# Contents

## Part 1 Introduction
1.1 Foreword from David Dunckley - CEO  
1.2 Report from the Chair of the Public Interest Committee  
1.3 Report from the Head of Audit  
1.4 Report from the Chair of the Risk and Audit Committee  

## Part 2 Driving Quality and Building Trust
2.1 Our Audit Investment Plan  
2.2 Quality and reputation  
2.3 Risk assessment  
2.4 Statement on the firm’s internal quality control systems  
2.5 Internal monitoring  
2.6 External monitoring  

## Part 3 Structure and governance
3.1 Leadership and governance  
3.2 Governance KPIs  
3.3 Legal structure and ownership  

## Appendices
A Audit Firm Governance Code  
B Corporate Governance Code  
C Local Auditors (Transparency) Instrument 2015  
D Ethics and independence  
E Members of the firm’s leadership and governance bodies  
F Meeting attendance  
G International organisation  
H Financial information  
I Partner remuneration  
J Public interest entities  
K Major local audits
Regulatory context

We have prepared this Interim Transparency Report, in respect of the period ending 30 June 2019 (the report), in accordance with Article 13 of Regulation No 537/2014 of the European Parliament and of the Council (the EU Audit Regulation) which requires the publication of an annual transparency report by audit firms that carry out statutory audits of public interest entities.

The Audit Firm Governance Code (the Code), issued by the Financial Reporting Council (FRC) in 2010 and revised in 2016 (the revised Code) sets the benchmark for good governance and applies to UK firms auditing 20 or more listed companies. This report includes disclosures required by the revised Code and a reconciliation of how we comply with each of the principles and provisions of the revised code in Appendix A.

The report has also been prepared to meet the requirements of the Local Auditors (Transparency Instrument) 2015.

Every year Grant Thornton conducts more than 12,000 audits of mid-market companies striving for growth, large FTSE 350 businesses and public sector organisations providing important public services. It signed an audit opinion for 58 clients that are PIEs in the period ending 30 June 2019 (Appendix I).
Part 1
Introduction
1.1 Foreword
A year of change and focus

This is my first, albeit interim, transparency report as CEO. It is a year in which we have seen a significant amount of change; both to our industry, and also in our firm but I have ensured that it is a year which sets us up for success in the future. Internally, I have prioritised a leadership team, strategy and operational structure which focuses us on areas where we can be true market leaders and, as part of this, divesting non-core parts of our business such as Wealth Advisory. There have been some difficult decisions to make during the year and I am confident that we are now running our firm in a way which truly prioritises quality, talent and value both internally and externally. A key part of this, in respect to audit, is the implementation of our Audit Investment Plan, details of which are included later in this report.

David Dunckley
CEO, Grant Thornton UK LLP

At the heart of industry change has been criticism of the audit product and the audit market. We support change in both. Having an audit product that is genuinely respected by business and broader society and delivered by a competitive audit market is crucial for trust and confidence in UK business.

The very significant changes we have made demonstrate our commitment to improve our quality. However, for the market to become more competitive, we have firm views on the changes required, and we have been consistent on these views in the last year:

• We need time to invest further in our capacity to do more, larger audits. An environment where larger firms are split between non-audit and audit will hamper our ability to invest and is likely to be a disincentive for challenger firms to seek to operate in the large listed company audit market.

• We accept that the audit industry needs an effective regulator. However, that regulator needs to see that it will have an impact on the marketplace and on market competition. We need an environment where a culture of improvement is fostered and regulatory fines, if imposed, are issued on a proportional basis. Creating such an environment will enable all firms to continue to invest in audit quality and will promote the appetite of challenger firms, such as Grant Thornton, to re-enter the market for larger audits.

During the period to June 2019, the firm has enjoyed modest growth – increasing total revenue in the 12 months to 30 June 2019 from £491m to £502m (unaudited). In the same period, partner numbers rose from 188 to 200. The average profit per full share equity partner in the period was £323k (£343k last year).

In order to deliver the changes set out above, to allow us to better manage the seasonality in our business and to align with our global reporting commitments, we have moved our accounting period to 31 December 2019. As a result, we are not required to submit a transparency report until March 2020. However, given the extent of change in the firm, we have taken the decision to issue this interim report now. As such, this interim report is designed to be more concise than normal albeit still satisfying the requirements of the Audit Firm Governance Code.

We recognise the fundamental importance of trust in our industry and the public interest responsibilities that we bear. I recognise the challenges and opportunities which we as a firm face in continuing to invest to improve the quality and effectiveness of our audit and assurance business. Approaching the end of my first year as CEO, I am proud of what we have achieved and am confident that the changes I have made set us up to maximise the market opportunities in the future, generate higher levels of profitability and will cement our position as the leading challenger firm in the large audit space with quality at the heart of all we do.
1.2 Report from the Independent Non-Executive (INE) chair of the Public Interest Committee and the Partnership Oversight Board on behalf of the independent non-executives

This is my fourth report as Independent Non-Executive (INE) chair of Grant Thornton’s Partnership Oversight Board (POB or board). In May this year, I was reappointed following a vote of the elected members of the POB as chair to 31 March 2021. I also chair the Public Interest Committee (PIC). This report is on behalf of that committee and my fellow INEs, Deena Mattar and Imogen Joss.

I and my INE colleagues take these responsibilities very seriously, and I am pleased to report that, on the whole, we continue to have confidence in the way Grant Thornton is managed and controls the risks that are inherent in a business with this scale and breadth of operations.

In addition to the Audit Firm Governance Code, we also pay close attention to the Corporate Governance Code and apply its principles in the context of our members and a partnership structure.
Help the firm secure its reputation more broadly, including in its non-audit businesses

The POB meets at least six times a year. It comprises eight members elected from within the Grant Thornton partnership, as well as the three INEs. The elected members are appointed for a term of three years and may seek re-election for a further term at the annual election.

The board invites attendance by members of the SLT. As a standing agenda item, the CEO presents at each POB meeting a report that covers the SLT’s activities, key developments within the firm (including any material investment decisions as well as regulatory, legal and reputational matters) and an update on the latest financial position. Over the course of each year, the POB receives, scrutinises and constructively challenges the leadership's strategic plans as well as the annual budget that it sets for the business.

Each board meeting includes time without the SLT present to allow open and thorough debate about all matters relating to the conduct of the firm, the work of the leadership and the risks the business faces. In this regard, the POB continues to behave much like the board of a publicly listed company, albeit with a heightened focus on quality and risk so as to reflect the particular structure of a partnership and the specific requirements of the INEs on the board as obligated by the FRC.

The POB has a number of subcommittees and standing working groups. The four most important subcommittees are each now chaired by an INE. These are the RAC, led by Deena Mattar; the Remuneration Committee, led by Imogen Joss; and the Profit Sharing subcommittee and PIC, which I chair.

The RAC comprises one INE and three elected partner members, and has been attended by the Ethics Partner, Head of Quality and Reputation, CEO and other members of the SLT. It meets at least five times a year and addresses, inter alia, issues relating to the quality of the firm’s work through an analysis of the risks facing the business and monitors the implementation of the plans intended to mitigate them. Feedback from the FRC, including reports from its Audit Quality Review team, is presented by management to the RAC as well as to the POB itself, and action plans in response agreed accordingly.

The Remuneration Committee meets quarterly to agree performance targets for the CEO and the other members of the SLT, and to monitor progress against those targets. It is made up of two INEs and three elected partner members. At the end of each financial year, the committee decides the profit share of the CEO in accordance with performance against targets and agrees with the CEO the profit shares for the other partners on the SLT. While financial targets make up an element of how the partners are rewarded, there are a significant number of qualitative objectives that can have a material impact on the profit shares that are ultimately agreed by the committee.

Promote audit quality

Reflecting on the continued focus on the quality of audit for the UK’s Public Interest Entities, we have in place a Public Interest Committee (PIC) to more formally consolidate work previously carried out by the POB, the Risk and Audit Committee (RAC) and INEs individually. This committee is formed of the three INEs plus the Head of Quality and Reputation and Head of Audit. Others, including the Head of Ethics, are invited to attend as appropriate. The PIC pays attention to audit quality to ensure that the firm fulfils its public interest remit in accordance with the Code. The committee received feedback from meetings held with the Financial Reporting Council (FRC) in respect of its findings from the Audit Quality Review (AQR) and from our internal National Assurance Services Review and International audit file reviews. We met with the Head of Audit to discuss the reports received and to consider the emerging Audit Investment Plan. On an ongoing basis, the PIC will receive presentations from the Head of Audit and continue to monitor progress against those actions. For further information of this committee, please see below.

