provide a brief summary of the work we are doing to implement the new International Standard on Quality Management (ISQM 1).

Looking ahead, we plan to maintain our investment in our firm as we continue to evolve our practice and respond to the opportunities we expect to emerge as a result of the reform of the audit market.

As a firm, we have achieved a great deal together over the past few years. We look forward to continuing to forge PKF Littlejohn’s reputation in the audit marketplace in the years ahead.

Dominic Roberts
Managing Partner



PKF Littlejohn LLP is a limited liability partnership governed by the terms of its Members' Agreement and is owned by its equity partners.

At 31 May 2022 there were 16 full equity and 18 fixed equity partners. At the date of this report there are 18 full equity and 18 fixed equity partners.

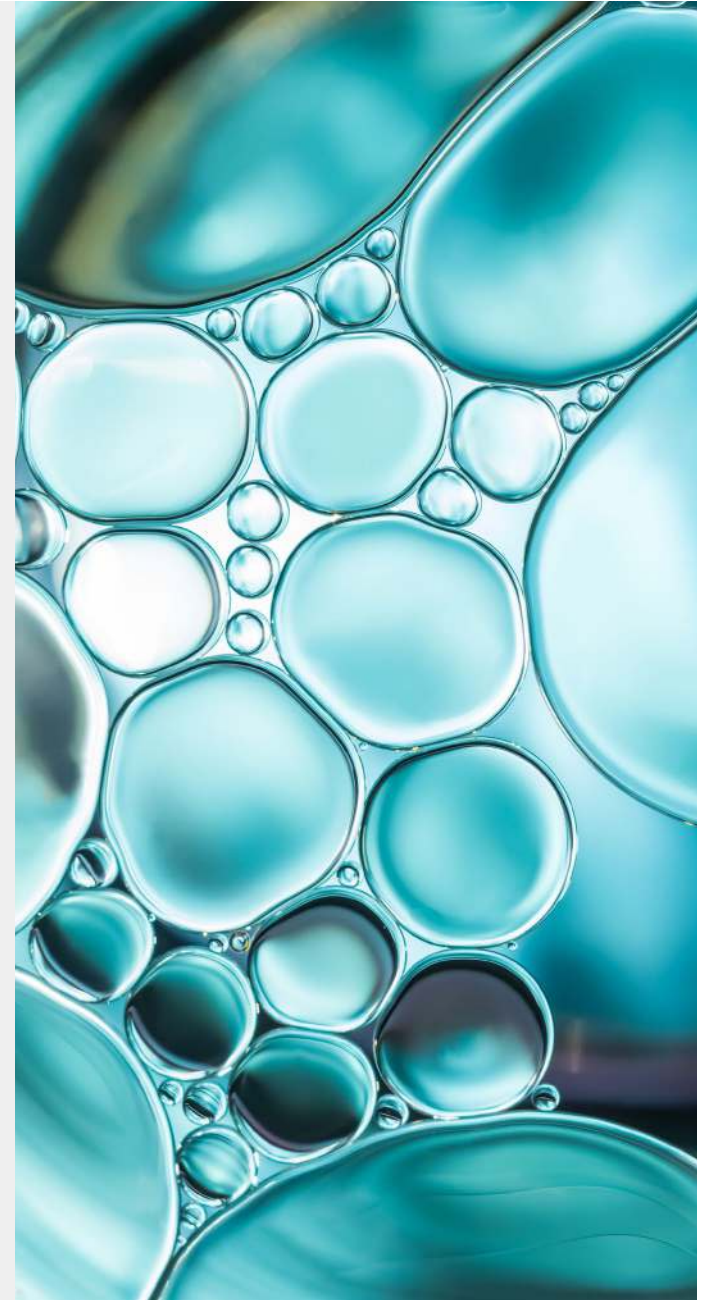
The firm operates from its offices at 15 Westferry Circus, Canary Wharf, London E14 4HD and One Park Row, Leeds, LS1 5HN.

We offer a range of services comprising business advice, audit, accountancy, internal audit, taxation (corporate and personal), corporate finance, IT consultancy, litigation support, business recovery, turnaround and insolvency services.

PKF Littlejohn Canillas Limited a joint venture with PKF Canillas is a registered auditor in Gibraltar. In addition, through its partnering arrangements with Capitalise (www.capitalise.com/) and Escalate (www.escalatedisputes.co.uk/), the firm offers funding solutions and dispute resolution services for SMEs.

We have three principal active subsidiary companies:

- PKF Geoffrey Martin & Co Limited which specialises solely in business recovery, turnaround, fraud investigation and insolvency services.
- PKF Littlejohn Payroll Services Limited provides outsourced payroll services using The Access Group as the provider of payroll services.
- PKF LJ South Africa (PTY) which provides the services of its employees to the Firm.



The firm is a member firm of the PKF International (PKFI) family of legally independent firms. The PKF Network consists of members firms in locations around the world, providing assurance, accounting, business advisory and taxation services. PKFI is a member of the Forum of Firms – an organisation dedicated to consistent and high-quality standards of financial reporting and auditing practices worldwide.

PKFI administers a family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual members or correspondent firm or firms.

Legal Basis

The network formed by PKFI and the member firms (the Member Firms or Members) is regulated by adherence to an Agreement (the “Agreement”) between and individual Members. The Agreement authorises the Members to use the PKF name as defined under specific circumstances, under specific conditions, for specific purposes and in a specific territory, in consideration for which the Members pay a membership fee to PKFI.

PKFI is a private company (the Company) registered in England and limited by guarantee (registered number 03816253). The Company’s Articles of Association require a Board of Directors who conduct the business of the Company and network. The Board has a strategic and co-ordinating role but has no executive authority over or involvement in the operations of individual Member Firms.

Each Member Firm is a legally independent entity owned by partners or shareholders and managed in each location. The Company has no financial or management interest in any member firm. None of the directors of the Company has a financial or management interest in any Member Firm other than his or her own.

Contractual relations are only formed between a client and the member firm engaged by the client and no other member firm may be held liable.

Structure

Member firms are organised into five geographical regions. Each region has a regional board and elects or nominates representatives to the Company’s Board of Directors.

There are two international committees responsible for professional and practice standards – the International Professional Standards Committee (incl. Assurance) (IPSC) and International Tax Committee (ITC). A number of additional practice area committees operate both regionally and internationally.

Quality Assurance

PKFI operates a Global Monitoring Programme (GMP) covering Member Firms. The principal objectives are to ensure that the standards expected for the performance of certain types of professional work by Member Firms are established and communicated to Members, that those standards meet appropriate recognised professional practice requirements at least for transnational and referred work, and that a programme of monitoring of compliance with expected standards is operating effectively.

Member Firms, Countries and Turnover

PKFI distinguishes between member firms and exclusive / non-exclusive correspondent firms. Correspondent firms do not form part of the Network as defined by the Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants (IESBA), do not have equivalent rights and privileges or responsibilities of Member Firms, and are covered by the GMP only to the extent of assessing correspondent firms as part of their admission to full membership. An up-to-date list of Members and correspondent firms, including the firm names and countries in which they are registered and operate from, can be found on the website www.pkf.com.

The aggregate fee income which relates to the statutory audit of annual and consolidated financial statements for EU EEA members firms (excluding correspondent firms) that belong to the PKFI network, (as set out in Appendix 3), as reported in the Firm Compliance Reporting ending 30 June 2021, is US\$88.2 million.



The firm is managed by a board, concentrating on strategic matters and reporting and accountable to the partnership as a whole. The terms of reference for the Board are available on the Firm's website. The current board comprises a Managing Partner and Chairman who are elected by the partners and two partners appointed by the Managing Partner from time to time as well as two independent non-executive board members appointed by the Board.

