



# UHY Hacker Young LLP Transparency Report

Year ended 30 April 2018



The members of UHY Hacker Young LLP are pleased to present the Firm's Transparency Report for the year ended 30 April 2018.

Helping you prosper

The UHY Hacker Young Group is a not-for-profit association of independent UK audit, accounting and consultancy firms.

The members of UHY Hacker Young LLP are pleased to present the Firm's Transparency Report for the year ended 30 April 2018, which has been prepared under the requirements mandated by EU Regulation 537/2014 (the Regulation).

### Legal structure and ownership

UHY Hacker Young LLP (the Firm or LLP) is a limited liability partnership registered in England and Wales (OC327384) and is governed by the terms of its Members' Agreement and is owned by its members.

The majority of voting rights in the Firm are held by qualified individuals who are members of the Institute of Chartered Accountants in England & Wales (the ICAEW).

As at 30 April 2018 there were 27 members of the Firm (2017: 31) who are commonly referred to as partners. In addition, there were 13 other senior staff members of equivalent professional standing within the Firm (2017: 9). Of the said senior staff members, two are also referred to as partners (2017: 2), and the remaining 11 (2017: 7) have the title of director.

From the partner group (the members of the LLP and the two senior staff members referred to as partners), 17 have been granted audit Responsible Individual (RI) status by the ICAEW (2017: 19). In addition, one director also held RI status (2017: 1).

The Firm operates from offices in London and Nottingham. The Firm has a number of legally constituted subsidiaries, but is managed as one business.

### Networks

The Firm is a founding and leading member of both an international and a UK network. Neither of these organisations are networks as defined in the Regulation.

The Firm has an enduring right to appoint representatives to the management board of the organising body of each network.

Whilst both networks exist for the strategic and commercial benefit of their member firms, and encourage co-operation and alignment between members, no partnership exists between any members of either network, nor between the organising bodies of the networks and their members, for any purpose whatsoever.

Potential members of either network are subject to a due diligence review prior to admission. Subsequently, and except to the limited extent necessary for quality control,

as discussed further below, neither network participates in the organisation, oversight or delivery of professional services by member firms.

Services to clients are provided by the member firms and not by the networks. Neither of the networks, nor any member of the networks, has any liability for services provided by other members.

Each member of either network is a separate and independent firm: member firms do not share profits or losses; and they are not under common control. Except to the extent that individual members decide to align their approach with one another, each is responsible for the design, maintenance and operation of their own professional procedures.

This report relates solely to this Firm and does not cover any other UK or international network firms.

### International network

The Firm is a founding member of Urbach Hacker Young International Limited (UHY International), a corporation formed under English law with its administrative office in the UK, in London. Established in 1986, UHY International is a network of legally independent accounting and consulting firms. UHY is the brand name for the UHY International network.

As at 31 December 2017, UHY was represented in 320 cities in 98 countries (31 December 2016, 325 cities in 99 countries). Member firms had an aggregate fee income of approximately US\$540m in 2017 (2016: US\$515m).

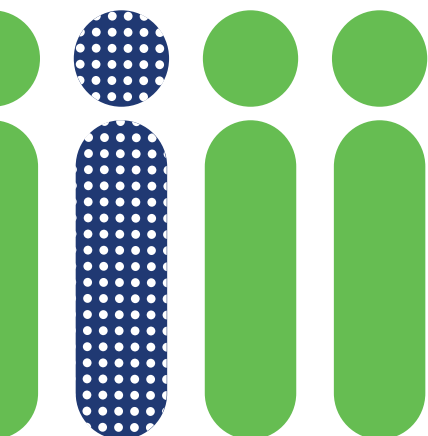
Further information about UHYI is available at: [www.uhy.com](http://www.uhy.com).

### National network

The Firm is also a founding member of the UHY Hacker Young Group, a not-for-profit association of independent UK audit, accounting and consultancy firms, whose organising body is UHY Hacker Young Associates Limited, a UK company, also with its administrative office in London.