The reputation of audit within the UK’s largest public companies is currently under unparalleled scrutiny from a number of Government-backed independent Reviews. Coupled with that, the FRC has reported specific concerns at certain firms. We are disappointed with the criticisms that Grant Thornton UK LLP received in the FRC’s AQR team’s public report of June 2019 and see it as a key part of our role to ensure the firm’s audit quality and reputation in the larger listed sector is restored.

During the year and even before the AQR’s report had been published, I and my fellow INEs considered the firm’s proposals for improvement. We were involved in scrutinising and approving the Audit Investment Plan (AIP) that was developed in the early months of 2019 and agreed with the FRC in May 2019. A key element of the AIP was the creation of a new Head of Audit role that would, for the first time, sit on the firm’s Strategic Leadership Team. We were pleased that Fiona Baldwin was appointed to the role in June 2019. Since then, we have continued to receive updates on the implementation of the AIP by Fiona and her team.

The INEs have received direct feedback on the firm’s ongoing audit quality assessment from the FRC and have had detailed discussions with the relevant people within Grant Thornton to be sure that all issues have been identified and are being addressed appropriately, so that all stakeholders can have continued confidence in the effectiveness and quality of the firm’s audit work.

The INEs have met with the FRC in various forums over the past year, both alone and as part of larger groups of INEs drawn from across the major audit firms in the UK. We are enthusiastic contributors to the thematic work that the council is undertaking, believing that a well-supported regulator is vital to the health and integrity of the audit market. We look forward to continued, positive engagement with the FRC in the year ahead.
The Profit Sharing subcommittee comprises three INEs and two elected partner member. It meets at least twice a year to oversee the mechanism for the distribution of profits between the firm’s partners to ensure a fair and equitable process. Amongst the various determinants of profit share that are scrutinised by the subcommittee is the quality grade awarded to each partner, as it is imperative for the integrity of the firm’s activities that the quality of a partner’s work – whether in audit or non-audit practice – is reflected in his or her reward to protect the public interest. We also consider, and where appropriate challenge, the gender pay gap at partner level.

The terms of reference (TOR) for the PIC set out that it shall be responsible for overseeing the public interest aspects of the decision-making of the firm, including the management of reputational risks. The PIC is also responsible for engaging, together with senior management of the firm, in dialogue with the FRC and external stakeholders, in particular representatives of shareholders in public interest entities (PIEs) audited by the firm (the full TOR are available on the website). Any contact with the firm’s whistleblowing helpline is reported to this committee and reported to the POB – there have been none in the year. This committee provides oversight of both the Audit practice and the whole firm.

This committee of the three INEs meets at least three times a year with the Head of Audit and the Head of Quality and Reputation and may call on others to attend as required, including the Ethics Partner. These meetings, without other management present, are intended to ensure direct feedback to the INEs on quality, reputational and regulatory matters.

I am pleased to report that the INEs have continued to find these meetings to be open, frank and invaluable in enabling us to discharge our duties on behalf of the firm’s stakeholders. The INEs will also meet to review the firm’s decisions both to take on new clients and to continue client relationships, conscious that Grant Thornton’s reputation is in part a function of the businesses that it works for.

Within a day after each POB meeting, I email the partner group with the headlines of what was discussed. The minutes of the POB meetings are made available to all partners shortly thereafter.

Away from the formal cycle of the POB and subcommittee meetings, the INEs meet regularly alone to discuss the firm’s conduct and our own regulatory responsibilities.

In addition to the information provided for our meetings, we have full access to all partner communications, are invited to attend all partner meetings and visit offices to meet with partners from time to time. We continue to focus on addressing the recommendations from the POB effectiveness review carried out in 2018 and during the year the INEs attended a number of partner roadshows and regional office meetings as well as a forum with employee-elected representatives. This has provided greater visibility of the POB to the wider partner group and the opportunity for us to gain direct feedback from the wider business.

Notwithstanding this, we formed a working party to focus on this and we are now working with the leadership team to fine tune and build upon the areas highlighted in the report. Recommendations arising from the feedback are in the process of being actioned. They include providing more clarity to the wider partner group on the role of the POB, taking a more active role in the strategy development and review process with the leadership team and introducing more channels for communication between the POB and partners and the wider firm.

I have weekly calls with the CEO and all partners have my personal email if they wish to contact me direct. I feel the INEs are given unfettered access to any information we want and need in order to fulfil our roles. We are not aware that anything has been withheld from us.

**Reduce the risk of firm failure**

At every POB meeting there is a report from each of the subcommittees and working groups. The report from the RAC is comprehensive, ensuring that key risks to the business and matters pertaining to quality and reputation are brought to the attention of the INEs and the board as a whole for rigorous debate.
Audit remains a core service offering of Grant Thornton. Disappointingly, in the last 12 months, we received a critical report from the FRC on their review of our highest-risk clients.

**Delivering quality audits**

The report, looking at the trends in our audit quality on our more complex clients, shows that over the past few years, whilst we have performed high-quality audits (achieving a 1 or 2a) on the majority of our complex work (58%), there have been more instances than we want where our work is inconsistent as regards high-quality audits across that group within our client base as evidenced in the following table.

<table>
<thead>
<tr>
<th>AQR reviews</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
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<tbody>
<tr>
<td>Good or good with</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>limited improvements</td>
<td>4</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Improvements required</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Significant improvements</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Our work in the mid-market and particularly within the private corporate sector is more consistently delivered at the high quality standards we set ourselves as detailed by the result of our internal file reviews as set out later in this report.

To put our FRC report in context, we deliver well over 10,000 audits each year and our AQR population (which is subject to FRC review) represents less than 0.6% of the work we perform. However, the FRC results are clear that consistently high quality across all our work is something we need to improve on (as with all firms) and the focus of consistency is key to me as we enter the next audit cycle.

**Areas of assurance focus for 2019/20**

Audit quality continues to be of primary importance to our business. In Spring 2019, we produced our Audit Investment Plan (AIP), designed to address these areas and, since my appointment on 1 June 2019, we have been focusing on the key areas within the AIP to achieve the maximum increase in both our quality and the consistency of our work across all of our clients, including the large listed sector.
We are in regular dialogue with the FRC who are supporting us and providing healthy challenge along our quality investment journey and we are appreciative of the time they are spending with us to achieve our aims.

The key facets of our AIP are detailed later in this report.

The external world of audit

Looking externally, we are operating in a market on the brink of probably the most fundamental change in living memory. There are a number of factors which are contributing to this:

• Sir John Kingman’s review of the FRC recommended the creation of a new regulator with much broader interventionist powers and a wider scope of activities, focusing on the reporting, governance and audit arrangements in place at our larger companies. Importantly, this review recognised that accountability for performance in these areas is much wider and that directors, boards and audit committees would all need to be seen to be playing their part. The review advocated consideration of a Sarbanes Oxley type approach for the governance of UK financial reporting.

• The Competition and Markets Authority (CMA) challenged the dominance of the Big Four audit firms in the UKFTSE 350 sector and proposed ways of encouraging greater representation from ‘challenger’ firms such as Grant Thornton, including joint audits arrangements. In addition, the CMA sought to improve the perception of audit independence, and hence audit quality, through operationally separating the audit from advisory parts of the Big Four firms.

• Sir Donald Brydon’s review of the quality and effectiveness of audit is currently considering, from a user’s perspective, how the scope of UK audit could be broadened to more effectively look at a company’s future financial viability and fraud detection, along with how auditors could more meaningfully consider the non-financial information reported by larger companies.

Notwithstanding the above, we continue to monitor the FTSE 350, specifically in the context of our decision to withdraw from tendering for future FTSE 350 audit appointments in 2018. We continue to be invited to participate in such tender processes and remain open to the prospect of returning to this market when conditions are right – namely when we are comfortable that our audit quality is consistently high and when our desire to see a more level playing field is satisfied.