As at 31 May 2022 the board comprised:

- Mark Ling
(Chairman until 31 August 2021)
- Ian Cowan
(Chairman from 1 September 2021)
- Dominic Roberts
(Managing Partner)
- Carmine Papa
- Neil Coulson
- Andrew Shepherd
(Independent Non-Executive board member)
- John Wallace
(Independent Non-Executive board member)

Mark Ling stood down as Chairman on 31 August 2021 and Ian Cowan was elected in his place with effect from 1 September 2021.

Biographical details for the members of the board together with their length of service on the Board are provided in Appendix 1.

The Firm complies with the Audit Firm Governance Code, it has not adopted any additional provisions from the UK Corporate Governance Code

The day to day running of the firm is handled by the leadership team which is appointed by the Managing Partner. The terms of reference for the Leadership team are available on the Firm's website. The membership of the leadership team consists of Partners and Directors who assist the Managing Partner in carrying out his business on a Firm wide level. Its remit covers the operation of the whole Firm and is not limited to the audit practice. The work performed by the leadership team is overseen by the board.

In accordance with the Firm's Board Governance Principles the board evaluates its own processes and performance including the work of its committees annually to ensure its ongoing

effectiveness. The board also monitors the decisions and actions and performance of the firm's management (i.e. Managing Partner and Leadership team) including compliance with the Audit Firm Governance Code.

The performance of the Managing Partner, Chairman and other executive members of the board is reviewed annually, the performance of the INEs is reviewed by the Chairman and Managing Partner.

The Chairman is elected by the Partners for a term of 2 years whilst the other board members including the INEs are selected by the managing partner subject to Board approval, for terms of 3 years and may serve for one further consecutive term if reappointed.

The Managing Partner has the authority to establish any policy, make any decision, enter into any obligation, take any action and develop any activity that will achieve the PKF LJM Goal across both the Audit and non-Audit business provided that these are within a reasonable interpretation of the Reserved Matters Schedule (as amended from time to time). This authority is established within the firm's Board Governance Principles.

All MP and LT actions and decisions are carried out in accordance with commonly accepted business practice and professional ethics and within the Reserved Matters Schedule. The Board may at any time change the authority of the MP and LT and in particular, may change the PKF LJM Reserved Matters Schedule other than those items reserved for Partners within the Partnership Deed. The Board respect and support the MP's and LT's decisions and judgement within the proper exercise of their authority.

Key Performance Indicators (KPIs) to monitor the performance of the governance system of the Firm are set by the Board. The KPIs are reviewed by the Board and any variances from the expected performance are investigated and any necessary actions taken. Attendance at Board meetings and meetings of sub-committees of the Board by the members of the Board were identified as KPIs for the governance system in the year to 31 May 2022. Details of the attendance by the members of the Board are provided in Appendix 1.

The current AFGC has an expectation that multiple KPIs on the performance of the governance system will be identified and monitored by an audit firm. The new AFGC which applies to periods commencing on or after 1 January 2023 contains

a similar expectation. At the time of the Firm's first application of the AFGC and in this period the KPIs of meeting attendance were identified as the most appropriate KPI given the development of the Firm and its governance system. In implementing the requirements of the updated AFGC the Firm will review whether there are additional appropriate KPIs for the governance system given its subsequent development.

The Board maintain and regularly review the firm's register of risks which threaten its business model, future performance, solvency or liquidity or the sustainability of the Firm. Matters to be included in the register are identified by the board and by all other aspects of the governance structure all of whom have reporting lines to the board. In addition the board discuss at each meeting matters in relation to expectations for the conduct of the firm's business and its employees as represented by the firm's Values and Code of Conduct which is available on the Firm's website.

Partner remuneration

Fixed and full equity partners receive a fixed share of the profits as a first charge on the overall profits of the firm. The second charge on the firm's profit is the award of bonuses both to fixed and full equity partners. The amount of any bonus awarded

is assessed by the leadership team, moderated or amended by a remuneration committee, and ultimately approved by the equity partners. The remuneration committee is not a sub-committee of the Board, its members are appointed by the partners directly through a biannual partner vote. The Managing Partner and Chairman are also appointed to sit on the committee.

Any residual profit is then allocated to the full equity partners based on their profit share. The fixed share of profits and the full equity partners profit shares are reviewed on an annual basis by the remuneration committee. The assessment takes into account partners' performance assessed against criteria covering client service, technical performance, technical ability, working capital management and management responsibilities.

The weighting attributed to these factors varies according to the circumstances of individual partners and the needs of the firm determined by management from time to time.

Two of the five areas captured in the assessment of an audit partner's performance are focused on achieving audit quality. Audit partners are not incentivised through the process to gain non-audit work from audit clients.

The following information has been extracted from the unaudited financial statements for the year ended 31 May 2022, demonstrating the importance of statutory audit work to the overall results of the Firm.

	Year ended (£m) unaudited		
	31 May 2022	31 May 2021	31 May 2020
Statutory audit fees of Public Interest Entities (PIEs)	3.1	1.8	0.9
Statutory audit fees of other audit clients	22.0	17.1	11.7
Fees for non-audit services to audit clients	6.3	4.1	5.1
Fees for non-audit services to non-audit clients	16.1	18.0	16.9
Total revenue	47.5	41.0	34.6

The Firm achieved a strong set of financial results for the year ended 31 May 2022. The Board remain cautiously optimistic about the strength and resilience of the Firm's business model over the coming year.

A list of the Public Interest Entities in respect of which PKF Littlejohn LLP issued a statutory audit opinion in the year ended 31 May 2022 is set out in Appendix 2.



PKF Littlejohn LLP has established a quality control system that encompasses the six elements of quality control embedded within International Standard on Quality Control (UK) 1 (ISQC1), which deals with a firm's responsibilities for systems of quality control for audits and reviews of financial statements and other assurance and related engagements. As set out in the Engagement performance section of this Transparency Report a new International Standard of Quality Management will apply from 15 December 2022.

The elements of quality control set out in ISQC (UK) 1 have relevance to all services provided by the firm and the firm has applied them as follows:

Leadership responsibilities

Responsibility for the effective operation of the quality control system lies with the Managing Partner who is accountable to the board and the partnership as a whole.

Professional standards and procedures are set by our Professional Standards Committee (PSC). The PSC is not a sub-committee of the Board, it reports directly to the Managing Partner who is a member of the PSC. To avoid the possibility of management override, the PSC has whistle blowing

responsibilities both to the board and the overall partnership. The firm has also appointed audit, ethics, money laundering, investment business and practice assurance partners who report directly to the Managing Partner but who also report to the PSC as appropriate on the firm's compliance with those areas which they are responsible for.

The PSC operates primarily by publishing internal Professional Standard Notes (PSNs), which set out the standards that the firm must meet in order to comply with ISQC (UK) 1 and other professional standards. The PSC also monitors compliance and receives reports from the monitoring of quality (see below) and makes recommendations for improvement to the Managing Partner. Responsibility for implementing the firm's professional standards lies with the leadership team.

The Independent Non-Executive Board members meet with the Chair of the PSC, who is also the Audit Compliance Partner before each meeting of the Board. The purpose of these meetings is to receive an update on the work of the PSC including any matters which the PSC wish to bring to their attention.

Independent Non-Executives

The Independent Non-Executive Board members (INEs) are independent from the Firm and its Members and are initially appointed to serve a term of three years and may serve for one further consecutive term if re-appointed. The INEs comply with the policies and procedures of PKF LJM and their duties are set out in a formal contract and job specification. Compliance with the policies and procedures of PKF LJM includes the completion of an annual declaration by the INEs of their independence, freedom from conflicts of interest and that they hold no prohibited investments on the same basis as Partners and staff of the Firm

Non-Executive Board members (INEs) are paid a fee determined by the Board. The fee is not based on the performance or profitability of the Firm and the INEs do not have any equity interest in the Firm. The fee determined by the Board takes into account the time requirement for the INEs to fulfil their duties effectively and market conditions.

