

# Transparency Report 2014



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# Foreword

Welcome to the Crowe Clark Whitehill LLP transparency report, covering the firm's financial year ending 31 March 2014.

This report, setting out our vision and how we work, reaffirms our commitment to transparency and openness with our clients, the public and with our own staff and partners. With ever increasing scrutiny of professional services in the public arena, and demands for auditors to demonstrate independence, Crowe Clark Whitehill has maintained its reputation for integrity and quality in the provision of audit, tax and advisory services. We see the relationships of trust we build with our stakeholders as the defining feature of our work.

During the year under review, we have focused on delivering our three-year strategy which was released in December 2012. This has resulted in further progressing some key developments in our assessment of quality and data management: the client care programme and a client relationship management tool.

Our vision — embodying our professional values of integrity, professionalism, quality, development and approachability — will guide us over the coming year as we work as partners in business with our clients and stakeholders.



**David Mellor**  
Chief Executive

For and on behalf of  
Crowe Clark Whitehill LLP

# Legal structure and ownership

## Governance structure

## Network arrangements

### Legal structure and ownership

Crowe Clark Whitehill LLP is a limited liability partnership registered in England and Wales. From 1 April 2014, the members of the LLP comprise Senior Equity Partners and Equity Partners. Prior to this they were known as Members and Associate Members. The members of the LLP are commonly referred to as partners.

At 31 March 2014, there were 70 partners, of which 40 were Responsible Individuals (RIs). An RI is defined as somebody who holds an appropriate audit qualification and has been registered as such by the Institute of Chartered Accountants in England and Wales (ICAEW). Only RIs are permitted to sign audit reports. The firm has one RI who is not a partner.

The LLP operates from eight offices in England and does not trade through any branches outside the UK. One of the firm's wholly owned subsidiaries, Crowe Clark Whitehill (London) Ltd, maintains its own audit registration. The firm that operates in the Isle of Man as Crowe Clark Whitehill LLC is an independent firm. Accordingly, neither of these practices are covered by this report.

### Governance structure

The ultimate governing body of Crowe Clark Whitehill LLP is the partners. This body meets at least twice each year. The senior equity partners elect a Supervisory Board comprising a Chairman together with a member to represent the partners of the London office and another for the offices outside London (the regional offices). The Supervisory Board appoints the Chief Executive.

The Chief Executive appoints a team which comprises the Managing Partner of the London office, the Managing Partner of the regional offices and the Finance Partner. This Executive Team normally meets monthly. The Supervisory Board meets with the Chief Executive and the Executive Team at regular intervals during the year and meets separately when needed. It usually meets at least once a quarter.

The Chief Executive also appoints other partners and key staff as part of a Management Team. The team includes the Head of Professional Standards, People Director, Marketing and Communications Director, Training and Development Partner and Finance Director.

### Network arrangements

Crowe Clark Whitehill LLP is a member of Crowe Horwath International, a leading international network of independent audit, tax and advisory firms. Crowe Horwath International is a Swiss Verein and is a non-practising entity, and does not provide professional services in its own right. The headquarters of Crowe Horwath International are located in New York, USA. The member firms are independent and no member firm is legally responsible for the actions of any other firm in the network.

Crowe Horwath International is governed by its Board of Directors. The Board of Directors (Board) is charged with overseeing the activities of the network, including setting strategy and policy. The Board is made up of individuals representing member firms in Crowe Horwath International, as well as the Chief Executive Officer.

Crowe Horwath International is a member of the Forum of Firms of the International Federation of Accountants. Members of the Forum are required to implement and monitor quality control standards that the Forum has prepared. Crowe Horwath International prepares an annual declaration stating that its members adhere to the Forum's standards.

Crowe Horwath International is separated into three geographic regions: The Americas, Europe Middle-East and Africa (EMEA), and Asia-Pacific. Each region has an appointed Regional Director who together with others comprise the management committee which reports to the Board.