Local (public sector) audit

The other area of particular focus for us within the audit market is our commitment to local (public sector) audit. This sector is also subject to formal Government attention, as Sir Tony Redmond is currently reviewing the financial reporting and governance arrangements for local authorities, as well as the structural arrangements for supporting the audit regime and the quality and scope of the audit work undertaken. We are actively contributing to the debate in this sector, given the importance this work has to our overall audit practice to ensure that the nature, timing, regulation and remuneration for the work is appropriate so that a sustainable regime can be secured for the future.

Looking forward

When we produce full transparency report in March 2020, following publication of our financial statements for the period to 31 December 2019, we will provide further updates on both progress against the AIP and our wider audit strategy. Our focus remains on audit quality, influencing future market changes (both in the corporate, financial services and public services sector) and providing both a great client experience and a superior team experience to our people with the opportunity to hone their skills as true specialist auditors which is what the current market demands, and quite rightly, expects.

Further details of our Audit Investment Plan are detailed in Section 2.1 of this report.
1.4 Report from the Chair of the Risk and Audit Committee

The principal role of the Risk and Audit Committee (also referred to as the committee or the RAC) is to ensure the firm’s quality and risk management framework is in place and operating, and to oversee the financial reporting and external audit process. One of my key priorities as chair is in reviewing the current activities of the committee to ensure they fully meet and reflect the objectives and requirements of the revised Audit Firm Governance Code (the Code) with specific reference to the public interest, risk and audit quality.

The RAC consists of a minimum of three elected POB members and one independent non-executive member, all appointed by the chair of the POB. Appendices C and D provide a summary of the RAC members in place throughout the year and their meeting attendance.

The committee met eight times in the year ended 30 June 2019. In addition to the appointed RAC, members of the firm’s leadership bodies and those with specific responsibility for quality and risk activities and financial reporting are invited to attend and, where appropriate, report on relevant issues. These include the Head of Quality and Reputation, the CEO, the SLT, the firm’s General Counsel, the firm’s Ethics Partner, the Head of Audit and the Head of Business Risk and Quality Assurance. This additional resource at leadership level is welcome and demonstrates the firm’s commitment to quality across the business. The firm’s external auditors also attend meetings where audit and financial reporting issues are considered.

As chair, I report at each POB meeting on the RAC’s activities and considerations to enable the POB to understand the firm’s approach to quality and risk, and where necessary, challenge and debate issues that could impact on the firm’s compliance with the Code.

The RAC activities in the year focused on the firm’s ongoing development and implementation of a robust quality and risk management framework and the robustness of the firm’s financial reporting. This year, we have specifically considered the transition to a new CEO with revised SLT structures, the creation and implementation of the Audit Investment Plan and the firm’s implementation of key IT systems.

The firm’s risk profile

The SLT is responsible for the development and ongoing assessment of the firm’s risk profile and for ensuring risks are effectively managed and appropriate internal control systems are developed and implemented.

The SLT reports on its latest assessment of the risk profile; the mitigating activities in place; and any changes which have arisen in the nature, likelihood or impact of the risks faced on a regular basis. This provides the Risk and Audit Committee with the opportunity to discuss the firm’s risk profile based on its knowledge of the firm and the market and, where appropriate, challenge assessments made and the robustness of mitigating activities. Given the new leadership structure now in place, the whole firm risk register is presently under review and an updated version will be presented to the committee during the next few months.
The RAC pays particular attention to the management of risks that arise as a result of the services we offer and which could conflict with the firm’s purpose (specifically building trust and integrity in markets) and which could have a detrimental effect on the public interest. Whilst this year has seen a number of increasing regulatory and reputational risks to the firm, we are pleased with how the leadership has embraced the need to invest in arrangements to support the consistent delivery of high-quality services and the extent of the changes already implemented and discussed throughout this transparency report.

**Business Risk and Quality Assurance**

The Business Risk and Quality Assurance team supports the SLT in driving the firm’s business risk methodology and includes the internal audit function, which provides assurances to the SLT and the RAC that risks are being managed and the firm’s quality and risk management framework is in place and operating. The committee has agreed with the SLT that resourcing in this team will be enhanced to ensure appropriate coverage of the risk management processes in place.

The RAC reviews regular reports from the Business Risk and Quality Assurance team, which enables it to review the firm’s quality and risk management framework. This is underpinned by the firm’s quality standards, which drive the business to achieve best practice in quality and risk management. The committee also provides input to the firm’s business risk management process, which involves at least an annual systematic review of each business area’s risks and controls and the consolidation of these risks into the firm’s whole firm risk profile.

The RAC receives all completed internal audit reports. This is an area we have requested that leadership has greater focus on in the coming year in order for the committee to:

- examine and approve the internal audit programme, review progress against the plan and discuss the findings from the internal audit reports, including adequacy of management’s response to any major recommendations
- consider the effectiveness of the internal audit function and ensure it is sufficiently resourced.

As well as quarterly reports, the RAC reviews the annual Business Risk and Quality Assurance report, which consolidates the business risk and quality assurance activities in the year, identifies emerging themes and priorities for action moving forward and sets out plans for the forthcoming year.

The committee also met with the Head of Business Risk and Quality Assurance and the Ethics Partner without the other SLT members present.

More details on the output of reports from the AQR and Quality Assurance Department (QAD) of the ICAEW are set out in section 2.6 – External monitoring.
Part 2
Driving quality and building trust
2.1 Our Audit Investment Plan

Audit is a vitally important aspect both for Grant Thornton and the economy as a whole. As such, improving audit quality has to be the primary focus for all audit firms going forward.

We demonstrated our commitment to being transparent in our approach to audit quality through the release of our Audit Investment Plan in Summer 2019. We are providing further information on our strategic priorities and approach to quality below.

Delivery of our audit investment plan is of primary importance to us as a firm and, as such, we are investing £7m in people, technology, training and tools to ensure we meet the objective of each file reviewed by the FRC achieving at least a 2a by 2021.

The detail set out below is transformational for Grant Thornton, putting a focus on audit quality at the heart of how we audit all our clients. The change programme below will enable all of our teams to start work with a client confident that they have the level of expertise, tools and support available to them to achieve consistently high-quality work. Crucially, as detailed below, our reward structure is also changing to have quality at its heart – part of a range of cultural changes we are making as part of the AIP to drive change and to deliver a sustainable, high-quality audit reputation for years to come.

### Having the right people

Audit is a specialism and the technical requirements to achieve high-quality audit have increased significantly over recent years. We have spoken to each of our partners, directors and managers within audit to ascertain their appetite for performing high-risk work and their skills to be able to perform this work successfully; as a result, a number of individuals have changed roles or client focus within the business. Those who continue to perform our highest-risk work benefit from additional training and support throughout the year and particularly during the audit cycle, both from a technical and wellbeing perspective.

Auditors within Grant Thornton with poor audit quality are being supported through improvement plans and additional training, support and scrutiny to ensure they can achieve good-quality work going forward.

Our recruitment/promotion processes have been changed to ensure that quality is at the fore of any hiring/promotion decisions.

### Working with the high-quality clients

A good-quality audit (of any size or complexity) is only possible if the information provided by the client and the attitude of the client to risk and governance is appropriate. We have, along with most other firms, been performing a line-by-line review of our client base to ensure our retained clients meet our risk/reward criteria. With the penalties being levied on all firms for poor quality file reviews [even in instances where no financial loss has been suffered by any of the company’s stakeholders], the lens has changed for all firms, including ours, such that we will only work with those clients whose attitude to risk is aligned to ours and where we feel confident that we can achieve a good-quality audit through working with them.

We are also active in reversing the trend in recent years of audit being viewed as a commodity and being priced as such. We, along with other firms, are working to address the detrimental impact that uncommercial fees are having on audit quality and will no longer work with clients who do not value (and are not prepared to pay a commercial rate) for the audit services we provide.
We are on a journey of continuous improvement, understanding that the only way to do this is through rigorous monitoring and measurement, and from this, the development and implementation of improvement plans. As a result, the firm benefits from a variety of internal and external monitoring reviews to assess the quality of our audits as summarised later in this report.