The firm's INEs are responsible for the oversight of the Firm's policies and processes and in particular those related to:

- Promoting audit quality;
- Helping the Firm secure its reputation more broadly, including in our non-audit businesses; and
- Reducing the risk of firm failure.

Reviews conducted by the INEs are designed to cover all material controls, including financial, operational and compliance controls and risk management systems as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the Firm.

In order to perform this role, in addition to attending Board and Partner meetings, the INEs have the right of access to relevant information and people within the Firm. The INEs have regular contact with the Ethics Partner and the Professional Standards

Committee including involvement in scheduled and ad hoc meetings. The INEs play a part in reviewing the effectiveness of the Firm's systems of internal control and as such are members of the Firm's Audit and Risk Committee.

The Audit and Risk Committee is a sub-committee of the Board, its terms of reference and a description of its work and how it has discharged its duties are available on the Firm's website.

The firm has in place policies and procedures for managing its partners and staff which support its commitment to the professionalism, openness and risk management principles set out in the Code, In order to review these people management policies and procedures as they apply to the staff the INEs interact with the Human Resources Department. For partners, the INEs also review the recommendations made by the Firm's Remuneration Committee.

As Independent members of the board the INEs provide a truly independent channel of communication for all partners and members of staff and as such are responsible for the whistleblowing process and are the first port of call for any whistle-blowers.

The Board Governance Principles state that the Board should be of a size which enables the full engagements of all the Board members and a minimum of five members including the INEs. In light of the size of the Firm and the number of public company audits undertaken the Board consider that it is appropriate to have two INEs as members of the Board. The Audit Firm Governance Code suggests a minimum of three INEs, a third appointment will be made when the Firm has been appointed as statutory auditor for an appropriate number and size of public company clients or has grown to such a size and complexity whereby a third member would be appropriate. This is reviewed on a regular basis by the Board.

The INEs have engaged in a programme of oversight which has enabled us to fulfil our obligations in alignment with the principal objectives of the Audit Firm Governance Code:

- to help promote audit quality
- to help the Firm secure its reputation more broadly, including its non-audit business; and
- to help reduce the risk of firm failure.

INEs activities

The INEs have mapped and planned our activities directly to the principles laid out in the Audit Firm Governance Code (AFGC) and this report provides an explanation of how we have worked to fulfil that plan in order to oversee audit quality and the wider business more generally, over the reporting period.

We have exercised our unfettered rights to access any relevant information and people within the firm in order to meet our responsibilities. This has included attendance of the firm's Board and Partner meetings which together provide the opportunity to observe, understand and where required, to independently challenge, aspects of the firm's operation.

There is a protocol available to deal with any disagreement which arises between the INEs and a member of the Board or the Leadership team. In

the event of such a disagreement the matter will be overseen by the Chairman, who will seek resolution between the parties involved. If that disagreement exists with the Chairman, the Managing Partner will oversee and seek resolution accordingly. Where a resolution is not possible, and the INE resigns from their position, this matter will be disclosed in PKF LJN's transparency report. No such disagreements have occurred in this period.

In addition, we have met regularly with members of other relevant governance structures within the Firm and Partners, Directors and Staff including the following:

- Board.
- Chair of the Professional Standards Committee (PSC);
- Chief Financial Officer;
- Ethics Partner;
- Head of Audit;
- Human Resources Director;
- Money Laundering Compliance Partner;
- Practice Assurance Partner; and
- Other partners, service directors and staff as we consider is required or is requested by those individuals.

We have also met on many occasions as INEs to discuss matters relevant to our remit.

These meetings have enabled us to gain sufficient understanding to allow us to undertake our oversight and to raise topics with or to provide constructive challenge to the Board and/or Managing Partner where we deem necessary.

Promoting Audit Quality

In order to promote and oversee Audit Quality we hold regular meetings in advance of each Board meeting with the Chair of the PSC and the Partner who heads the Technical and Compliance Department.

These meetings enable us to:

- understand any issues that have arisen in all quality monitoring reviews;
- review reports of any ethical issues;
- oversee the actions implemented to improve audit quality; and
- observe adherence to ongoing training on technical and compliance matters which keeps partners and staff abreast of all new audit standards and regulatory changes.

We also consider the level of resource available within the Firm to monitor and ensure audit quality

and have challenged the Board and Managing Partner on this area.

We have also reviewed the Root Cause Analysis work undertaken in the year. In addition, we have met with the Human Resources Director to promote the embedding of quality in the firm's culture.

Our regular attendance at Board meetings has allowed us to observe the leadership tone and the Board's implementation of its strategy of striving for quality at all levels.

Securing the Firm's reputation

The Board and the Firm place considerable importance in reducing any reputational risk. This is reflected in the change during the year of the Terms of Reference of the Audit Committee to introduce Risk within its remit. We have sought to oversee the mitigation of this risk through the Firm's Risk Register.

To be aware of any issues that may affect the Firm's reputation we have reviewed reports from the Ethics Partner and the Chair of the PSC relating to ethical matters, litigation and claims, reputational matters and whistleblowing.

As INEs we have ensured that the Firm has an effective whistleblowing process in place, and

we manage the Firm's dedicated whistleblowing communications channel.

Reducing the risk of Failure

Within our remit we pay particular attention to all identified and emerging risks to audit quality and how they are addressed. We are active members of the Audit and Risk Committee, have worked to help the firm identify ongoing and emerging risks and observed mitigation actions for those risks.

We have considered a wide range of issues during the year including paying particular attention to the following:

- We have had regular contact and been able to raise queries with the CFO and have had oversight of the budgeting process and setting of assumptions. We have received and reviewed management accounts and have been involved in related discussions during board meetings. We have also been engaged in the process of briefing the firm's auditors and attended the post audit review.
- The Firm recognises the importance of nurturing its staff without whom the Firm is at risk. We have observed the Board developing and enacting the Firm's strategies for recruitment and retention including leading the culture of treating

its people well and have met with staff at various levels of seniority to hear their views. We have also received reports from the Remuneration Committee and observed related discussions.

- As part of the Board we have reviewed the firm's register of risks which threaten its business model, future performance, solvency or liquidity or the sustainability of the Firm. During the reporting period we have observed the Board demonstrating its commitment to reducing the risk of failure by improving the Risk Register to better recognize and mitigate against emerging risks as well as ongoing risks. We have also observed board discussions in relation to expectations for the conduct of the firm's business and its employees as represented by the firm's values and Code of Conduct.

Conclusion to the report of the Independent Non-Executives

Through the range of activities described above we believe that we have been able to satisfy ourselves that the management of the firm is focused on audit quality, safeguarding its reputation, reducing the risk of failure and building a better firm.

The requirement to comply with the ICAEW's Code of Ethics, the Financial Reporting Council (FRC) Revised Ethical Standard 2019 and, as the firm is a member of the PKF network and Forum of Firms, the IESBA Code of Ethics is set out in the firm's PSNs.

The requirement to comply with the Bribery Act 2010 and the firm's PSNs are set out in the staff handbook and form part of the employees' contracts of employment. The requirements for the partners to comply are contained in the Members' Agreement.

The firm's PSNs, which also cover independence requirements, set out the following:

- Adherence to the ICAEW's Code of Ethics, FRC Revised Ethical Standard and IESBA Code of Ethics takes precedence over commercial considerations.
- Before accepting any new work assignments from either new or existing clients, partners and staff must take reasonable steps to identify circumstances that could pose a conflict of interest both within the firm and the PKF network.