There are a number of committees chaired by partners in member firms in areas such as Audit and Accounting, International Tax, Corporate Global Advisors and Risk. Partners from Crowe Clark Whitehill LLP take an active part in these committees. In addition, they also participate in training and other events, both as attendees and as presenters.

Crowe Clark Whitehill LLP actively participates in the network and support the development of its quality and service. When working together with other members of the network, Crowe Clark Whitehill LLP will have appropriate agreements in place relevant to the work being undertaken.

Crowe Horwath International has a system of audit quality monitoring in place and Crowe Clark Whitehill LLP is subject to a periodic network audit quality assurance review.

In the UK, Crowe Clark Whitehill LLP is the founding member of HCWA, an association of independent accountancy practices providing technical training and proactive support to its members. HCWA is not a network within the meaning of the Ethical Standards for Auditors.

## Governance, Executive and Management teams

### Supervisory Board



**Louis Baker**  
Chairman



**Keith Newman**



**Peter Varley**

### Chief Executive



**David Mellor**

### Executive Team



**Nigel Bostock**  
London Office  
Managing Partner



**Ian Dale**  
Regional Offices  
Managing Partner  
(until 30 June 2014)



**Mike Hicks**  
Finance Partner



**Jonathan Dudley**  
Regional Offices  
Managing Partner  
(from 1 July 2014)

### Management Team



**Steve Gale**  
Head of Professional  
Standards



**Diane Gwynne**  
People Director



**Lynda Blackshaw**  
Marketing and  
Communications Director



**Richard Baker**  
Training and  
Development Partner



**Barrington de Souza**  
Finance Director

# Global reach

191

independent  
accountancy and  
advisory firms

118

countries.



All figures as of December 2013

# 684

offices

# 29,414

partners and staff

# 9th

largest international network  
of independent accounting  
and advisory service firms.

## Regional statistics: EMEA

Member firms and business associates	117
Countries	71
Partners	1,184
Partners and staff	8,109

## Regional statistics: Asia-Pacific

Member firms and business associates	35
Countries	26
Partners	667
Partners and staff	10,849







# Leadership and internal quality controls

## Leadership

The Chief Executive is ultimately responsible for maintaining audit quality and has appointed partners with the appropriate skills and experience to oversee a number of roles in relation to audit quality.



**Steve Gale**  
Audit Compliance  
Principal



**Helen Drew**  
Quality Assurance  
Partner



**Shona Harvie**  
Risk Partner



**Andrew Penketh**  
Ethics Partner

- ▶ the provision of tools, training and guidance to ensure audit engagements are performed in accordance with professional standards and regulatory and legal requirements, and that audit reports issued are appropriate
- ▶ a system of quality control to monitor the effectiveness of our procedures.

## Risk management

The Chief Executive considers risk at all levels: strategic, professional, reputational, operational and financial.

The Chief Executive appoints a Risk Management Partner who works in consultation with all areas of the business to develop appropriate risk management policies and procedures that respond to the professional, reputational and operational risks. These policies and procedures are included in the Risk Manual which is provided to all partners and staff through the firm's intranet, 'Crocus'.

## Data protection and information security

The firm has developed a framework to meet the statutory and commercial requirements of data protection and information security. A framework document sets out the firm's overall approach and outlines a review from each of the diverse ranges of practice areas and support services, and includes key risks and responses. The framework is supported by two formal policies: the Data Protection Policy, which sets out compliance with the Data Protection Act 1998; and the Information Security Policy, which sets out compliance with the Financial Services Act and with generally accepted good practice in IT and security. Both of these policies are included in the Risk Manual.

To support data protection and information security, the firm has developed online data protection training for all staff and maintained its transparency with regards to online data privacy in line with European data legislation.