Clearly, there is a significant amount of change in the above and it is important that the tone from the top is consistent with this. David Dunckley has been clear in his firm-wide communications that audit is a priority for us in terms of addressing our quality issues and I have been committed to communication with the various groups of partners, directors, managers and the wider audit practice and firm to ensure that all know what the AIP represents and how we will achieve this.

Using the right tools

During 2018/19, we started to use a new methodology and software created by our worldwide network (GTIL). The methodology has landed well in the business and is generating high-quality work. However it has not been possible to scale the software use to the level we had hoped and as such, additional work is being done on the software to ensure scalability is possible in the future. We are continuing to use our existing technology, incorporating our new methodology to achieve high-quality audit work. We have also continued our investment in data repository and data analytics tools, which provide real value to our clients and to us in performing high-quality audit work. Our new suite of mandatory workpapers has also been rolled out to the business, which will help us achieve consistency across our audit files.

With the right support

Support for our audit teams takes a number of forms – we have significantly increased the level of training for all members of our audit practice and we are increasing our use of audit quality indicators and in-flight support with specialist team members able to parachute into teams where things are not going as planned or the team needs additional support.

Our new training is across a range of media, including face to face, online and podcasts. We are paying particular focus to our AOR population with dedicated planning weeks where teams plan their complex audits with all our technical teams and specialist auditor experts on hand to support them.

We also provide support for our partners/directors through Audit Support Panels (where three independent partners are available for formal consultation on complex matters) and Internal Difference of Opinion Panels (where team members don’t agree on a conclusion). This level of support is new within Grant Thornton and provides additional support and challenge to our partners/directors in achieving good-quality audit work.

Under the right governance/monitoring

Progress against the AIP is measured by our PIC and through operational challenge by the SLT. We are also seeking to appoint an Independent Chair of our Audit Quality Board to provide additional external challenge to the delivery of the AIP.

We have now contracted with a third party root cause analysis firm to understand in greater detail both where issues have arisen and where good practice can be replicated to enhance our audit quality. They are working with us on a number of RCA reviews during 2019 and will continue to do so during 2020.

Monitoring of our teams has also increased through increased internal reviews each year, improved methodology for both our partners'/directors’ audit quality scores and the introduction of manager quality scores. Our partners/directors will also sit a formal assessment test in 2019 to ensure their skills are up to date and technically relevant.

For the right reward/recognition

Like many firms, we are strengthening the relationship between audit quality and remuneration/reward with audit quality being a more significant driver of performance rating. This started in the 2019 cycle and will continue through to full profit share for the 18 month period to 31 December 2019 and beyond such that audit partners, leadership teams and our audit staff will be rewarded with a direct link to audit quality as the primary driver.
2.2 Quality and reputation

Our Quality and Reputation function brings together our approach to driving quality in all we do, our ethical behaviours and our foundations for distinctive client service.

It is a fundamental responsibility of all of our people to deliver excellence in all they do and to behave ethically. This is our first line of defence against risk. It is vital that we make these responsibilities clear and make it easy for our people to know where to turn for guidance. In the last year, we have continued to invest in our Ethics department to make it easy for our people to seek guidance and clarification when they need it.

Elsewhere in this report, we make reference to our enhanced client take-on procedures that are aimed at ensuring that we are working with the right clients who fit with our purpose. We have regularly drawn attention to our whistleblowing helpline for those who see when things are not right, and we encourage our people to refer matters of ethical concern to their managers.

We continue to work on ensuring we have the best policies for our people to follow – our second line of defence. We avoid risk of complacency by ensuring that these policies are regularly reviewed by our internal Quality and Risk Assurance teams – our third line of defence.
Driving quality: our Quality Standards

The firm’s Quality Standards provide clarity to our leaders and people on delivering quality. They set out the required standards that must be met by each part of the business to drive quality, manage risks and meet legislative and regulatory requirements. Each standard is supported by a set of baseline requirements that all business areas must meet.

**Leadership**
We create and promote an environment where quality and risk management are at the heart of how we operate.

**Quality assurance and monitoring**
We monitor and evaluate our work against our quality standards, looking for opportunities to improve and enhance our service delivery.

**Quality control**
We challenge each other, prior to assignment delivery, to ensure our work meets our high quality standards.

**Document management**
We manage our information and records to protect confidentiality, maintain integrity, ensure accessibility and support work done.

**Risk management**
We facilitate growth by actively understanding and managing the risks faced.

**Skills and competence**
We develop and nurture people with the skills, capability and experience to drive and deliver excellence.

**Client take-on and continuance**
We only take on and work with clients who demonstrate a commitment to pursue their business activities in a responsible and capable manner that avoids unnecessarily causing harm to stakeholders.

**Operations**
We provide clear and easy-to-understand procedures to guide and support our people to deliver excellence, drive efficiency and facilitate effective quality control.
Behaving ethically: Our Code of Conduct

Our Code of Conduct sets out our ethical and behavioural framework for how we bring our values (collaboration, leadership, excellence, agility, respect and responsibility) to life to guide our people’s response to the decisions they make each day.

Behaving with integrity
We play a range of roles in supporting efficiency, trust and integrity in markets. Fundamental to this is preserving our reputation as people who act without self-interest and for the diversity and quality of our services. We expect our people to be honest, trustworthy and straightforward, doing what is both lawful and right.

Protecting our business
We share responsibility for protecting the firm’s reputation, safeguarding our people, keeping our assets safe and sharing rewards.

Our culture
Quality needs to be core to our culture, reflected through our technical abilities and behaviours. We capture how the firm is feeling about our culture through regular pulse surveys and act on the findings with the help of employee-elected representatives. We also recognise the impact we and our work have on society, which is why working to rebuild trust in the integrity of financial markets is so important.

Working together
We are committed to creating an environment where we treat each other with respect and trust each other to make the right choices. We encourage and embrace the value that different perspectives bring and appreciate everyone’s contribution to shaping the economy and the firm’s success.

Working with clients and others
Our firm is built around our clients, and our success depends on their success. We thrive on creating sustainable value for clients and delivering consistently great quality in this volatile, changing world. We develop networks that share skills, insight, ideas and resources, unlocking their potential for growth through new, innovative and exciting solutions.

Getting support
Our Code of Conduct sets out the guiding principles for expected behaviours, and we have a shared responsibility to challenge each other on the commitments we have made.
2.3 Risk assessment

The SLT has identified the risks that could most significantly threaten the firm’s ability to achieve its strategy and specifically considered those that could impact the sustainability of the audit practice.