- Conflict of interest checks within the PKF network must include a review of the PKFI Transnational Entities database to establish if any network firm has an existing relationship with the new or existing client.
- Partners and managers are required to keep independence issues under constant review and, in respect of audit assignments, reconfirm the firm's independence having regard to FRC's Revised Ethical Standard, prior to the commencement of every audit.
- All members of the firm are required to complete an annual declaration of their independence, freedom from conflicts of interest and that they hold no prohibited investments.
- The Ethics Partner has completed a review of the annual declarations for independence compliance submitted by partners and members of staff for the year ended 31 May 2022.
- Gifts and hospitality can only be accepted or offered where an objective, reasonable and informed third party would consider, or perceive, the value to be trivial or inconsequential.
- The Ethics Partner must be consulted on all questions related to independence and professional ethics. The decision of the Ethics Partner on each matter is final.
- Instances of non-compliance with or breaches of the firm's procedures must be reported to the Ethics Partner.
- The firm's policy on the rotation of key audit partners and staff is set out in a specific PSN. All partners and staff involved in a PIE audit must follow the firm's rotation policies which have been established in line with the underlying ethical and legal requirements relevant to the firm. In summary these policies are:

Role	Maximum period in that role	Minimum period before an individual can be involved in the audit again
Engagement or Key Audit Partner	5 years*	5 years*
Key Partner involved in the audit	7 years	2 years
Engagement Quality Control Reviewer	7 years	5 years
Other Partners and staff in senior positions	An assessment of any threats to the independence of the Firm is undertaken after 7 years. Involvement will only continue with safeguards applied	n/a

* Where the audit committee of the entity (or equivalent) request an extension to this, the Firm's Ethics Partner may grant an extension for up to two years. Where such an extension is granted the minimum period before the individual can be involved in the audit again is extended by the same period.

Acceptance and continuance of client relationships and specific engagements

The firm has detailed procedures covering the acceptance and continuance of client relationships and new specific engagements. A comprehensive client acceptance form must be completed prior to acceptance of every appointment. This requires identification of the prospective client, an assessment of our independence, integrity and objectivity, freedom from conflicts of interest, an assessment of whether the firm has the requisite skills and available resources to carry out the engagement and an assessment of the risk the prospective client would present to the firm.

Conflict of interest checks are completed prior to preparing a proposal for a potential new client or before agreement for the provision of a new service to an existing client. The checks include a consideration of whether the entity is a transnational entity, a public interest entity or a listed entity. Transnational entities are those entities whose financial statements may be relied upon outside the audited entity's home jurisdiction for the purposes of significant lending, investment or regulatory decisions. A database of such entities is maintained by PKFI to enable identification of those entities where another network member firm provides services to that entity.

Upon acceptance of a new client or a specific engagement from an existing client, the firm issues a detailed engagement letter for agreement by the client, setting out, inter alia, our understanding of the nature of the assignment and what is required of us and our standard terms of business.

In addition to the above, partners and staff involved in audit engagements, including statutory audits of PIEs, must separately complete a client acceptance of (re)appointment form before any work commences to ensure compliance with the requirements of the FRC's Revised Ethical Standard.

All personnel are required to monitor the Prohibited Investments list maintained by the firm to ensure that they do not hold an interest in a client of the firm.

Human resources

The firm has established policies and procedures to ensure that partners and staff are equipped with the required technical skills and reflect the firm's values of commitment to client service and high professional and ethical standards, covering objectivity, integrity and independence.

The firm sets high standards for the recruitment and promotion of personnel, in particular with regard to the selection and interview of candidates

and the qualifications including relevant experience as required. Partners are involved in all interviews and references are always taken, including verification of membership of professional or regulatory bodies.

All personnel undergo regular appraisals dealing with past performance, future development and training needs as aligned to the relevant competency framework. Audit staff receive performance appraisals at the end of each significant assignment, which includes the assessment of the achievement of audit quality, and this is fed into their six-monthly appraisals.

The firm adheres to the requirements of the ICAEW for continuing professional development (CPD). Responsibility for providing full support for the development needs of individuals lies with the leadership team.

The training programme is informed by new technical developments, the identification of training needs through appraisals, the firm's quality control system and a review of CPD records maintained by staff.

The firm provides:

- Dedicated technical support staff
- A technical library, including online resources available via the firm's intranet
- Manuals setting out the firm's procedures for all audit and assurance engagements as well as other services provided by the firm
- Membership of the Faculties and Special Interest Groups of the ICAEW and dissemination of their guidance and bulletins to audit partners and staff
- Subscription to the email update service of the Financial Reporting Council, enabling early access, inter alia, to its output pertaining to audit and accounting, which is disseminated to audit partners and staff
- Regular internally and externally provided update training for partners and staff dealing with current developments in accounting, auditing, ethical standards and tax
- Internal training courses tailored to the specific roles of individuals at each stage of their careers (e.g. audit assignment leaders course and Director Responsible Individual training)

- Ad hoc internal and external training to meet specific needs.

Details of the mandatory training for relevant staff are as follows:

- Accounting updates
- Audit updates
- Tax updates
- Ethics updates
- Anti-money laundering
- Anti-bribery and corruption training
- GDPR training
- A portfolio of management skills training
- Other technical based training as appropriate for specific partners and members of staff

The firm is an accredited training office with the ICAEW, the Association of Certified Chartered Accountants and the Association of Accounting Technicians. The progress of students studying for their professional qualifications with these and other bodies (for example, the Chartered Institute of Taxation) is carefully monitored, with each student being closely supported.

Details of our monitoring procedures and the results from them in the year to 31 May 2022 are included in this report.

Quality control is central to the culture of the Firm, with regular updates and reminders being provided to all of their personal and collective responsibility. The results of our monitoring procedures are reviewed by the PSC and discussed with the INEs with as would be expected given the growth of the audit divisions a focus on audit quality. If challenges to consistent quality are identified a root cause analysis is undertaken and steps taken to address matters identified.

As noted in their report the INEs identified during the period that the level of resources available to the Firm had the potential to impact on audit quality. The availability of appropriate resourcing is considered prior to taking on new engagements. We note that the recruitment of qualified audit staff is a challenge for all audit Firms however the Managing Partner has taken this a priority and is actively involved in the recruitment of additional audit, technical and compliance resources.

A new International Standard of Quality Management (ISQM (UK) 1) will come into effect

on 15 December 2022. The standard, which replaces ISQC (UK) 1 requires Firms to design, implement, monitor and evaluate a system of quality management that ensures the Firm will meeting audit quality objectives that are prescribed in the standard.

The Firm has developed a timetable for the implementation of the new standard which has included workshops involving the subject matter experts to map our current system of quality management and identifying recommendations for the Firm to consider in its implementation of ISQM (UK) 1.

The firm's procedures for engagements are set out in professional standards notes (PSNs) developed by the firm. In respect of audit and assurance engagements, the firm uses proprietary audit programmes which have been developed with the firm's own programmes for specialist audits, including the statutory audits of PIEs.

All professional work is subject to review by managers, directors and partners, with clear guidelines laid down for second partner consultation, engagement quality control reviews, consultation with the compliance partners and the use of external experts where required.



Monitoring

Internal quality control

The firm engages external reviewers to monitor the quality of audit, assurance and tax work, as well as other services provided by the firm. Our external reviewers also carry out an annual whole firm practice assurance review.

Reviews take place eight times per annum with reports delivered to the PSC and the Audit Compliance Partner. The PSNs set out the actions to be taken including that a formal response to the PSC is required from the relevant audit or other partner where a review produces either a conclusion other than no improvements or minor improvements required. Formal responses are reviewed by the PSC and any matters addressed with the audit team or if of a more general matter by a review of the Firm's procedures to prevent recurrence of the issue. If an audit partner is required to provide a formal response to a review of their work on an entity, the audit of that entity in the next period is automatically selected for review.

The process of review by the PSC and Audit Compliance Partner assists in identifying both general and specific quality control concerns.