## Internal controls

### Internal quality control system

The main elements of our internal control system for audit quality are:

- ▶ the leadership, which promotes a culture that recognises audit quality
- ▶ operation within a professional and regulated environment and compliance with professional ethical requirements
- ▶ risk management policies that are used for the acceptance and continuance of audit clients
- ▶ providing adequate resources and policies to address issues such as recruitment, performance evaluation, capabilities, competence, career development, promotion and compensation

# Ethical requirements and independence

## Engagement performance

### Ethical requirements and independence

Crowe Clark Whitehill LLP has identified core values which are fundamental to the firm's business. The firm has sought to embed these values in a number of ways into all processes and procedures. The core values include professionalism and independence. Independence procedures are monitored constantly.

The firm is subject to the Code of Ethics of the Institute of Chartered Accountants in England and Wales (ICAEW) and the Ethical Standards for Auditors issued by the Auditing Practices Board (APB).

There is a requirement that partners and staff do not have a personal interest in clients of the firm but where this does occur, perhaps because of historical family trusts, there are safeguards in place to ensure that objectivity is not compromised. Financial interests in audit clients are not permitted. A list of prohibited investments is maintained and when changes are made, partners and staff are notified accordingly. Conflict checks are also carried out within the firm and the Crowe Horwath International network as necessary.

Within the firm there is a strong consultative and cooperative culture. Consultation with others is strongly encouraged and the Ethics Partner is consulted regularly on a range of matters. All ethical queries are logged in a database, together with the advice provided.

The firm's procedures require any partner or member of staff to notify the firm immediately should any matters touching upon independence or ethical requirements arise. In addition, each partner and member of staff completes annually a set of compliance statements, including a fit and proper form, and a statement of confidentiality and independence. This ensures that the firm is aware of any independence issues arising on a personal level and can take appropriate action. Our independence procedures are reviewed internally each year as part of our quality reviews.

The firm's client acceptance procedures were reviewed and updated during the year under review, these are outlined in the Risk Manual. This sets out a range of considerations including the appropriateness of the prospective client, the firm's ability to service the client, fees and risk. The take-on procedures are also covered in terms of anti-money laundering checks, conflict checks and assessment of risk.

The higher profile or higher risk prospective clients are considered by members of an acceptance committee.

The decision on whether or not it is appropriate to continue an audit appointment is embedded within the audit methodology. If the risk profile of a client changes to a significant degree, the client acceptance procedures would be invoked.

Ethical matters are included in the training programme as appropriate. Guidance is produced on independence in the form of bulletins.

### Engagement performance

All audit work is performed using the firm's internally developed audit methodology. This methodology has been applied to a commercially-sourced software package.

The audit methodology has been developed specifically to deal with commercial clients, not for profit entities and pension schemes. Other assurance work (such as assignments under the Solicitors Regulation Authority Accounts Rules 2011) may use third party materials with appropriate internally-developed guidance.

The audit support tools have been developed internally over a number of years with a view to facilitating compliance with International Standards on Auditing (UK and Ireland) (ISAs), APB Ethical Standards and other applicable regulations.



# Monitoring: external and internal monitoring

## Maintaining competence

The firm's audit work programmes include compulsory elements dedicated to ethical requirements to ensure that these areas are considered at set stages on all audit engagements.

Partners and managers will select the most appropriate people for the team. During the audit, procedures are in place to supervise, provide on the job training and appraise the team members during and after the execution of the audit. At the end of the audit, the firm has policies on the filing and archiving of the documents. Electronic files are backed up, subject to disaster recovery plans, secured by login and password protection. The firm constantly reviews its IT security to ensure risk is mitigated and standards are met.

The firm has in place a set of policies and procedures that indicate when and how a second partner or engagement quality control review is needed. There are schedules in the firm's audit work programme covering the responsibilities and conclusions of the engagement quality control review partner. Where there are differences of opinion between the engagement partner and the reviewer that cannot be resolved through discussion, the firm's procedures require consultation with an appropriate senior partner.

All audit staff and partners have access to a full library of technical reference materials on accounting and audit matters through Crocus.

### Monitoring

#### External monitoring

The firm is subject to external review by the Audit Quality Review team (AQRT) of the Financial Reporting Council (FRC) because of the number of public interest entities audited by the firm.