The 10 principal risks and our key mitigating activities at 30 June 2019 are set out below.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigating activities</th>
</tr>
</thead>
</table>
| **Regulation and legislation**            | • Quality Standards incorporate and provide clear direction on legal and regulatory requirements  
                                           | • Ethics team provides training, support and guidance on ethical issues                  
                                           | • Centralised global independence systems and monitoring                                
                                           | • Centralised client take on team undertakes rigorous relationship-checking processes  
                                           | • anti-money laundering (AML) procedures                                               
                                           | • Whistleblowing hotline in place                                                     
                                           | • Annual self-certification by all our people as to their understanding of and          
                                           | • responsibilities for key ethical, regulatory and quality procedures                  
<pre><code>                                       | • Review of process to manage our Public Interest Entity audit activity                |
</code></pre>
<p>| <strong>Information and cyber security</strong>        | • Robust information security framework covering individuals, IT systems and infrastructure |
| • Ongoing information security training and awareness programme                         |
| • Breach management team manage and respond to information security incidents          |
| • ISO27001 accreditation attained for provision of information security management     |
| • Information Security Management System (ISMS) group provides governance               |
| <strong>Disruptive technologies</strong>               | • Investment in innovative technology solutions to digitally enable, optimise and         |
| • automate processes                                                                 |
| • Digital Leaders Group provides central point for digital development capability and   |
| • an optimised design process                                                          |
| • Digital strategy in place, focused on optimising current tools and transforming current |
| • processes [internal and external] through automation/digital efficiencies            |
| <strong>Global working</strong>                        | • Member of GTIL network with shared vision and strategy and strong member firm          |
| • collaboration                                                                       |
| • Significant UK involvement and influence in GTIL strategy and governance              |
| • Current International Oversight Group provides input into the firm’s international    |
| • strategy                                                                              |
| • Stingent consultation requirements for overseas client acceptance and engagement     |
| • processes                                                                            |
| • Robust GTIL risk policies and protocols (including cross border engagements) and     |
| • rigorous global quality assurance programme                                         |
| • Direct equity investment in other jurisdictions                                     |
| • Firm-wide policies and procedures including risk assessment and use of central travel  |
| • provider for all overseas travel                                                    |</p>
<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigating activities</th>
</tr>
</thead>
</table>
| **Client base**                  | • Targeted business development programmes in place and monitored  
• Central Take On Panel (C-TOP) in place  
• Ongoing commercial leverage reviews with specific review of audit client base as part of our Audit Investment Plan  
• Whistleblowing helpline                                                                                                           |
| **Technology**                   | • Collaborative approach with GTIL and major GTIL member firms to ongoing IS infrastructure development and strategy  
• Project management resource within Project Management office (PMO) and Information Systems to implement/drive system and behavioural change programmes  
• Clear road maps and delivery priorities for development of Software as a Service (SAAS) based projects  
• Digital Leaders Group provides central point for digital development capability and an optimised design process  
• Microsoft Enterprise agreement with shared commitment to development and progression in delivering leading-edge technology                                                                 |
| **Changing external environment**| • Market-scanning reviews and business/market intelligence and analytics drive investment and service innovation/development  
• Scenario planning by the SLT to identify and manage impact of changing environments  
• Robust financial reporting processes and key indicators review  
• Active engagement with key stakeholders (including industry groups, regulatory bodies and GTIL) to identify and influence change and inform and monitor our response  
• Engagement plan with regulator in place  
• Ongoing work with clients to help them plan for Brexit                                                                                     |
| **Culture**                      | • Our CLEARR values set the parameters of how we expect our people to behave and are embedded throughout the business  
• Code of conduct communicates commitments underlying the principle of sharing responsibility and is at the heart of our quality and risk management culture  
• People systems, including performance management and reward processes, are aligned to values and expected behaviours and deal with poor/inappropriate behaviours  
• Employee culture pulse surveys                                                                                                           |
| **Quality (audit and non-audit)**| • Rigorous quality standards include: leadership tone at the top, skills and competence, clear and efficient procedures and quality control  
• Dedicated service line quality and risk management teams drive application of quality standards  
• Independent Internal Audit function reports directly to SLT and POB  
• Annual self-certification and Continuing Professional Development (CPD) returns by all of our people  
• Investment in an ongoing programme of audit quality improvement with plans in place to hold leadership to account via the Audit Quality Board |
2.4 Statement on the firm’s internal quality control systems

The SLT has ultimate responsibility for the firm’s quality management systems and the establishment of appropriate internal control systems.

The internal quality control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, or in the case of financial controls, to eliminate the risk of material misstatement of our financial statements.

The SLT has carried out a review of the effectiveness of its internal quality control systems, using the FRC’s Guidance on Risk Management, Internal Control and Related Financial and Public Reporting as a framework. The review has taken into account:

• the findings from regulatory inspections
• reports from the firm’s external auditors
• reports from Grant Thornton International Limited (GTIL) on the firm’s quality control systems
• the findings of the firm’s internal audit function on the operation of quality management systems and the management of risk across the firm.

Based on the review and feedback from our regulators, the SLT recognises that there are opportunities to strengthen specific elements of our control systems. They are committed to implementing recommendations made, and to the continued development and promotion of a culture where quality is understood, valued and rewarded as well as implementing improved monitoring and reporting systems. This approach is reflected in the changes made to the structure and delivery of technical and risk management support, as described above in the report from the Head of Quality and Reputation. It is also reflected in the changes made to the Quality and Reputation function in October 2019, which reinforce the distinction between the client service teams’ responsibility for quality (the first line of defence) and the support and guidance at the centre of the firm (the second and third lines of defence).

However, the SLT remains of the view that no failings or weaknesses identified are of such significance that they undermine the effectiveness of our internal control systems or our ability to identify and rectify any controls weaknesses.

On this basis, the SLT is satisfied that the firm’s internal quality control systems are robust and operating effectively.
2.5 Internal monitoring

We run a continuous cycle of internal audit quality reviews to ensure that the audits we deliver are of consistently high quality and to shape our continuous improvement plans. These include:

i) National Audit Reviews
Key features of our National Audit Review (NAR) process are:

- use of a standard methodology developed by Grant Thornton International Limited (GTIL) and under their direction
- the Audit Quality Monitoring Team (AQMT), a central resource to review audits that fall within the scope of the FRC’s Audit Quality Review
- non-FRC scope reviews are undertaken by experienced auditors, led by an experienced audit partner, using standard methodology developed by GTIL
- all reviews are completed under the direction of the AQMT to ensure integrity and consistency of the process
- each engagement leader is reviewed at least once every three years
- all new engagement leaders are reviewed within a year of appointment
- engagements for review are selected with a bias towards more complex or higher-risk assignments
- the setting of file grades is moderated by the AQMT to ensure consistency between reviewers and with the approach of external reviewers
- operating procedures in each office location are reviewed on a three-yearly cycle
- the local office audit leaders develop and implement targeted action plans to address the findings of reviews undertaken
- Engagement leaders with files reviewed falling below expected standards are reviewed again within 12 months
- the annual NAR findings are summarised and reported to the SLT
- themes arising from the NAR are communicated to the Audit practice through training events, conferences and other technical update channels
- root cause analysis is completed on all significant findings from the NAR
- results from the NAR are a principal factor in engagement leader quality scoring.

Metrics on the results of internal quality reviews
The results of our most recent NAR, which was carried out between January 2018 and December 2018, are set out below along with the previous two years:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of audit engagements reviewed</td>
<td>49</td>
<td>54</td>
<td>49</td>
</tr>
<tr>
<td>Percentage of audit engagements reviewed that were graded either ‘Good’ or ‘Good with limited improvements required’</td>
<td>61%</td>
<td>56%</td>
<td>55%</td>
</tr>
<tr>
<td>Percentage of audit engagements reviewed that were graded ‘Improvements required’</td>
<td>29%</td>
<td>33%</td>
<td>35%</td>
</tr>
<tr>
<td>Percentage of audit engagements reviewed that were graded ‘Significant improvements required’</td>
<td>10%</td>
<td>11%</td>
<td>10%</td>
</tr>
</tbody>
</table>

The results of the 2018 inspection indicate that there are still improvements required to reach that goal.

The percentage of engagement leads subject to the firm’s own audit quality reviews are set out below:

<table>
<thead>
<tr>
<th></th>
<th>2018/19</th>
<th>2017/18</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement leads reviewed</td>
<td>39%</td>
<td>42%</td>
<td>37%</td>
</tr>
</tbody>
</table>

ii) Audit quality measures
In addition to the NAR process, we perform regular, focused audit quality reviews under the guidance of the National Assurance Services team. The measures are updated every year to incorporate areas of focus from internal and external monitoring. The audit quality measures provide a timely means of assessing the quality of audit files and identifying the effectiveness and impact of training and guidance. The review findings are communicated to the Audit practice and directly to the individual teams so that any learning points can be addressed and taken into account in the annual quality grading process.

The areas of focus for audit quality measures are compliance with certain aspects of the Ethical Standard, engagement leader involvement, Engagement Quality Control Reviewer involvement, communication with those charged with governance, revenue...
testing, going concern review and the financial statements.

In 2019, the firm has reconsidered the role of Audit Quality Measures in assessing quality and has taken the decision that these will no longer be completed and will be replaced by a new, more focused approach as described below.

In 2018, every engagement lead had two files reviewed for selected Audit Quality Measures; the average pass rate was 82%. Up until the withdrawal of Audit Quality Measures, 87 engagement leads were reviewed once; the average pass rate was 85%.

**iii) Measuring Audit Quality in 2019**

From July 2019, the approach to measuring quality has changed. All engagement leads will be reviewed annually in one of three ways:

- National Audit Reviews
- External Reviews
- Pulse Reviews.

The Pulse Review will be new in 2019. A Pulse Review will be completed for any engagement lead who has not been reviewed either by the NAR or by External Review in the year. A Pulse Review is an in-depth review of two risks within the audit.