The reviews of the firm's audit work are performed to ensure the firm is compliant with the requirements of ISQC (UK) 1. In the twelve-month period ended 31 May 2022, overall, the firm achieved its longstanding average benchmark that at least 85% of the files reviewed required either minor or no improvements. The number of audit files reviewed together with the percentage of those that required either minor or no improvements in the last five years is as follows:

	2022	2021	2020	2019	2018	5-year summary
Number of audit files reviewed	27	29	32	29	28	145
% of those files that were identified as requiring either no or minor improvements	85%	86%	84%	93%	78%	85%

As noted in their report the INEs continue to challenge the Firm on the results of these reviews, in particular where the results for a year identify a decline from the previous period.

External quality control

PKF Littlejohn LLP is a Registered Auditor and is regulated in the conduct of its services by the Financial Reporting Council and the Institute of Chartered Accountants in England & Wales (ICAEW), including as a Designated Professional Body for investment business. The firm is registered with the Isle of Man Financial Services Authority and the Jersey Financial Services Commission to undertake audit work in connection with market traded companies incorporated in the Isle of Man and Jersey respectively. The firm is also registered with the Public Company Accounting Oversight Board and the Canadian Public Accountability Board to undertake audit work in connection with US and Canadian listed entities respectively.

As a statutory auditor of entities defined as public interest entities, the firm is subject to monitoring by the Audit Quality Review Team (AQR) of the Financial Reporting Council. The AQR reviewed the firm in November 2020, the final report was received in October 2021. The firm is currently addressing the findings of the review and is on track to address all matters by the 31 December 2022.

The firm is also subject to periodic audit and practice assurance reviews by the Quality Assurance Department (QAD) of the ICAEW with full and limited audit assurance reviews on alternate years. The QAD carried out a full audit monitoring visit in November 2021 with the final report being received in June 2022.

The European Court of Auditor also reviews the firm's work on those services provided to the European Union or its institutions.

As a member of the PKF network, the firm is also subject to periodic reviews by the PKF International. Having last completed a review in August 2019 the next review commenced in September 2022 and is ongoing.

The results of all internal and external quality control reviews are used to inform improvements to the firm's policies and procedures and are also fed into the firm's internal training programme.

Where appropriate and considered necessary, the PSC will issue Quality Control Monitoring Alerts to bring to the attention of partners and staff any matters that need to be addressed.

Directors and associates of PKF Geoffrey Martin & Co Limited who act as insolvency practitioners are individually authorised and regulated either by the Insolvency Practitioners Association or the ICAEW, both bodies are recognised by the Insolvency Service (an executive agency sponsored by the Department for Business, Energy and Industrial Strategy), which is the ultimate regulator of the insolvency profession. Practitioners are typically inspected on a cyclical basis. Practitioners who are Directors and associates of PKF Geoffrey Martin & Co Limited that are based in Leeds were last inspected in 2020, those in London were last reviewed in 2017.

Investor and external dialogue

Partners, Directors and staff members of the Firm engage with regulators, standard setters and investor groups to help influence and shape developments in regulatory change and reporting. We respond to consultations issued by regulators having where appropriate consulted with our clients to obtain their views.

We issue capital markets and other publications which include thought leadership in a number of areas. Partners, Directors and others sit on working groups within both the auditing profession and others for specific industry types.

Dominic Roberts
Managing Partner

For and on behalf of PKF Littlejohn LLP
30 September 2022



Appendicies

Appendix 1: Brief details for the members of the board



Carmine Papa
Partner

(member of the board from 1 June 2008 until 31 May 2019 and then from 1 June 2020).

A leading insurance market specialist with over 35 years' experience in the sector, Carmine helped establish some of today's largest insurance related groups.

He advises large UK and international clients, both listed and private, across a range of financial services sectors. His funds and asset management sector experience ranges from small unregulated companies to larger more complicated fund managers with up to £3 billion under management. He has a good understanding of the regulations surrounding the investment and wealth management industry, including a working knowledge of the CASS rules.

Carmine is a member of our Board and Leadership Team. He is also Head of PKF's Financial Services division and a member of our Professional Standard Committee, which is responsible for audit quality across the firm.



Dominic Roberts
Managing Partner

(member of the board from 1 June 2019)

Dominic, together with his colleagues on our three-person Leadership Team is responsible for setting the business' objectives, developing and monitoring our strategic direction, and driving our continued growth. Dominic also plays an active role in ensuring that PKF remains at the forefront of promoting the wellbeing of our people.

Dominic made his name as a transaction services and audit specialist in our Capital Markets team where his portfolio has included clients listed on the LSE, AIM, NASDAQ, AQUIS, TSX and ASX stock exchanges. During Dominic's time as Head of Capital Markets, the team expanded rapidly to become the sixth largest auditor of listed companies, according to the respected ARL Adviser Rankings guide.

Dominic is also a member of the board of PKF International, ensuring that the network remains ideally positioned to serve aspirational clients with multinational operations.



Ian Cowan

Chairman
from 1 September 2022
(member of the board from 1 September 2021)

Ian is a partner with PKF's specialist financial services team. Ian has been auditing and advising the insurance broking community for over 30 years and acts for London market and international insurance and reinsurance brokers and other regional insurance intermediaries ranging in size from start-ups to established companies with £25m+ brokerage and commission.

Ian has extensive experience of advising clients on FCA regulatory matters and other issues around client money, the CASS rules and RMAR reporting. Ian is responsible for in excess of 50 CASS reasonable assurance audit opinions as either signing partner or in his role of independent reviewer. Ian has a broad range of experience in the insurance sector and, in addition to insurance brokers and MGAs, acts for insurers and previously Lloyd's syndicates as well as many other entities that participate in and support the London and wider UK insurance market.



Mark Ling
Chairman
until 31 August 2021

Mark has acted as an audit partner for a wide range of different retail businesses such as: a retail group with a turnover of £1.4 billion generated by 160,000 active lines; a US online digital brand clothing retailer with challenges around sourcing, logistics and advanced IT systems; a €1.4 billion global mobile communication group that is ranked in the top 50 mid-market non-quoted companies in the UK; and a US-listed retailer of liquor where marketing is a key driver in a crowded marketplace.

A common theme of Mark's clients is their reliance on a complex technology platform that records many transactions per day. This long exposure to cutting-edge management systems has honed Mark's belief that an effective audit approach must include understanding and harnessing the client's IT systems rather than working around them.

Mark heads up PKF UK's Capital Markets group. The team deals with large and complex audits, many of which are quoted on various world equity markets together with entities where there is a significant external shareholder element.

Mark stepped down as Chairman on 31 August 2021 and is no longer a member of the Board.



Neil Coulson
Partner
(member of the board
from 1 June 2015)

Neil has specialised in the insurance market for more than 35 years and is the technical lead for insurance matters at PKF. His experience includes the external audit of insurance companies and Lloyd's syndicates. He also has extensive experience auditing most types of general insurance business ranging from personal lines to reinsurance.

Additionally, Neil provides internal audit services to the insurance market, including governance, underwriting, pricing, delegated underwriting, reinsurance, claims, reserving, compliance, planning, exposure and risk management, data, IT, HR, tax, finance functions and Solvency II. As an active member of the ICAEW insurance committee, he has participated in several working parties dealing with issues such as Solvency II and IFRS 17. He has also been involved in various Lloyd's and regulatory working parties over the years.

Neil chairs the Audit and Risk Committee and is also a member of the firm's Professional Standards Committee (PSC).



Andrew Shepherd
Independent Non-Executive
(member of the board from 1
June 2019)

Andrew has considerable experience in the governance of a professional accountancy practice having been a Partner and Chairman of Johnston Carmichael LLP, for 26 and 9 years respectively.

Andrew holds other non-executive roles which draw on his knowledge of large, primarily family owned, corporates.



John Wallace
Independent Non-Executive
(member of the board from 1
June 2017)

John brings a broad experience in business strategy, governance, business process and IT, including information security. He is also a passionate advocate for the creation of strong, values led 'Growth Mindset' cultures as a key driver of sustainable quality and growth.

Alongside his role at PKF John is the founder and CEO of a UK based software company and his specialities include financial process automation including robotic process automation, data analytics and AI.