The firm's third public report is due to be published in spring 2015. The firm's first PCAOB report was published earlier this year.

The Quality Assurance Department (QAD) of the ICAEW conducts annual inspections in respect of audit work not covered by the AQRT. The QAD also conducts annual inspections as part of its Practice Assurance regime.

Practice Assurance is the ICAEW's process of monitoring and improving quality standards in member firms across the UK and covers the non-regulated part of our business which includes tax and advisory services.

### Internal monitoring

The firm has established annual monitoring procedures known as Quality Assurance Reviews (QAR), led by the Quality Assurance Partner and run by the National Quality Assurance Director. The QARs are conducted under carefully defined procedures and address all our service lines and Practice Assurance, which is more than required by regulation.

The results of QARs are reflected in partners' annual appraisals, the results of which are used in the determination of partner remuneration for each specific year.

Monitoring for audit work comprises regular file reviews of audit clients. The Quality Assurance Partner decides which RIs in the firm will be selected for a file to be reviewed as part of this annual process.

The results of file reviews are discussed with the relevant RI before the file grading is finalised. Key findings from the file reviews are collated into a national report and the Audit Compliance Partner is required to develop an action plan to address the issues raised.

The Chief Executive is briefed and receives the report each year. It is then distributed by the Chief Executive to all partners and RIs. The Chief Executive considers that the internal monitoring programme operates effectively.

### Maintaining competence

The firm operates a system of accreditation such that certain assignments will require either a partner or manager (or both) to be a designated specialist in order to act for those clients. In the audit practice, these accreditations exist for the audits of listed companies, not for profit entities, pension funds and SRA Accounts Rules engagements.

The firm provides twice yearly audit and accounting update courses and an annual tax update for non-specialists. There are specialist courses or conferences for those dealing with listed companies, not for profits, pension funds and professional practices, each of which contain sector-specific accounting and audit training.

The expectation is that those requiring accreditation will attend the annual conference for that area as well as attending the twice yearly audit and accounting updates. Individuals involved with listed clients are expected to attend the listed client group meetings as well. Individuals working in audit should attend audit and accounting, and tax for non-specialists update courses.

The actual training undergone, the training plan and experience of all persons accredited or working in audit is reassessed as part of the annual appraisal process.

The firm has a national department covering people and development which includes a national training and development partner. This department supports people development.



# Human resources

# Financial information

# Remuneration of partners

## Human resources

The firm's staffing levels are monitored continuously on an office by office basis. Annual business plans and detailed budgets are produced which allow each office to see whether it has the resources needed to meet the demands expected in the next 12 months. Business plans are also prepared by each strategic sector group.

There is a formal appraisal system in place. All partners and staff undergo an annual appraisal from trainees through to the Chief Executive with written appraisals and future targets. The appraisal process for partners includes the results of quality assurance reviews with the aim of promoting quality.

The firm has training and development policies for all partners and staff. There are different levels of training delivered dependent on their level of experience. In certain disciplines, including audit, there are mandatory update courses and, additionally, there is a requirement to maintain competence in accredited areas.

## Financial information

	2014	2013
	£m	£m
Statutory audit work	24	23
Non-audit work to audit clients	8	8
Non-audit work to non-audit clients	23	23
	55	54

## Analysis of audit fee income

	2014	2013
	£m	£m
Turnover	24	23
Operating profit	8	7

## Audit profitability

Operating profit is calculated after charging direct staff costs and allocating other overheads (such as space costs, IT and general practice costs) proportionate to staff costs.

## Remuneration of partners

Partners are remunerated solely out of the profits of the Crowe Clark Whitehill LLP group. Each partner receives an Initial Allocation that is paid monthly through the year. An element of the remaining profit is shared between all the partners based on performance during the year. The members share the final element partly based on the number of equity points held with the remaining part based on performance with the allocations determined by a remuneration committee.