**iv) Internal people metrics**

In order to understand our people’s experience of working at our firm and the support and encouragement they feel they receive, we undertake regular pulse surveys of all our people.

These surveys include three industry standard questions that are asked across the profession, year-on-year.

Below are the results of these standard questions for the audit part of the firm from our most recent survey that was conducted in July 2019, with comparisons from 2018.

### Partner and people surveys

<table>
<thead>
<tr>
<th>Question</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am encouraged to deliver high-quality work</td>
<td>89%</td>
<td>91%</td>
<td>93%</td>
</tr>
<tr>
<td>I have sufficient time and resources to do my job</td>
<td>28%</td>
<td>35%</td>
<td>36%</td>
</tr>
<tr>
<td>The training and development I receive from Grant Thornton has prepared me for the work I do</td>
<td>50%</td>
<td>63%</td>
<td>69%</td>
</tr>
</tbody>
</table>

### Metrics on investment

<table>
<thead>
<tr>
<th></th>
<th>30 June 2019</th>
<th>30 June 2018</th>
<th>30 June 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of hours training per person (partners and qualified people) in audit</td>
<td>79.6</td>
<td>61</td>
<td>68.7</td>
</tr>
<tr>
<td>Number of engagement leaders directors/partners in audit</td>
<td>51/67</td>
<td>56/65</td>
<td>58/69</td>
</tr>
<tr>
<td>Number of engagement leaders in audit to total number of people in audit</td>
<td>118/1,768</td>
<td>121/1,661</td>
<td>127/1,617</td>
</tr>
</tbody>
</table>

**Time, resource and training**

During the year we have committed over 30% more training hours per person in 2019. However, we are aware, both from the results above and also other research we have done, that our teams feel they don’t have sufficient time and resources to complete their work. To address this, we are performing a line-by-line review of our audit client base, working to a capacity model to ensure that we only commit to performing a volume of work which is sustainable for delivering good quality and supporting the wellbeing of our people. This review is well underway and will reduce the volume of clients we work with, specifically to address this point. Each audit partner/director has been given clear goals around this client base review to ensure we deliver on this element of our strategy.

We have also strengthened our capability within the data analytics tools we have within Grant Thornton and are embarking on additional training for our teams such that they can maximise the benefits (both in quality and efficiency).

**Investment in research and development in audit**

We continue to invest time and energy to make sure that the firm is at the forefront of debate about the future direction of the profession, and continue to debate profession-wide matters relating to quality and excellence. The firm’s lead for the audit technical function has been elected to the ICAEW’s Council and continues to be a member of the Institute’s “Technical and Practical Auditing Committee”. The firm is implementing data analytics-based methodologies and has contributed to the FRC’s thematic review on the use of technology in audit.

The head of the firm’s Audit Technical function has been appointed as Vice-Chair of the ICAEW’s Learning & Professional Development Board, so is a member of the group responsible for the strategy of the ACA learning and examination. The firm continues to participate in the profession’s debate about key skills for auditors and is represented on the ‘Mid-market Tech Forum’, which discusses technology and the related learning needed for the audit of the future.

The firm benefits from being at the centre of debate in many ways, with a very tangible output being the impact it has on technical learning. We are able to shape the curriculum of our core training to help equip our teams with class-leading technical materials and examples, and we run a series of monthly technical updates for the whole audit practice to share our insight and thinking to help them deliver higher-quality work.

We continue to invest in the research and development of our audit practice through a combination of in-house development and strategic collaboration with third parties. In June 2019, we entered into a new services agreement with a data analytics software provider to significantly expand our use of this technology on Grant Thornton audits and improve the quality of our responses to fraud risk on the statutory audits we perform.
2.6 External monitoring

The FRC has statutory responsibility for oversight of the regulation of statutory auditors. The firm is registered and authorised to undertake statutory audit work by the Institute of Chartered Accountants in England and Wales (ICAEW). External monitoring is undertaken by the FRC, ICAEW and other regulators and external bodies.

Under the new Audit Firm Monitoring and Supervision (AFMAS) approach, the UK’s competent authority for audit, the FRC has responsibility for the regular monitoring and mitigation of risks in the audit market. These include the risks of systemic deficiencies within an audit firm network, which could lead to the demise of any audit firm; disruption in the provision of statutory audit services, whether in a specific sector or across sectors; and the impact on the overall stability of the financial sector.

The FRC has continued to focus its attention on five key pillars:

- leadership and governance
- values and behaviours
- business models and financial soundness
- risk management and control
- evidence on audit quality.

During the year, the FRC commenced work on the Audit Firm Governance Code and Internal Audit as part of the leadership and governance and risk management and control pillar. The findings from these reviews will be known in 2019/20 and will be acted on by the firm.

As part of the leadership and governance pillar, during the year, our CEO and Head of Audit both met with the FRC in order for them to consider the experience, skills and attributes for their key roles. Both individuals were acceptable to the FRC.

i) Financial Reporting Council (FRC) – Audit Quality Review (AQR)

The AOR team of the FRC undertakes an independent inspection of the quality of the firm’s auditing function in relation to listed and other major PIEs. It also reviews our audit quality policies and procedures.

The AQR’s report on the findings of its 2018/19 inspection of the firm was published in July 2019 and is available on the FRC’s website.

The report focused on the key areas requiring action by the firm to safeguard and enhance audit quality. The findings cover matters arising from reviews of both individual audits and the firm’s policies and procedures that support and promote audit quality.

The FRC’s assessment of our overall performance was as follows: “We assessed four out of eight audits as requiring more than limited improvements, compared with two of eight in 2017/18. We have assessed ten of the 39 audits that we have reviewed over the past five years as requiring significant improvements. This percentage (26%) is markedly higher than any other firm we have inspected over the period. This level of audit quality is unacceptable.

The quality of the audits inspected in the year, and indeed the overall lack of improvement in quality over the past five years, is a matter of deep concern. We have therefore required the firm to prepare and implement a detailed action plan to undertake an overhaul of its audit practice to improve quality.

The firm has made senior management changes in the past year and must now take urgent action to enable audit teams to improve audit quality significantly. The firm has recognised that the quality of its audits must improve and has shared details of the actions it intends to undertake. We have met the firm on a number of occasions to discuss the plan. We do not consider that the plan is, at present, sufficiently developed or detailed to deliver the firm’s objectives”.
Interim Transparency Report 2019

Our response to the FRC inspection was as follows:

“We are disappointed that the focus we have given to audit quality in previous years has not resulted in the improvement we hoped for. As such, as detailed in our Audit Investment Plan (AIP) which we started to develop in late 2018, we are now embarking on a root and branch change programme to ensure that our 2021 report meets the FRC target of audits being at a standard of good (or with limited improvements). We are committed to this as a goal and are working closely with the FRC to achieve this.

The steps we take in addressing audit quality across our AQR population clients will also be extended to all audit work we perform such that all of our audits, regardless of size/complexity meet the highest standards set by the FRC.

Our AIP will achieve our goals through investment (in people, additional training and technology) and an additional level of governance through our new Audit Quality Board such that our audit practice is strengthened to one which is specialist and technology enabled and is valued by our people, our clients and our regulators”.

Our overall position is disappointing given the high standards we set ourselves and we have recognised there is work to do to demonstrate consistent delivery of high quality. We made changes to the leadership and governance of our audit practice and developed a comprehensive Audit Investment Plan as set out in section 2.1 of this report.

The AQR identified the following areas where improvements were required and we have outlined against each examples of actions that we have or are committed to take. The full response to each of these findings is contained in the FRC 2018/19 public report and is summarised below:

Urgently improve the extent and rigour of challenge of management in areas of judgement

• Creating space and time for the audit team to reflect and apply critical thinking by reviewing our client base and more focused risk assessment
• Upskilling the audit practice on project management skills

• Introduction of standard work papers
• Independent review of challenging audits, including introduction of a support panel
• Strengthening work on integrity of data provided by management
• Further use of experts and specialists

Improve the consistency of audit teams’ application of professional scepticism

• As with challenge of management, creating space and time for the audit team to reflect and apply critical thinking
• Summer 2019 training with focus on professional scepticism
• On-the-job coaching
• Introduction of a support panel

Strengthen the effectiveness of the audit of revenue

• As with challenge of management, creating space and time for the audit team to reflect and apply critical thinking
• Increased training on audit of revenue both in 2018 and 2019
• Revised approach on IT general controls by use of IT experts
• Introduction of standard mandatory work papers

Improve the audit of going concern

• Upskilling the audit practice on project management skills
• Increased training on audit of going concern in 2019
• Introduction of standard mandatory work papers

Improve the audit of the completeness and evaluation of prior year adjustments

• Increased training on audit of prior year adjustments in 2019
• Upskilling the audit practice on project management skills

ii) Financial Reporting Council (FRC) – thematic reviews

The FRC also completes thematic reviews to make comparisons between the major audit firms with a view to identifying both good practice and areas of common weakness. The reviews look at firms’ policies and aspects of audit or firm-wide procedures.