As at 30 April 2018, the UHY Hacker Young Group was represented in 22 cities around the UK (2017: 26 cities). Member firms had an aggregate fee income of approximately £52.1m (2017: £58.2m).

Further information about the UHY Hacker Young Group is available at: [www.uhy-uk.com](http://www.uhy-uk.com).



The Firm's international network is a member of the IFAC Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

## Governance

The Firm is governed by an Executive Committee of three elected members of the LLP, the Managing Partner, and such other partners as the committee might co-opt. Presently the Executive Committee has co-opted two other partners. The Firm's Managing Partner must also be a member of the LLP and is similarly elected by the partners. Both elections are held on a regular basis.

Whilst various responsibilities are delegated in particular to the Managing Partner and also to other partners individually, the Firm is not of such a size as to require sub-committees of its Executive Committee.

As at 30 April 2018, the members of the Executive Committee were:

- Subarna Banerjee (Ethics Partner and Training Partner)
- Simon Browning (Head of Nottingham office)
- Peter Kubik (Head of Turnaround and Recovery)
- Laurence Sacker (Managing Partner)
- Andrew Snowdon (Head of Taxation)
- Marc Waterman (Head of Business Advisory Services).

## Quality control

### International network

The Firm's international network (UHY International) is a member of the IFAC Forum of Firms – an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide. In compliance with its Forum of Firms obligations, UHY International conducts, to the extent not prohibited by national regulation, regular reviews of the results of network members' internal quality assurance inspections.

### National network

The UK network operates a system of peer review which has the objective of ensuring that the audit practices of each member firm are reviewed once every three years.

### The Firm

Quality control standards for audit work are prescribed by the following key obligations: International Standard on Quality Control (UK) 1 (ISQC1) issued by the Financial Reporting Council (the FRC), International Standard on Auditing (UK) 220 (ISA220) and the Audit Regulations.

ISQC1 sets out a firm's responsibilities for its system of quality control for audits and reviews of financial statements, and other assurance and related services engagements.

The Firm has in place documented policies and procedures to ensure it complies with all of the requirements of ISQC1, as summarised below. The Firm's ISQC1 policy document is available to all partners and staff via the Firm's intranet.

The Executive Committee is satisfied that the Firm's internal quality control system for audit work is effective in all material respects and confirms that it is responsible for ensuring that necessary improvements in procedures are made.

### Leadership responsibilities for quality within the firm

The Executive Committee has overall leadership responsibility for audit quality and the effective operation of the Firm's system of audit quality control. This responsibility is exercised through the Managing Partner. Operational responsibility for developing appropriate policies and procedures has been assigned to the Technical and Training (T&T) department which is overseen by the Audit Compliance Partner, who reports to the Managing Partner and the Executive Committee.

### Ethical requirements

The Firm has appointed an Ethics Partner (and a deputy) responsible for the maintenance and dissemination of the Firm's ethics policies and procedures and who is available for consultation on subjective and potentially contentious matters.

The Firm's Ethics Manual sets out policies and procedures in this regard, which are derived from the Ethical Standard issued by the FRC on 17 June 2016 and also comply with the International Ethics Standards Board for Accountants (IESBA) and ICAEW codes. This manual is available to all partners and staff via the Firm's intranet.

All new partners and staff receive ethics training as part of their induction and all staff and partners receive regular training on the Firm's ethics policies and procedures thereafter. Changes to the Firm's policies and procedures are also communicated via email.

All partners, staff and sub-contractors are required to confirm their independence from the Firm's clients and fit and proper status on joining the Firm and on an annual basis thereafter.





The Executive Committee is satisfied that the Firm's internal quality control system for audit work is effective in all material respects.

The Firm requires that at the end of every audit, and then again prior to commencing the audit of the same client the following year, the RI assesses the Firm's independence in the light of current professional relationships and ethical obligations.

The Firm's rotation policy for RIs involved in the statutory audit of Public Interest Entity (PIE) clients is set out in the Ethics Manual and requires that they are rotated not later than five years from the date of their appointment and that they shall not participate again in the statutory audit before five years have elapsed following that cessation.