No element of partner or staff remuneration is directly related to the selling of non-audit services to audit clients.

# Appendix: Major public interest entity clients

## Major public interest entity clients

The listed and major public interest entity clients including those within AQR scope as at 31 March 2014 are listed below. Clients falling within the definition of public interest entities in the Statutory Auditors (Transparency) Instrument 2008 are indicated with an asterisk.

- ▶ AB Dynamics plc
- ▶ Academies' Enterprise Trust
- ▶ Accenture Pension Scheme
- ▶ Adamas Finance Asia Limited
- ▶ Adept Telecom plc
- ▶ Audiboom Group plc
- ▶ Auhua Clean Energy plc
- ▶ BAA Pension Scheme
- ▶ Bank of England Pension Scheme
- ▶ Camkids Group plc
- ▶ Cap Energy plc
- ▶ CentralNIC Group plc
- ▶ Chapel Down Group plc
- ▶ Christian Aid
- ▶ Civil Aviation Authority Pension Scheme
- ▶ Condor Gold plc
- ▶ Craven House Capital plc
- ▶ D E UK Pension Plan
- ▶ DP Poland plc
- ▶ Fusionex International plc
- ▶ Geo Genesis Group Limited
- ▶ Graphene NanoChem plc
- ▶ Haike Chemical Group Limited
- ▶ Hardy Oil and Gas plc
- ▶ Hightex Group plc
- ▶ Independent Resources plc
- ▶ Islamic Relief Worldwide
- ▶ Jaguar Pension Scheme
- ▶ Jarvis Securities plc
- ▶ JQW plc
- ▶ Land Rover Pension Scheme
- ▶ Learning Technologies Group plc
- ▶ LV= Employee Pension Plan
- ▶ Marie Stopes International
- ▶ Medilink – Global UK Limited
- ▶ Miloc Group Limited
- ▶ Naibu Global Company Limited
- ▶ Nationwide Building Society Pension Fund
- ▶ Oasis Community Learning
- ▶ Oxus Gold plc
- ▶ Palace Capital plc
- ▶ Papa Entertainment plc
- ▶ Pearson Group Pension Plan
- ▶ PHSC plc
- ▶ Pipe Hawk Plc
- ▶ Plexus Holdings plc
- ▶ PricewaterhouseCoopers LLP
- ▶ Prime People plc
- ▶ Quadrise Fuels International plc
- ▶ Quercus Publishing plc
- ▶ Remploy Pension Scheme
- ▶ Royal Mencap Society
- ▶ Royal National Lifeboat Institution
- ▶ RSPB
- ▶ SI Pension Scheme
- ▶ Sightsavers International
- ▶ Sorbic International plc
- ▶ Sound Oil plc
- ▶ Sovereign Mines of Africa plc
- ▶ SWP Group plc
- ▶ SyQic plc
- ▶ The Real Good Food Co plc
- ▶ Tiziana Life Sciences plc
- ▶ Trafalgar House Pension Trust
- ▶ Trafalgar New Homes plc
- ▶ Water Intelligence plc
- ▶ Xerox Pension Scheme
- ▶ Xplorer plc\*
- ▶ Xtract Resources plc
- ▶ Yujin international Limited



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Find out more about us at

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### **About Crowe Horwath International**

Crowe Horwath International is ranked among the top 10 global accounting networks with more than 150 independent accounting and advisory services firms in over 100 countries around the world. Crowe Horwath International's member firms are committed to impeccable quality service, highly integrated service delivery processes and a common set of core values that guide decisions daily. Each firm is well-established as a leader in its national business community and is staffed by nationals, thereby providing a knowledge of local laws and customs which is important to clients undertaking new ventures or expanding into other countries. Crowe Horwath International member firms are known for their personal service to privately and publicly held businesses in all sectors and have built an international reputation in the areas of audit, tax and advisory services.

### **[www.croweclarkwhitehill.co.uk](http://www.croweclarkwhitehill.co.uk)**

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