This exercise is valuable in enabling us to benchmark to current practice, highlighting areas of particular strength, and provides constructive discussion of where we could develop our practices. The thematic reviews are available on the FRC’s website.

External Metric: The results of AQR reviews on the firm are shown below.

<table>
<thead>
<tr>
<th>Good or good with limited improvements</th>
<th>Improvements required</th>
<th>Significant improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>6</td>
<td>0</td>
<td>3</td>
</tr>
</tbody>
</table>

2018/19 | 2017/18 | 2016/17
The FRC published in December 2018 a thematic review of other information in the Annual Report. As a result of this review, the firm’s policies and procedures were updated.

The FRC published in September 2019 a thematic review of transparency reporting. This transparency report has been updated for the findings arising from that review and we will continue to respond to the best practice identified in future versions of our transparency reports.

The FRC is currently conducting thematic reviews into audit quality indicators and the use of technology in audit. The findings from these reviews will be known in 2019/20 and will be actioned by the firm.

**iii) Institute of Chartered Accountants in England and Wales (ICAEW) – Quality Assurance Department (QAD)**

The QAD of the ICAEW is responsible for performing reviews of most audits that fall outside the scope of work of the AQR. The findings are reported privately to the firm and are not publicly available.

The most recent full review was undertaken in 2018.

The QAD’s assessment of our overall performance was as follows:

“...the audit work we reviewed on the majority of files was of a generally acceptable standard. Of our standard file reviews, four were satisfactory and four were generally acceptable. However, one file required improvement and two required significant improvement. This grading profile is very similar to 2017, although we note more files were satisfactory this time.”

Improvements were required as follows:

- Significant ethical and audit quality issues relating to Growth Securities Ownership Plan (GSOP) for two private groups
- Quality of audit work on first year AIM audit
- Further improvement needed in the audit of income

In response to these findings, and in addition to the improvement measures already included under the AQR reviews, we have:

- required consultation on ethical matters relating to GSOP
- provided additional training and guidance.

The Audit Investment Plan has also been developed to address audit quality.

**Local (Public Sector) Audit**

During the period covered by the Transparency Report (July 2018 to June 2019), the arrangements for regulation of public sector audit work changed. Separate arrangements were in place for NHS and Local Government audits during the year, and we outline these below:

- NHS: With effect from audit year 2017/18, all major NHS audits excluding Foundation Trusts are regulated by the Financial Reporting Council (FRC). The Quality Assurance Department (QAD) of the ICAEW is responsible for non-major audits. Foundation Trust audits were subject to inspection by the QAD, under the direction of NHS Improvement.
- Local Government: For audit year 2017/18, local government audits were regulated by Public Sector Audit Appointments Ltd (PSAA). PSAA commissioned the FRC to review a sample of audits on their behalf. For 2018/19, responsibility for the regulation of major local governments was taken over by the FRC. The QAD are responsible for the quality monitoring of non-major local government audits.

In the course of the year, the firm was inspected on one NHS and three Local Government engagements by the FRC. The QAD reviewed two NHS Foundation Trusts and two other NHS audits. We also undertook 10 full internal quality reviews, and a much larger number of spot check reviews looking at key quality measures.

PSAAs Annual Quality Review Report, which sets out the results of our local government reviews, is published on PSAA’s website. For 2018/19, PSAA has assessed Grant Thornton as continuing to meet its overall standards both for audit quality and regulatory compliance. The firm’s overall assessment is Amber, which is in line both with our performance in 2017/18 and with most other firms in the market.

**Metric: The results of QAD reviews on the firm are shown below.**

<table>
<thead>
<tr>
<th>2018 visit</th>
<th>2017 visit</th>
<th>2016 visit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory</td>
<td>Generally acceptable</td>
<td>Improvement required</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

24 Interim Transparency Report 2019
For all improvement areas identified by internal or external quality reviewers, we agree an action plan and follow this up to ensure it has been implemented. The key areas on which we have focused our improvements on over the last year include:

- the valuation of Property, Plant and Equipment
- the valuation of pension liabilities
- ensuring that we demonstrate professional scepticism and a challenging mindset throughout our audits.

We have also increased the level of training and guidance provided to local teams, as well as strengthening individual quality targets for all team members, along with the quality support arrangements within each of our regional centres of excellence.

During the year we surveyed over 50 bodies to assess their satisfaction with our work. Our average score was 8.5/10 (prior year 8.8/10) showing that audited bodies remain very satisfied with our work.

v) Other UK external indicators

Metrics on external investigations

Number of cases in the last 12 months in which the FRC has found against the firm or one of its members:

2018 = 0
2019 = 0

Number of cases in the last 12 months in which the disciplinary committee of any other regulatory body found against the firm or one of its members:

2018 = 1
2019 = 2

FRC

Sports Direct International plc

28 November 2016. The FRC has an ongoing investigation into the firm’s audit of the financial statements of Sports Direct International plc for the 2016 year. The investigation is yet to be concluded so has been excluded from the 2018/19 metrics above.

In the reporting year, the FRC announced that it had commenced two investigations into audits by the firm:

Patisserie Valerie plc

21 November 2018. The FRC announced an investigation into the firm’s audit of the financial statements of Patisserie Valerie plc for the 2015, 2016 and 2017 years. The investigation is yet to be concluded so has been excluded from the 2018/19 metrics above.

Interserve plc

11 April 2019. The FRC announced an investigation into the firm’s audit of the financial statements of Interserve plc for the 2015, 2016 and 2017 years. The investigation is yet to be concluded so has been excluded from the 2018/19 metrics above.

vii) Overseas regulators – Public Company Accounting Oversight Board (PCAOB)

In the United States of America the firm is registered with the PCAOB, which inspects firms on a periodic basis. Inspections are designed and performed to provide a basis for assessing the degree of compliance by a firm with applicable requirements related to issuer audit work.

The last inspection of the firm was completed in 2015 and the final report was published in May 2016 and is available on the PCAOB website. This included the review of the audit files for one direct issuer and two other engagements in which the firm played a role but was not the principal auditor, as well as the firm’s related quality control procedures.

The review did not identify any audit performance issues that, in the inspection team’s view, resulted in the firm failing to obtain sufficient appropriate audit evidence to support an audit opinion or to fulfil the objectives of its role in other engagements.

Additionally, the inspection team did not identify anything that it considered to be a quality control defect that warrants discussion in a PCAOB inspection report.

Regulatory penalties

In November 2018, the ICAEW announced that the firm had agreed to an order that it be severely reprimanded, fined £40,000 and pay costs of £10,755 with respect to a complaint that the firm issued audit reports for six companies for the 2008 year and for 10 companies for the 2009 year, when the audits had not been conducted in accordance with international standards on auditing.

In October 2019, the ICAEW announced that the firm had agreed to an order that it be reprimanded, fined £29,850 and pay costs of £2,430 with respect to a complaint that on 23 March 2017 the firm issued an unqualified audit report in respect of the financial statements of a company when the auditor had failed to obtain sufficient appropriate audit evidence, in breach of an international standard on auditing.

vi) Grant Thornton International Limited (GTIL) audit review

GTIL completes an inspection of a selection of audits on a cyclical basis. The review is completed on a triennial cycle and is called Grant Thornton Audit Review. Further detail is provided in Appendix F. The last review was completed in 2018, the firm has received a clean opinion with no findings arising.
ix) Overseas regulators – Canadian Public Accountability Board (CPAB)

In Canada, the firm is registered with CPAB who inspects firms on a periodic basis.