Board meetings held during the year to 31 May 2022

The board held four formal meetings during the year in June 2021, July, October, January and April 2022.

Name	Position	Meetings attended	% attended
Mark Ling	Chairman (until 31 August 2021)	2	100%
Ian Cowan	Chairman (from 1 September 2021)	3	100%
Dominic Roberts	Managing Partner	5	100%
Carmine Papa	Partner	5	100%
Neil Coulson	Partner	5	100%
Andrew Shepherd	Independent Non-Executive	5	100%
John Wallace	Independent Non-Executive	5	100%

Audit and Risk Committee meetings

The Audit and Risk Committee members are the Managing Partner, a second Partner, the Independent Non-Executives and the Chief Financial Officer of the Firm.

Name	Position	Meetings attended	% attended
Neil Coulson	Partner	3	100%
Andrew Shepherd	Independent Non-Executive	3	100%
John Wallace	Independent Non-Executive	3	100%

Attendance at Board meetings and sub-committees of the Board meetings by the members of the Board was set as a KPI for the governance system in the year to 31 May 2022. There were no variances from the expected performance to be investigated by the Board.

Professional Standards Committee meetings

As set out in the Leadership responsibilities section of this report the Professional Standards Committee (PSC) which meets on a monthly basis is responsible for the setting out and monitoring of professional standards and procedures.

Name	Position	Meetings attended	% attended
Dominic Roberts	Managing Partner	9	82%
Carmine Papa	Partner	11	100%
Neil Coulson	Partner	9	82%

The PSC is not a sub-committee of the Board however, as three members of the Board are members of the PSC their attendance is monitored by the Independent Non-Executives who identified no variances from the expected performance which required investigation.

Independent Non-Executive meetings with the Audit Compliance Partner

The Independent Non-Executives meet with the Audit Compliance Partner who is also the Chair of the PSC before each Board meeting to receive an update on the work of the PSC and any matters which the ACP wishes to bring their attention.

Name	Position	Meetings attended	% attended
Andrew Shepherd	Independent Non-Executive	4	100%
John Wallace	Independent Non-Executive	4	100%

Attendance at these meetings is not considered a Key Performance Indicator for the Firm.

Appendix 2: Public Interest Entities

Public Interest Entities in respect of which PKF Littlejohn LLP issued a statutory audit opinion in the year ended 31 May 2022 were as follows:

- Alpha Growth Plc
- Argo Blockchain Plc
- Beaufort Insurance Company Limited
- BSF Enterprise Plc
- Caerus Mineral Resources Plc
- Cellular Goods Plc
- Chesterfield Resources Plc
- Chill Brands Group Plc
- Cizzle Biotechnology Holdings Plc
- Cloudbreak Discovery Plc
- Cobra Resources Plc
- Critical Metals Plc
- Cyba Plc (Narf Industries Plc from August 2022)
- Dukemount Capital Plc
- East Star Resources Plc
- Genflow Biosciences Plc
- GRIT Investment Trust Plc
- Guild eSports Plc
- HDL Debenture Limited
- Homecare Insurance Limited
- Hemogenyx Pharmaceuticals Plc
- Inceptum Insurance Company Limited
- Kanabo Group Plc
- Irwell Insurance Company Limited
- Investment Company Plc (The)
- London Finance & Investment Group Plc
- Mila Resources Plc
- Non-Standard Finance Plc
- PAMIA Limited
- Path Investments Plc
- Pembridge Resources Plc
- Phoenix Life Assurance Limited
- Pineapple Power Corporation Plc
- R&Q Eta Company Limited
- R&Q Gamma Company Limited
- Rockpool Acquisitions Plc
- Stonebridge International Insurance Limited
- Stranger Holdings Plc
- Sure Ventures Plc
- The Cardiff Property Plc
- The Salvation Army General Insurance Corporation Limited
- The University of Manchester
- The World Marine & General Insurance Plc
- Tirupati Graphite Plc
- Walker Crips Group Plc
- Zotefoams Plc

Appendix 3: PKF International member and correspondent firms



PKF International member and correspondent firms providing statutory audit services within the European Union and the United Kingdom.

Registered name	Country	Head Office City
PKF Corti & Partner GmbH Wirtschaftsprüfer und Steuerberater	Austria	Graz
PKF Österreicher - Staribacher Wirtschaftsprüfungs GmbH & Co KG	Austria	Vienna
PKF Centurion Wirtschaftsprüfungsgesellschaft mbH	Austria	Vienna
PKF Revisionstreuhand Wirtschaftsprüfungsgesellschaft m.b.H	Austria	Salzburg
PKF Bulgaria Ltd.	Bulgaria	Sofia
PKF ABAS Ltd	Cyprus	Nicosia
PKF Savvides & Co Ltd	Cyprus	Limassol
APOGEO Group, SE	Czech Republic	Prague
PKF Munkebo Vindelev, Statsautoriseret Revisionsaktieselskab	Denmark	Copenhagen - Glostrup
PKF Estonia OÜ	Estonia	Tallinn
Rantalainen Audit	Finland	Helsinki
Cabinet GROSS-HUGEL	France	Strasbourg

Cogeparc S.A.	France	Lyon
PKF Arsilon	France	Paris
PKF Audit Conseil	France	Marseille
PKF - Fi.Solutions SAS	France	Paris
William SARL	France	Rouen
PKF Fasselt Schlage Partnerschaft mbB Berlin	Germany	Berlin
PKF Industrie- und Verkehrstreuhand GmbH Wirtschaftsprüfungsgesellschaft	Germany	Munich
PKF Issing Faulhaber Wozar Altenbeck GmbH & Co. KG	Germany	Würzburg
PKF Riedel Appel Hornig GmbH	Germany	Heidelberg
PKF Sozietät Dr. Fischer	Germany	Nuremberg
PKF Vogt & Partner Wirtschaftsprüfer Steuerberater	Germany	Herford
PKF WMS Bruns-Coppenrath & Partner mbB Wirtschaftsprüfungsgesellschaft Steuerberater Rechtsanwälte	Germany	Osnabrück

PKF WULF GROUP	Germany	Stuttgart
PKF Canillas	Gibraltar	Gibraltar
PKF Euroauditing S.A.	Greece	Athens
PKF Audit Kft	Hungary	Budapest
PKF O'Connor, Leddy & Holmes Limited	Ireland	Dublin
PKF Italia S.p.A.	Italy	Milan
PKF Latvia SIA	Latvia	Marupe
L'Alliance Révision S.à.r.l.	Luxembourg	Luxembourg City
PKF Audit & Conseil S.à.r.l.	Luxembourg	Luxembourg
PKF Malta Limited	Malta	Birkirkara
PKF Wallast	Netherlands	Delft
PKF Revisjon AS	Norway	Oslo

PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k.	Poland	Warsaw
PKF II Portugal Lda	Portugal	Lisbon
PKF Econometrica S. R. L.	Romania	Timisoara
PKF Finconta S. R. L.	Romania	Bucharest
PKF Slovensko S.R.O	Slovakia	Previdza
PKF - Audiec SAP	Spain	Barcelona
PKF Attest Servicios Profesionales, S.L.	Spain	Madrid
PKF Revidentia AB	Sweden	Stockholm
PKF Francis Clark LLP	United Kingdom	Exeter
KLSA LLP	United Kingdom	Harrow
PKF Littlejohn LLP	United Kingdom	London
PKF Smith Cooper	United Kingdom	Derby

Appendix 4: Audit Firm Governance code adoption



We set out below how the Firm complies with the Audit Firm Governance Code – July 2016 issued by the FRC.