The Firm's rotation policy for Engagement Quality Control (EQC) reviewers and other key individuals involved in the engagement of PIE clients is also set out in the Ethics Manual. The Firm requires that the engagement manager and EQC reviewer should not act for a continuous period of more than seven years. Furthermore, the engagement manager and EQC reviewer should not be rotated in the same year.

The length of service of RIs and EQC reviewers on listed entity and other high risk audits is tracked via the Firm's EQC register and monitored by the T&T department. The Audit Compliance Partner (ACP) is notified by the T&T department of RIs who are about to start their fifth year of service.

The length of service of engagement managers is recorded on individual audit files and it is the responsibility of the RI to review this on an annual basis and identify the appropriate year in which to rotate the engagement manager, based on the prescribed rotation schedules of the RI and EQC reviewer.

#### 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. The new client acceptance procedures, including anti-money laundering procedures, must be completed prior to acceptance of every appointment. Acceptance of new public interest entity audit engagements must be approved by the Ethics Partner.

Upon acceptance of a new client or specific engagement from an existing client, the Firm issues an engagement letter which sets out our understanding of the assignment and the respective responsibilities of the

Firm and the client. A signed copy of this engagement letter must be obtained before starting an assignment.

The Firm's standard audit documentation requires RIs to consider certain matters before accepting appointment or reappointment for any audit assignment. These matters include whether the Firm complies with the relevant independence and objectivity requirements in the FRC's Ethical Standard; whether there are threats to the Firm's independence, and the safeguards applied to mitigate those threats; whether the Firm has the competent personnel, time and resources needed in order to carry out the audit in an appropriate manner; and whether the RI is eligible for appointment as a statutory auditor.

In respect of the appointment or reappointment of PIE clients, the Firm's standard audit documentation also requires the RI to assess whether the Firm complies with the audit fees requirements and the prohibition of the provision of non-audit services in the FRC's Ethical Standard; whether the conditions for the duration of the audit engagement in accordance with the Audit Regulations are complied with; and the integrity of the members of the supervisory, administrative and management bodies of the public interest entity.

#### Human resources

A structured recruitment process exists at all levels within the Firm. Whilst heads of department are responsible for monitoring the overall sufficiency and quality of staffing, the recruitment policies and procedures ensure all new staff and partners are of a suitably high calibre. Potential trainees are tested for aptitude as part of an in-depth recruitment process. Qualified accountants recruited to the Firm have their technical knowledge assessed at interviews.

RIs must be qualified with the ICAEW, ICAS or ACCA; audit staff are likewise qualified or are training for a qualification with one of those bodies.

All staff, including those designated as directors and partners, and some members of the LLP, are subject to an annual appraisal process, although trainees are appraised more frequently as part of their training agreements.



The technical competence of RIs and staff at manager grade is monitored through the cold review process which feeds into the appraisal process.

Audit staff members below manager grade are evaluated on their performance on all audit assignments of at least a week in length through completion of an assignment evaluation form, which are reviewed by the managers and RIs. These form the underlying evidence for the completion of the practical element of their professional qualification.

In addition, the technical competence of RIs and staff at manager grade is monitored through the cold review process which feeds into the appraisal process.

#### Engagement performance

For company and LLP audit assignments, the Firm uses an internally prepared audit methodology which runs on CCH's Audit Automation platform; audit assignments for other types of entity also run on CCH's Audit Automation platform, with the audit methodology supplied by either PCAS or Mercia.

The ACP, in conjunction with the T&T department, is responsible for ensuring the Firm's audit methodology is updated to encompass changes arising from revised International Standards on Auditing (the ISAs). Guidance explaining key aspects of audit methodology is available to all staff and partners via the Firm's intranet. In addition, staff and partners have access to an online and offline technical library via Croner-i.

The Firm's policies and procedures set out the minimum level of review for an audit file and the safeguards necessary to ensure audit quality, as well as detailed policies and procedures for the conduct of engagement quality control reviews on listed audit assignments and others meeting certain risk criteria prior to their completion.

