

Rawlinson & Hunter Audit LLP
(“R&H Audit LLP” or “the Firm”)

TRANSPARENCY REPORT



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1 INTRODUCTION

We have prepared this Transparency Report, in respect of the financial year ended 31 March 2017, in accordance with the provisions of the Statutory Auditors (Transparency) Instrument 2008 (the “Instrument”) issued by the Financial Reporting Council (“FRC”). This report also incorporates the key drivers of audit quality set out in the Audit Quality Framework issued by the FRC in February 2008.

This Transparency Report has been prepared solely in respect of Rawlinson & Hunter Audit LLP and does not relate to any other Rawlinson & Hunter entity.

2 LEGAL STRUCTURE AND OWNERSHIP

R&H Audit LLP is a UK limited liability partnership comprising three members (namely, Chris Bliss, Craig Davies and Kulwarn Nagra) who are all qualified Chartered Accountants. Under the members agreement, the Firm adopts a ‘one member one vote’ policy. Therefore, all members have equal rights and voting is by simple majority. As such the Firm does not have a Management or Governance Board.

The Firm does not employ any staff. Until 31 March 2016, all staff were employed by Rawlinson & Hunter Services Ltd (“RHSL”) which provided their services exclusively to Rawlinson & Hunter (a partnership constituted under the Partnership Act 1890 and of which the three aforementioned members are also Partners) and R&H Audit LLP, in line with the practice followed by many other professional services organisations. From 1 April 2016, all staff are employed by Rawlinson & Hunter.

R&H Audit LLP, Rawlinson & Hunter and RHSL along with various connected entities in the UK are all regulated by the ICAEW.

The Firm does not form part of a “Network” as defined and confirmed by the ICAEW. We are a member firm of Rawlinson & Hunter International, a grouping of independent firms with members throughout the world. Rawlinson & Hunter International is not a legal entity in name. Each independent member of Rawlinson & Hunter International is a separate firm. These firms are not members or legal partners or members with each other. None of these other firms provide audit services generally and specifically to R&H Audit LLP.

3 INTERNAL QUALITY CONTROL SYSTEMS

The quality of our audit derives from our systems, our procedures and the staff we have.

Our Systems - The audit systems are based on proprietary systems provided by Mercia and Caseware which are updated regularly. Tailored systems are subscribed to for many of the specialist areas in which the Firm works, such as the charitable sector, the pension sector and the Financial Conduct Authority regulated sector.

All of these systems are designed to enable full compliance with the International Standards on Auditing and any other relevant guidance.

They cover the initial risk assessment phase of an audit through to the signing of the audit report, providing a record of the approach adopted, the work undertaken, and the key judgements reached.

Our procedures - The procedures are designed to support audit teams in delivering the necessary audit quality.

They commence from initial client acceptance, with assessment of the risk associated with every potential audit client, through to completion of the audit.

An Engagement Quality Control Reviewer (“EQCR”) is appointed for all listed and other deemed high risk clients. The appointment is made by the Audit Compliance Partner, from our Responsible Individuals (“RI’s”) with relevant knowledge and experience in the client’s industry.

Clients involved in complex transactions, or operating in complex industries, will be subject to a more issues focused second partner review to ensure we have considered all aspects of the matter under consideration and to offer a second viewpoint on the issues.

Consultation is encouraged at all times, both with partners and staff who may have relevant knowledge and experience across the Firm as well as with technical external specialists where necessary (for example, SWAT, HAT, etc.)

Our staff - Of course, systems and procedures can only get us so far. Our staff lie at the core of our audits. They fully subscribe to our strong view that quality in everything we do must be paramount. This ethos underpins our approach to audit quality and other activities.

We ensure our staff are provided with the necessary training they need to allow them to meet the quality standards we are required to operate to. A highly structured programme for new trainees, involving both on the job and externally provided training, develops into a more flexible programme for qualified staff and partners, varying with their individual client and development needs.

Continuing Professional Development (“CPD”)

We are committed to the continuous development of all staff. Through our staff appraisal system, career objectives of staff are discussed and targets set and formalised in personal development plans. As part of this process, we place significant emphasis on training, both mandatory regular training covering technical updates and subject-specific training. Our staff have access to and are updated with relevant materials. They also have access to external training through course providers such as SWAT, MBL, HAT and others as necessary.

There are regular reviews of all training and CPD.

Audit quality maintenance

Apart from external regulatory reviews, we undertake independent internal reviews as deemed necessary and as part of our annual cold file review process.

These help to identify:

- Changes we need to make to our audit systems and procedures to improve quality;
- Themes emerging from our work and solutions.

4 INDEPENDENCE PROCEDURES AND PRACTICES

We are very cognisant of the Revised Ethical Standard (2016) issued by the Financial Reporting Council and the Code issued by the International Ethics Standards Board for Accountants.

Our policies and procedures are accessible by all partners and staff on the Firm's intranet and cover:

Financial, business, employment and personal relationships

- Partners and staff are prohibited from holding financial interest in audit clients of the Firm. A register of the Firm's listed audit clients is maintained on the intranet.
- Partners and staff are required to disclose potential or probable employment relationships with audit clients.