Requirement		Comply?	Where is compliance demonstrated
A	Leadership		
A.1	Owner accountability principle The Management of a firm should be accountable to the firm’s owners and no individual should have unfettered power of decision		
A.1.1	The firm should establish a board or equivalent governance structure, with matters specifically reserved for its decision, to oversee the activities of the management team.	Yes	The terms of reference for the Board are available on the Firms website.
A.1.2	The firm should state in its transparency report how its governance structures and management operate, their duties and the types of decisions they take. In doing so the firm should explain how its governance structure provides oversight of both the audit practice and the firm as a whole with a focus on ensuring the Code’s purpose, is achieved. If the management and/or governance of the firm rests at an international level it should specifically set out how management and oversight of audit, is undertaken and the Code’s purpose achieved in the UK.	Yes	PKF Littlejohn Management section of this Transparency Report
A.1.3	The firm should state in its transparency report the names and job titles of all members of the firm’s governance structures and its management, how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details.	Yes	PKF Littlejohn Management section of this Transparency Report and Appendix 1
A.1.4	The members of a firm’s governance structures and management should be subject to formal, rigorous and ongoing performance evaluation and, at regular intervals, members should be subject to re-election or re-selection.	Yes	PKF Littlejohn Management section of this Transparency Report & the Board governance principles
A.2	Management principle A firm should have effective management which has responsibility and clear authority for running the firm.		

A.2.1	Management should have terms of reference that include clear authority over the whole firm including its non-audit businesses and these should be disclosed on the firm's website.	Yes	Leadership terms of reference on the Firm's website
B	Values		
B.1	Professionalism principle A firm should perform quality work by exercising judgement and upholding values of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour in a way that properly takes the public interest into consideration and meets auditing and ethical standards.		
B.1.1	The firm's governance structures and management should establish and promote throughout the firm an appropriate culture, supportive of the firm's public interest role and long term sustainability. This should be achieved in particular through the right tone from the top, through the firm's policies and practices and by management publicly committing themselves and the whole firm to quality work, the public interest and professional judgement and values.	Yes	Reflected in the Board's governance principles and the Firm's values.as set out on our website.
B.1.2	Firms should introduce KPIs on the performance of their governance system, and report on performance against these in their transparency reports.	Yes	PKF Littlejohn Management and Appendix one.
B.1.3	The firm should have a code of conduct which it discloses on its website and requires everyone in the firm to apply. The Board and independent non-executives should oversee compliance with it.	Yes	PKF Littlejohn Management section of this Transparency Report and the Code of Conduct which is available on the Firm's website.
B.2	Governance principle A firm should publicly commit itself to this Audit Firm Governance Code.		
B.2.1	The firm should incorporate the principles of this Audit Firm Governance Code into an internal code of conduct.	Yes	The Code of Conduct published on the Firm's website incorporates the principles of the Audit Firm Governance Code.
B.3	Openness principle		

B.3	A firm should maintain a culture of openness which encourages people to consult and share problems, knowledge and experience in order to achieve quality work in a way that properly takes the public interest into consideration.	Yes	This is embedded throughout the Firm's values
C	Independent non-executives		
C.1	Involvement of independent non-executives principle		
C.1	A firm should appoint independent non-executives to the governance structure who through their involvement collectively enhance the firm's performance in meeting the purpose of the Code.		
C.1.1	Independent non-executives should number at least three and be in the majority on a body that oversees public interest matters; and/or be members of other relevant governance structures within the firm. They should also meet as a separate group to discuss matters relating to their remit. They should have full visibility of the entirety of the business but should pay particular attention to and report on risks to audit quality and how they are addressed. If a firm considers that having three INEs is inappropriate given its size or number of public company clients, it should explain this in its transparency report and ensure a minimum of two at all times. Where the firm adopts an international approach to its management it should have at least three INEs with specific responsibility and relevant experience to focus on the UK business and to take part in governance arrangements for this market; or explain why it regards a smaller number to be more appropriate, in which event there should be a minimum of two."	Yes	As set out in the Independent Non-Executives section the Firm currently has two INEs.
C.1.2	The firm should disclose on its website and in its transparency report information about the appointment, retirement and resignation of independent non-executives; their remuneration; their duties and the arrangements by which they discharge those duties; and the obligations of the firm to support them. The firm should report on why it has chosen to position its independent non-executives in the way it has (for example, as members of the main Board or on a public interest committee). The firm should also disclose on its website the terms of reference and composition of any governance structures whose membership includes independent non-executives	Yes	The Independent Non-Executives section of this Transparency Report
C.1.3	The independent non-executives should report in the firm's transparency report on how they have worked to meet the purpose of the Code defined as: <ul style="list-style-type: none"> • Promoting audit quality; • Helping the firm secure its reputation more broadly, including in its non-audit businesses; and • Reducing the risk of firm failure. 	Yes	The Independent Non-Executives report on there work to meet the purpose of the Code in their section of this Transparency Report.

C.1.4	Independent non-executives should have regular contact with the Ethics Partner, who should under the ethical standards have a reporting line to them.	Yes	The Ethics Partner has a direct reporting line to the INEs as required. This is reflected in the Firm's policies and procedures (PSN 29). The INEs hold at least one meeting per annum with the Ethics Partner directly. However, more frequent meetings are held with the Chair of the Professional Standards Committee (PSC) and the Technical and Compliance Director which covers all ethical matters raised monthly by the Ethics Partner to the PSC.
C.2	Characteristics of independent non-executives principle The independent non-executives' duty of care is to the firm. They should command the respect of the firm's owners and collectively enhance shareholder confidence by virtue of their independence, number, stature, experience and expertise. They should have a balance of relevant skills and experience including of audit and a regulated sector. At least one independent non-executive should have competence in accounting and/or auditing, gained for example from a role on an audit committee, in a company's finance function, as an investor or at an audit firm.		
C.2.1	The firm should state in its transparency report its criteria for assessing the impact of independent non-executives on the firm's independence as auditors and their independence from the firm and its owners.	Yes	The Independent Non-Executives section of this Transparency Report confirms that the INEs are subject to the same assessment of independence that is applied to all Partners and Staff.
C.3	Rights and responsibilities of independent non-executives principle Independent non-executives of a firm should have rights consistent with their role including a right of access to relevant information and people to the extent permitted by law or regulation, and a right to report a fundamental disagreement regarding the firm to its owners and, where ultimately this cannot be resolved and the independent non-executive resigns, to report this resignation publicly.		
C.3.1	Each independent non-executive should have a contract for services setting out their rights and duties.	Yes	Each INE has a signed contract for services in place
C.3.2	Independent non-executives should be appointed for specific terms and any term beyond nine years should be subject to particularly rigorous review and explanation.	Yes	The appointment terms for INEs are reflected in the Independent Non-Executives section of this Transparency Report. As confirmed in Appendix one neither of the INEs has been appointed for a term exceeding nine years.

C.3.3	<p>The responsibilities of an independent non-executive should include, but not be limited to, oversight of the firm's policies and processes for:</p> <ul style="list-style-type: none"> • Promoting audit quality; • Helping the firm secure its reputation more broadly, including in its non-audit businesses; and • Reducing the risk of firm failure. 	Yes	The responsibilities of the INEs are set out in the Independent Non-Executives section of this Transparency Report.
C.3.4	The firm should ensure that appropriate indemnity insurance is in place in respect of legal action against any independent non-executive in respect of their work in that role.	Yes	The INEs have cover provided by the Firm which addresses the need for them to have appropriate indemnity insurance in respect of any legal action against any INE in respect of their work in that role.
C.3.5	The firm should provide each independent non-executive with sufficient resources to undertake their duties including having access to independent professional advice at the firm's expense where an independent non-executive judges such advice necessary to discharge their duties.	Yes	The availability of sufficient resources is confirmed in the Contract for Services for each INE.
C.3.6	The firm should establish, and disclose on its website, procedures for dealing with any fundamental disagreement that cannot otherwise be resolved between the independent non-executives and members of the firm's management team and/or governance structures.	Yes	The disagreement protocol is included in the Board governance principles and the Independent Non-Executives Report in this Transparency Report.
D	Operations		
D.1	Compliance principle A firm should comply with professional standards and applicable legal and regulatory requirements. Operations should be conducted in a way that promotes audit quality and the reputation of the firm. The independent non-executives should be involved in the oversight of operations.		
D.1.1	The firm should establish policies and procedures for complying with applicable legal and regulatory requirements and international and national standards on auditing, quality control and ethics, including auditor independence.	Yes	The Firm has established policies and procedures in this regard as overseen and developed by the Professional Standards Committee (PSC). This includes the Firm's audit methodology as tailored from the Mercia approach.
D.1.2	The firm should establish policies and procedures for individuals signing group audit reports to comply with applicable standards on auditing dealing with group audits including reliance on other auditors whether from the same network or otherwise.	Yes	The PSC establishes the policies and procedures for its audit engagements and that includes for group audits and where reliance is placed on other auditors.