#### Monitoring

An annual monitoring of the Firm's audit work and methods in compliance with ISQC1 and the Audit Regulations is undertaken, with the following key features:

- At least one assignment of every RI with a continuing audit portfolio is examined by an external quality compliance provider as part of the monitoring process each year.
- This audit file examination concludes with a set of notes of matters that should be taken into account in the subsequent audit, or confirmation that there are no such matters. In addition, the audit work

is graded against the following set of possible outcomes:

- No significant weaknesses were identified;
  - The main areas were tested properly but there are some evidentiary matters that need to be addressed;
  - There were a number of weaknesses and deficiencies such that improvement is required; and
  - There are pervasive or significant weaknesses in the audit approach applied or in respect of which there are serious core ISA, ethical, recording, accounts disclosure or technical failings.
- The results of the Firm's annual Audit Compliance Review (ACR) are summarised and reported to the Executive Committee.
  - A different summary of the annual ACR, more focussed on 'matters for improvement', is circulated to RIs and manager grade staff responsible for audit work.
  - These 'matters for improvement' are incorporated into the student and qualified staff training programmes.
  - These audit file examinations have been outsourced to external specialists in order to obtain:
    - an independent perspective;
    - a comparison of the Firm's audit quality with that of other similar-sized firms; and
    - insight into current best practice across the sector that can be incorporated into the Firm's procedures to improve both audit quality and efficiency.

The Firm adopts a subjective approach in assessing both the overall quality of its audit work and the audit quality of individual partners, and does not set key performance indicator criteria by which to monitor these.

Partners are required on an annual basis to assess their specific training needs and make personal plans to meet those identified needs.

## Regulatory monitoring

The Firm is a Registered Auditor with the ICAEW.

Since the Firm is statutory auditor to entities defined as public interest entities, following the implementation of the EU Accounting Regulation and Directive, the Firm's public interest entity audits and whole firm audit procedures are subject to monitoring by the FRC's Audit Quality Review department (the AQR). The ICAEW's Quality Assurance Department (the QAD) continues to review the Firm's audit work of all other entities.

The Firm is also registered with the Public Company Accounting Oversight Board (the PCAOB) which enables it to undertake audit work in connection with US listed entities. The Firm does not currently audit any US listed entities.

The most recent completed review of the Firm's audit work was by the QAD in November 2015. At that time, due to the small number of public interest entity audits that fell into the scope of the FRC's AQR department, responsibility for the review of these audits was delegated to the QAD. The Firm's continuing audit registration was later confirmed by the Audit Registration Committee of the ICAEW.

In October 2017 and February 2018 the Firm's audit work with regard to public interest entities and whole firm audit procedures were reviewed by the AQR; and in November 2017 the QAD reviewed the Firm's audit work with regard to other audited entities. At the time of writing this report, none of these visits have been concluded.

## Independence procedures

The Firm is required to apply, and is committed to the application of, IESBA, ICAEW and FRC independence requirements. In addition to the independence policies and procedures set out above in the Quality Control section of this report, the Firm also requires an annual confirmation by all partners and professional staff in the Firm of their continuing independence from the Firm's clients.

Furthermore, no gifts, entertaining or benefits can be accepted from clients if their acceptance may impair, or be perceived to impair, the professional relationship of the partner or staff member. The Firm also has policies on the provision of non-audit

services and other areas, as prescribed by the FRC's Ethical Standard and the ICAEW's Code of Ethics.

The Firm's independence practices are reviewed annually as part of the Firm's audit quality control procedures.

