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# Transparency Report



# Transparency report

This report has been prepared to meet the requirements of the Statutory Auditors (Transparency) Instrument 2008 for the year ended 31 March 2018 and is presented in accordance with the requirements of EU Regulation 537/2014.

## Legal structure and ownership of the firm

Edwards is a limited liability private company incorporated in England and Wales. The firm operates from a single office based in Aldridge, West Midlands but also has a market office in Nottingham.

As at the date of this report, there are four principals of the firm who each own 25% of the company's issued share capital. Three principals are members of the Institute of Chartered Accountants in England and Wales and one is a member of the Association of Chartered Certified Accountants.

All four principals are audit responsible individuals and our audit services are regulated by the ICAEW's Quality Assurance Department. Edwards act as auditor for a public interest entity client and as a result will be subject to further monitoring by the Audit Quality Review Department of the Financial Reporting Council.

## Network affiliation

Edwards is not affiliated with any national or international network.

## Governance structure

Edwards is governed by its four principals who have ultimate responsibility for the company's decision making, strategies and policies, as detailed in its shareholders' agreement. The principals meet on a monthly basis to discuss overall management of the firm and to monitor staff and job performance.

## Internal quality control systems

The firm is committed to delivery of work and service to a high standard in all areas and as a result all departments are subject to ongoing and appropriate quality control procedures.

With regard to audit services, Edwards have implemented specific internal quality control systems to ensure that high standards are maintained.

The firm's designated audit compliance principal is responsible for ensuring compliance with audit regulations. The firm adopts the Mercia audit approach who provide audit compliance and procedures manuals which are available to all audit staff. These manuals are regularly updated to ensure that the firm complies with any new audit regulations.

Individual audit files are reviewed by an audit manager and audit Responsible Individual ("RI") at both the planning and completion stages. For some audit assignments, an Engagement Quality Control Review is required at the planning and completion stages which is either undertaken by an independent audit RI or by a suitably qualified external consultant (Mercia or SWAT). These reviews must be completed before approval and signing of the audit report.

Criteria for an EQCR are included in the firm's audit compliance manual and assessed on an ongoing basis by the firm's principals. These are as follows:

- Audit of a public interest entity (external review)
- High risk and/or complex assignments (external review)
- Long RI association (internal review)
- Provision of non-audit services (internal review)
- Modified audit opinion (internal review)

In addition, cold file reviews are completed to ensure that every audit RI's work is reviewed at least annually. These reviews are undertaken by either an independent audit RI or our head of audit. Once completed, the findings are reviewed by the firm's principals and corrective actions taken if required.

The firm's principals believe that the system of internal quality control is operating effectively which enables ongoing audit quality and compliance.

## External monitoring visits

As noted above Edwards are subject to regular external monitoring visits from the ICAEW's Quality Assurance Department. Edwards last review took place in April 2018. In addition, an ICAEW practice assurance review took place in April 2015.

## Public interest entities

During the year, Edwards issued one audit report in respect of a public interest entity being Paycare, a company providing healthcare cash benefit insurance plans.

## Independence procedures and practices

Edwards have robust internal policies and procedures to maintain audit independence and to ensure staff act ethically and with integrity and objectivity. Our policies set out the procedures to be followed on all our audit assignments. These include the following:

Our independence is assessed at both the planning and completion stages of all ongoing audit assignments

Similar assessments are made at the client acceptance stage for new audit assignments or when client ownership changes occur

Where independence threats are identified as a result of either long association or through the provision of non-audit services or indeed where there is a perceived higher risk or public interest element, either an internal second RI review or an external quality control hot review is undertaken

In addition, in accordance with audit regulations all principals and staff are required to complete statements of independence, confidentiality as well as confirmation of fit & proper status when commencing employment with Edwards and annually thereafter. Any issues arising outside of this process should be immediately notified by staff to the dedicated ethics director who will document the issue and where necessary formulate a plan for its mitigation.

An internal review of independence practices is included in the firm's annual compliance review process which was completed in July 2017.

## Continuing professional development and education

All our qualified staff, whether ICAEW or ACCA, are required by their governing body to undertake continuing professional development to ensure they maintain their technical skills and knowledge. Through our association with Mercia Training we make provision for all qualified staff to attend technical courses throughout the year to maintain their technical knowledge on audit, accounts and taxation at a continuing high standard.

Any staff involved in audit work have their work monitored on every audit assignment through our system of reviews throughout the audit process.

Internal cold file reviews are performed annually by Edwards' principals or our head of audit to maintain standards and feedback any areas where further development or training is required.

## Audit RI and key audit staff rotation

Our audit compliance manual describes the circumstances in which the audit engagement RI, EQCR and other key audit staff should be rotated away from an audit engagement. We can therefore confirm that the firm complies with the audit RI and key audit staff requirements of FRC's Ethical Standard.

As part of our audit planning processes and annual reporting to the ICAEW, the firm monitors the number of years that principals and other senior staff have acted on audit engagements. In instances where an audit RI has held the same role for 10 years or more (but neither Ethical Standards nor our audit compliance manual requires rotation), safeguards are implemented to ensure our independence is maintained. As part of our audit planning process, these safeguards are communicated in writing to those charged with governance.

## Financial information

The transparency reporting regulations require financial information to be provided which evidences the importance of statutory audit work to the firm. An analysis of the firm's turnover for the year ended 31 March 2018 is provided below:

- |  |       |
|--|-------|
| • Statutory audit and related services to public interest entities | 0.9%  |
| • Statutory audit and related services to other audit clients      | 30.0% |
| • Non-audit services provided to audit clients                     | 8.5%  |
| • Non-audit services provided to non-audit clients                 | 60.6% |

Non-audit services include accounting, tax compliance and advice, business planning, payroll and company secretarial matters.

## Remuneration of principals

The firm's principals are remunerated solely out of the profits of the firm in accordance with the shareholders' agreement. Principals are not remunerated by reference to their ability to cross-sell non-audit services to audit clients and as a result the firm considers that remuneration is not contingent upon any basis that would compromise audit independence.

*Edwards*

June 2018



Chartered Accountants | Registered Auditors | Business Advisors

Directors David CP Webb FCA Neil J Taylor BA, FCA Adrian P Stevens FCCA Paul J Tonks BSc, FCA

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