D.1.3	The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.	Yes	The Acceptance and continuance of client relationships and specific engagements section of this Transparency Report sets out the policies and procedures developed by the Firm.
D.1.4	The firm should take action to address areas of concern identified by audit regulators in relation to the firm's audit work.	Yes	The Firm's Professional Standards Committee is tasked with ensuring that areas of concern raised by audit regulators are addressed in the Firm's audit work. This may be through the development and delivery of training or enhancements to audit methodology
D.2	Risk management principle A firm should maintain a sound system of internal control and risk management over the operations of the firm as a whole to safeguard the firm and reassure stakeholders.		
D.2.1	The firm should, at least annually, conduct a review of the effectiveness of the firm's system of internal control. Independent non-executives should be involved in the review which should cover all material controls, including financial, operational and compliance controls and risk management systems as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the firm.	Yes	The Internal quality control section of this Transparency Report sets out how the system of internal quality control and its effectiveness is monitored by the PSC.
D.2.2	The firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summarise the process it has applied and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary.	Yes	The Internal quality control section of this Transparency Report sets out how the system of internal quality control and its effectiveness is monitored by the PSC.
D.2.3	The firm should carry out a robust assessment of the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity. This should reference specifically the sustainability of the audit practice within the UK.	Yes	As set out in the terms of reference for the Board, the Board is responsible for carrying out this assessment and maintains a risk register accordingly.
D.3	People management principle A firm should apply policies and procedures for managing people across the whole firm that support its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code.		

D.3.1	The firm should disclose on its website how it supports its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code through recruitment, development activities, objective setting, performance evaluation, remuneration, progression, other forms of recognition, representation and involvement.	Yes	This Transparency Report which is available on the website provides details of the Firm's commitment to the provisions of the Audit Firm Governance Code.
D.3.2	Independent non-executives should be involved in reviewing people management policies and procedures, including remuneration and incentive structures, to ensure that the public interest is protected.	Yes	The involvement of the INEs in these areas is set out within their report which a section of this Transparency Report
D.4	Whistleblowing principle A firm should establish and apply confidential whistleblowing policies and procedures across the firm which enable people to report, without fear, concerns about the firm's commitment to quality work and professional judgement and values in a way that properly takes the public interest into consideration. The independent non-executives should be satisfied that there is an effective whistleblowing process in place.		
D.4.1	The firm should report to independent non-executives on issues raised under its whistleblowing policies and procedures and disclose those policies and procedures on its website.	Yes	The Firm's whistle blowing policies and procedures are set out in the Human resources section of this Transparency Report and are discussed by the INEs in their report.
E	Reporting		
E.1	Internal reporting principle		
E.1.1	The management of a firm should ensure that members of its governance structures, including owners and independent non-executives, are supplied with information in a timely manner and in a form and of a quality appropriate to enable them to discharge their duties	Yes	The Leadership Team's terms of reference set out that information will be circulated to the partners and the INEs on a timely basis. However, this is not disclosed and therefore confirmation is not possible.
E.2	Governance reporting principle A firm should publicly report how it has applied in practice each of the principles of the Audit Firm Governance Code and make a statement on its compliance with the Code's provisions or give a considered explanation for any non-compliance.		
E.2.1	The firm should publish on its website an annual transparency report containing the disclosures required by Code Provisions A.1.2, A.1.3, B.1.2, C.2.1, D.1.3, D.2.2, E.2.2	Yes	This appendix provides the required disclosures.

E.2.2	In its transparency report the firm should give details of any additional provisions from the UK Corporate Governance Code which it has adopted within its own governance structure.	N/A	No additional provisions have been adopted by the Firm
E.3	Transparency principle A firm should publish on an annual basis in its transparency report a commentary on the firm's performance, position and prospects.		
E.3.1	The firm should confirm that it has carried out a robust assessment of the principal risks facing the audit firm, including those that would threaten its business model, future performance, solvency or liquidity. The firm should describe those risks and explain how they are being managed or mitigated.	Yes	The PKF Littlejohn Management and Report of the INEs section of this Transparency Report confirm that a robust risk assessment has been completed.
E.3.2	The transparency report should be fair, balanced and understandable in its entirety.	Yes	The INEs, Managing Partner and Board confirm the content of the Firm's transparency report is fair, balanced and understandable.
E.4	Reporting quality principle A firm should establish formal and transparent arrangements for monitoring the quality of external reporting and for maintaining an appropriate relationship with the firm's auditors.		
E.4.1	The firm should establish an audit committee and disclose on its website information on the committee's membership and terms of reference which should deal clearly with its authority and duties, including its duties in relation to the appointment and independence of the firm's auditors. On an annual basis, the audit committee should publish a description of its work and how it has discharged its duties.	Yes	The Audit and Risk Committee terms of reference and a report of its recent activity is provided on the website.
E.5	Financial statements principle A firm should publish audited financial statements prepared in accordance with a recognised financial reporting framework such as International Financial Reporting Standards or UK GAAP, and should be clear and concise.		
E.5.1	The firm should explain who is responsible for preparing the financial statements and the firm's auditors should make a statement about their reporting responsibilities, preferably in accordance with the extended audit report standards.	Yes	The Firm's audited financial statements, available via Companies House website, explain who is responsible for preparing those financial statements. The auditor's report included within those financial statements establishes their reporting responsibilities.

E.5.2	The firm should state whether it considers it appropriate to adopt the going concern basis of accounting and identify any material uncertainties to its ability to continue to do so, with supporting assumptions or qualifications as necessary.	Yes	The Firm's audited financial statements includes appropriate commentary on the going concern basis of accounting.
F	Dialogue		
F.1	Firm dialogue principle A firm should have dialogue with listed company shareholders, as well as listed companies and their audit committees, about matters covered by this Audit Firm Governance Code to enhance mutual communication and understanding and ensure that it keeps in touch with shareholder opinion, issues and concerns.		
F.1.1	The firm should disclose on its website its policies and procedures, including contact details, for dialogue about matters covered by this Audit Firm Governance Code with listed company shareholders and listed companies. It should also report on the dialogue it has had during the year. These disclosures should cover the nature and extent of the involvement of independent non-executives in such dialogue.	Not in full	The Firm does not currently make such disclosures on its website. Directly equivalent disclosures are not required by the revised Audit Firm Governance Code and as a result the disclosures required by that code will be made as part of the implementation of the revised code.
F.2	Shareholder dialogue principle		
F.2.1	Shareholders should have dialogue with audit firms to enhance mutual communication and understanding.	N/A	As noted by the FRC in its reconciliation of the 2016 version of the AFGC to the 2022 version this principle is aimed at shareholders rather than auditors and has been removed from the revised standard.
F.3	Informed voting principle		
F.3.1	Shareholders should have dialogue with listed companies on the process of recommending the appointment and re-appointment of auditors and should make considered use of votes in relation to such recommendations	N/A	As noted by the FRC in its reconciliation of the 2016 version of the AFGC to the 2022 version this principle is aimed at shareholders rather than auditors and has been removed from the revised standard.

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