## Maintaining the skills of responsible individuals and audit staff

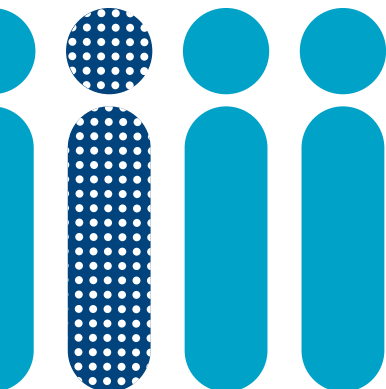
RIs and qualified professional staff are required to undertake Continuing Professional Development (CPD) whereby they assess their specific training needs and make personal plans to meet those identified needs on an annual basis. At the end of each CPD reporting year each RI and qualified professional staff member must also assess whether their objectives have been met and set their training needs for the year ahead.

Audit related training needs are identified on behalf of the Firm by the T&T department, or by RIs, having due regard to relevant developments in legislation and standards; findings from quality control audit file reviews and regulatory visits; the particular regulatory regimes applying to the Firm's various clients; and training needs identified through the appraisal and CPD processes.

Structured relevant technical training is provided at all levels within the Firm via the T&T department and SWAT UK Limited, an outsourced training and technical support provider with which the Firm is a 'full member.' Courses on topical accounting, financial reporting and auditing issues are held regularly. These courses are supplemented as needed. Specialised training tends to be provided by third party providers.

Attendance is monitored and those who are unable to attend the live sessions are required to view a recorded version.

With regard to staff under a training agreement, in addition to their external exam training courses, a practical in-house training programme is provided by the Firm's T&T department, or by an outsourced external training provider, SWAT UK Limited.



We provide a full range of AIM and NEX admission and support services to our clients.

## Public interest audits

The Firm reports on a number of audit clients that have publicly traded shares and/or debt in issue. During the financial year to 30 April 2018, audit reports were issued on the financial statements of the following public interest entities (as defined for these purposes).

### Public interest companies that are audit clients

Funding for Homes Ltd  
Halos Ltd  
Housing Securities Ltd  
Minerva Lending plc  
New Century AIM VCT plc  
New Century AIM VCT 2 plc  
United Oil & Gas plc  
UPP Bond 1 Issuer plc

### Market

London Stock Exchange  
London Stock Exchange  
London Stock Exchange  
Irish Stock Exchange  
London Stock Exchange  
London Stock Exchange  
London Stock Exchange  
Irish Stock Exchange

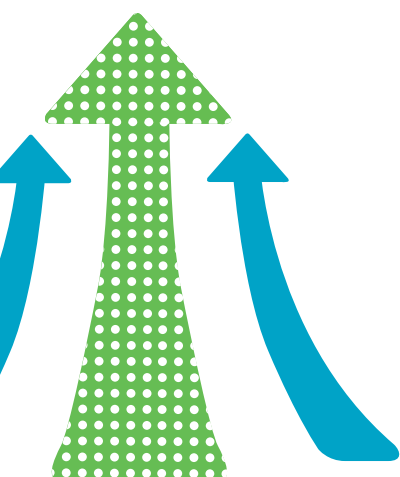
In addition, as at 30 April 2018, the Firm was the appointed auditor of the following companies with publicly traded shares in the UK:

### Other audit clients with publicly traded shares

Bezant Resources plc  
China New Energy Ltd  
Comptoir Group plc  
Gledhow Investments plc  
Gotech Group plc  
Herencia Resources plc  
Iofina plc  
Karoo Energy plc  
Panther Metals plc  
Marechale plc  
Pantheon Resources plc  
TMT Investments plc  
Tower Resources plc  
URA Holdings plc

### Market

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Audit work is an important, but not dominant, part of the Firm's business.

### Financial information for the year ended 30 April 2018

Audit work is an important, but not dominant, part of the Firm's business. The Firm's annual accounts are made up to 30 April and are subject to audit.

The turnover for the year ended 30 April 2018, as recorded in Firm's accounts, was £18,414K (2017: £18,835K) of which approximately £90K is attributable to audit fee income from Public Interest Entities and £6,866K represents audit fee income from all other entities (2017 total audit fee income: £6,125K).