Long association with engagements

- Monitoring is undertaken for public interest and listed entities to monitor the length of service of engagement and other key audit partners.
- For other audit clients the engagement partner is required to justify continuation for longer than ten years and apply appropriate safeguards.

Fees, remuneration and evaluation policies, gifts and hospitality, litigation

- The provision of non-audit services on a contingent fee basis to public interest and listed entities audited by the Firm is prohibited.
- The provision of non-audit services on a contingent fee basis to other audit clients requires the prior approval of the audit engagement partner and the Ethics Partner.
- Partners and other members of an audit team are not rewarded for selling non-audit services to audit clients.

- The Firm places monetary limits on the acceptance and offering of gifts and hospitality from and to audit clients.

Non-audit services

- The provision of non-audit services to an audit client requires the prior approval of the audit engagement partner.
- The provision of non-audit services is re-assessed prior to the renewal of an audit engagement and the approval of the Ethics Partner must be obtained where the aggregate of such fees exceeds the audit fee as prescribed under the Firm's rules.
- The provision of non-audit services to public interest and listed entities requires the prior approval of the audit engagement partner and the Ethics Partner.

We ensure the Firm's ethical policies and procedures are communicated to partners and staff and ensure they are kept up to date with changes in requirements and guidance. This includes:

- Ethics training as part of our induction of new joiners;
- All partners and staff are required to complete annual compliance declarations which include ethical considerations;
- Ethics reminders are provided at least twice a year to audit staff as part of their mandatory training programmes;
- Every partner is expected to be familiar with the Firm's Ethical Policies and Procedures.

In addition we manage client independence issues as follows:

- Our client and engagement acceptance procedures require identification and assessment of potential conflicts of interest and other independence issues.
- Independence issues covering the provision of non-audit services, long association and other issues are re-assessed prior to the renewal of each audit engagement.

The Firm believes that it is in everyone's interest for employees who have genuine and reasonable concerns about wrongdoing, malpractice or dangers at work to have the opportunity to raise those concerns in an atmosphere of mutual trust and confidence. The Firm has a whistleblowing policy which requires an employee who observes, or suspects, a breach of any law, regulation, or Firm policy by another employee in connection with that employee conducting business for the Firm, to report their observations immediately.

5 AUDIT QUALITY REVIEW

We aim to ensure that our audit work is carried out in accordance with applicable audit and ethical standards and our own audit quality control policies and procedures. This is undertaken by:

- 'Hot reviews' at the planning and completion stages for our public interest entity and other high risk clients;
- Our programme of file reviews which ensures that the quality of work of each RI is reviewed at least annually through 'hot' or 'cold' file reviews;
- Ensuring completion of the Firm's annual compliance declarations for each partner and member of staff and monitoring of issues arising therefrom;
- Maintaining the prohibited investment list of listed audit clients of the Firm

On the basis of these review processes the members of the Firm are satisfied that our audit quality control system is operating effectively.

Compliance with the Firm's independence procedures has been carried out through the annual ('whole of firm') review of compliance with applicable regulatory requirements.

We became a 'major' audit firm in 2015 following our appointment as auditor to Unifund PLC whose debt is listed on the London Stock Exchange. This means the Audit Quality Review ("AQR") team of the Financial Reporting Council is now responsible for the inspection of our work for public interest entity (as defined by the EU Audit Directive) audits and our whole-of-firm audit procedures. No inspection has been carried out by the AQR team to date but we expect to be inspected on a three to six year cycle. *However refer to update in Section 6 below.*

The most recent inspection by QAD took place in 2013 and we have had a number of Practice Assurance visits in subsequent years. No significant thematic or other failings were identified and the Firm's audit registration was reconfirmed.

Issues arising from internal reviews and external inspections are fed back to audit teams through engagement team debriefings and as part of our mandatory training updates.

6 PUBLIC INTEREST ENTITIES ("PIE")

This list includes PIE clients:

Unifund PLC

(Update – On 21 July 2017, we resigned as auditors of Unifund PLC)

7 FINANCIAL INFORMATION

The total turnover of R&H Audit LLP for the year ended 31 March 2016 was £1.06 million. The accounts for 31 March 2017 are not yet available but the turnover is unlikely to have materially changed. This primarily comprised statutory audit work but also included some amounts of non-regulated audit work and related services. The fees deriving from our audit of PIE clients were only £13,500 and no non-audit services were provided to the PIE.

8 MEMBERS REMUNERATION

Members are remunerated out of the profits of the Firm and its related entities (refer to Section 2) .

Each member is remunerated based on their individual contribution to the Firm and its related entities taking into account:

- Their roles and responsibilities;
- Their experience;
- Quality of client service and relationships;
- Compliance with legal and regulatory requirements;
- Following of the Firm's procedures and policies;
- Developing new services;
- Acting as a good ambassador for the Firm;
- Helping to develop the Firm's profile;
- Acting as a good role model;
- Adhering to and promoting the Firm's values;
- Supporting and developing others

The members remuneration does not take into account the selling of non-audit services to audit clients.

Rawlinson & Hunter Audit LLP

30 June 2017

Section 6 – Updated on 24 July 2017 regarding our resignation as auditors of Unifund PLC