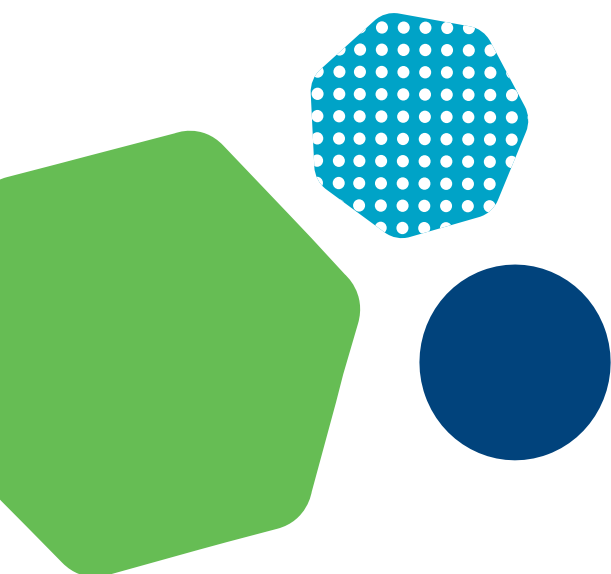
It is not possible to determine from the Firm's data system the value of revenue generated from permitted non-audit services to entities that are audited.

### Basis of partner remuneration

The profits of the LLP are allocated between the members in three components: a fixed share intended to reflect the role of the individual within the Firm; a portion based on seniority; and a small discretionary 'bonus' element based on any exceptional contribution within the year in question. Other partners are remunerated on a broadly similar basis.

Audit partners and Covered Persons (as defined by the Glossary of Terms (auditing and ethics) published by the FRC on 17 June 2016) are not remunerated on the basis of selling non-audit services to audit clients.

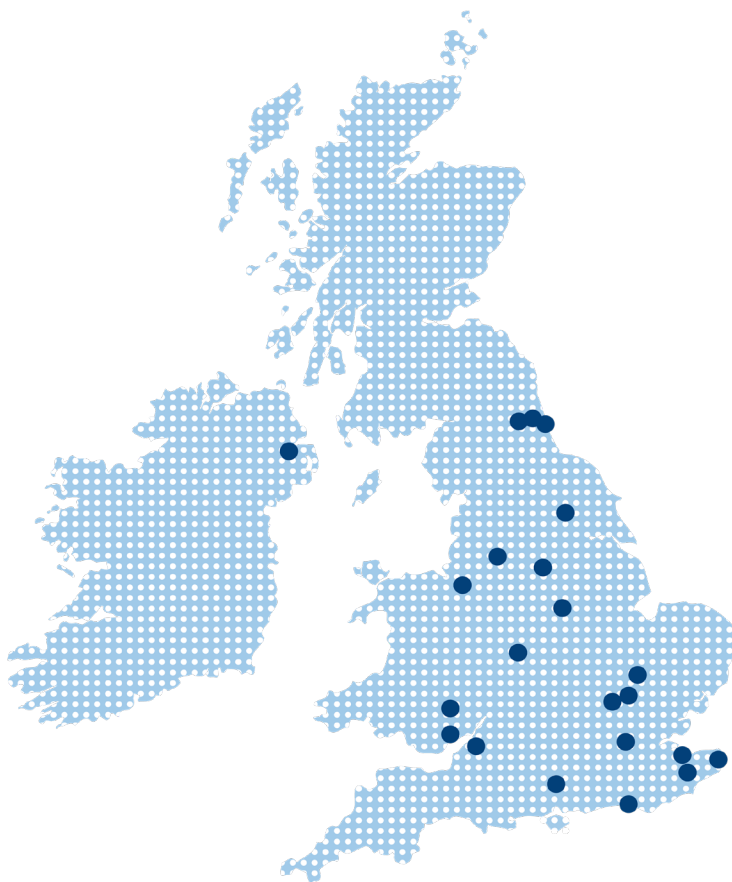
**UHY Hacker Young LLP**  
**London and Nottingham**  
**31 August 2018**





## Further information

For further information on this document, please contact Laurence Sacker, Managing Partner, at [l.sacker@uhy-uk.com](mailto:l.sacker@uhy-uk.com).



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