In 2016, the firm had one audit inspected by CPAB that identified a significant finding. The firm agreed with CPAB the additional audit procedures to be completed. The result of those additional procedures was that there was no need to restate the financial statements due to material error, and the final report was agreed with CPAB in January 2017. There have been no inspections of our audits since then.

ix) Overseas regulators – Crown dependencies

The AQR monitors audits of entities incorporated in Jersey, Guernsey and Isle of Man by private contractual arrangements with the relevant regulatory authorities in the Crown dependencies.

The results of any reviews completed under these arrangements are included in the AQR results above.

x) Investor liaison:

Representatives of our firm actively engage with regulators, standard setters and investors, shaping and influencing the drive for better reporting (audit committee and auditor) and supporting regulatory change where it is necessary. Our INEs, as well as many of our partners and employees, participate in various boards, committees, working groups and forums across a diverse range of bodies and subjects relating to our profession and the wider market, and provide comments and feedback on the firm’s view on planned developments and issues. This includes regular meetings with our regulators and with the UK government, alongside representatives from institutional investors, the business community and the accounting profession.

As part of our investor dialogue, the Head of Audit meets annually with the Company Reporting and Auditing Group (CRAG).

Our Grant Thornton Governance Institute publishes its annual corporate governance review looking at trends in compliance and disclosure of the FTSE 350. This forms an important element of our external engagement and dialogue with investors.

Additionally, we participated in a number of events organised by the FRC and Policy and Reputation Group (PRG) as part of an ongoing investor dialogue programme and, in the past year, key Grant Thornton personnel and, our INEs have attended stakeholder meetings and working groups with the FRC, the International Forum of Independent Audit Regulators (IFIAR) and CRAG.
Part 3
Structure and governance
3.1 Leadership and governance

The firm’s principal leadership and governance bodies are the SLT and the POB. The SLT develops and implements the firm’s strategy and is responsible for day-to-day management. The POB provides oversight to the SLT on behalf of the members of the LLP (the ‘partners’). Together they aim to achieve the highest standards of governance and collaborate to serve the best interests of all the firm’s stakeholders.

The firm’s membership agreement sets out the members’ rights and obligations, the firm’s governance framework and the key responsibilities for the management of our business.

Management of our business

i) Chief Executive Officer
The Chief Executive Officer (CEO) has full executive authority for the management of the business. The CEO is nominated by the POB with the appointment confirmed by an all-partner vote, and may be appointed for no more than two, four-year terms. David Dunckley was appointed CEO for a first term on 1 December 2018.

The CEO is bound by the firm’s Statement of Principles, which is the firm’s highest-level statement of objectives, values and philosophy. This is developed by the POB and approved by the partners at least every three years. The Statement of Principles was formally approved by all partners in December 2016.

ii) Strategic Leadership Team (SLT)
The CEO appoints the SLT, which is responsible for:
• ensuring the firm operates within the firm’s Statement of Principles
• protecting the goodwill and reputation of the firm
• developing and implementing the firm’s strategy
• ensuring the firm complies with all relevant regulatory and legal requirements
• ensuring the firm participates in the wider economic environment as a responsible employer and contributor to growth
• putting quality at the heart of everything we do
• promoting collaboration and agility to enable the best ideas and approaches to be adopted
• designing our structure to further empower our people and reduce cultural hierarchy
• driving a profitable and sustainable firm.

The members of the SLT are appointed and removed by the CEO and subject to ongoing performance evaluation by the CEO and the Remuneration Committee, a subcommittee of the POB.

At the start of the period covered by this interim transparency report, the SLT’s structure and membership reflected the firm’s historical approach to operational management. As mentioned elsewhere, in the first year of his leadership of the firm, David Dunckley has changed the structure of the firm so that operational leadership is in the hands of the service line leaders, supported on the SLT by the firm’s Chief Operating Officer, Head of Quality and Reputation, Head of UK Markets, and Head of Strategic Relationships.
Firm’s leadership and governance structure as at 1 July 2018:

Partners

Partnership Oversight Board and Non Executive Directors
Chair: Ed Warner

CEO
Sacha Romanovitch

Large and Complex
Mark Byers

Mid Market
• David Dunkley: London
• David Munton: Regions

Public Services
Sarah Howard

COO
Simon Jones

People and Client Experience
Malcolm Gomersall

Quality and Reputation
Jonathan Riley

Digital Innovation
Karl Eddy

Firm’s leadership and governance structure as at 1 September 2019:

POB and Partners

CEO
David Dunkley

COO
Malcolm Gomersall

Head of Tax
Karen Campbell-Williams

Head of Large and Complex
Robert Hannah

Head of Strategic Relationships
Mark Byers

Head of Deals and Business Consulting
Darren Bear

Head of Quality and Reputation
Jonathan Riley

Head of UK Markets
David Munton
iii) Partnership Oversight Board (POB)
The POB is responsible for the protection of members’ interests, standards of corporate governance within the firm and the oversight of the SLT. Its principal duties are:

- development of the firm’s Statement of Principles
- appointment (and, if required, the removal) of the CEO, subject to the vote of members
- establishing the CEO’s remuneration framework
- approving the firm’s leadership structure, and the terms and conditions relating to any management roles proposed by the CEO
- monitoring the CEO’s stewardship of the business
- overseeing the principles and criteria for profit sharing and presiding over appeals in relation to profit share
- oversight of risk and quality policies and procedures
- approving the maximum borrowing limits of the LLP
- reviewing and approval of the amount of financial compensation payable to an outgoing partner in excess of £300,000 and those who hold a senior management role
- recognising that we have a public interest role that extends beyond the short-term interests of the partners.

The POB consists of eight members elected by the partners, three INE members, and three ex-officio non-voting members (being the CEO and two others members of the SLT). Elected members are appointed for a period of three years and may serve for one further consecutive term if re-elected.

The membership agreement includes a non-exhaustive list of indicators requiring consultation with the POB, namely capital expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more, the opening or closing of an office or service that would change revenue or expenditure or investment of £2.5 million or more.

The INEs bring their considerable expertise to the POB and are responsible for contributing to the overall governance of the firm, and specifically:

- the firm’s recognition of its public interest responsibilities and its attitude towards quality
- the firm’s approach to risk management and governance
- issues raised under whistleblowing policies and procedures
- oversight of the firm’s policies and procedures.

The INEs attend all POB meetings and are invited to attend partners’ meetings, and to meet with the CEO and the chair of the POB periodically. The INEs also meet with key representatives from the institutional investor community and regulators from time to time.

In addition to their membership of the POB, Ed Warner is Chair of the Profit Sharing subcommittee and Public Interest Committee and a member of the Remuneration Committee; Deena Mattar is Chair of the Risk and Audit Committee; and Imogen Joss is the chair of the Remuneration Committee. All INEs are members of the Profit Sharing subcommittee and the Public Interest Committee.

The INEs contribute to audit quality through their involvement in the Public Interest Committee and the Profit Sharing subcommittee, which reviews the process to ensure quality gradings of all audit partners are appropriately taken into account in determining partner profit share. During the year, the INEs have also participated in other ad hoc subcommittees as required; for example, in relation to significant property transactions, pension scheme matters and investments.

The remuneration of the INEs is reviewed annually by the Remuneration Committee without any INEs present. The INEs are remunerated according to their roles. The POB Chair received £135,000, the Risk and Audit Committee chair £70,000, and the other INE £60,000 per annum.

The firm has considered the UK Audit Firm Governance Code, the FRC’s Ethical Standard and as well as considering what an objective, reasonable and informed third party would expect in establishing independence criteria for the appointment of INEs. The POB is a ‘supervisory board’ as envisaged by the Financial
Reporting Council (FRC) Ethical Standard and, therefore non-executive members of the POB are not members of the firm or covered persons for the purposes of auditor independence. As a result, personal relationships and business or financial interests of the INEs do not bear directly on the firm’s independence as auditors. However, the firm is mindful of the impact of public perception and so INEs are not permitted to: be a director or a member of the audit committee, hold a key management position or hold a financial interest in any of the firm’s audit clients listed in the firm’s prohibited investments list.

Prior to their appointment INEs disclose any business interests they have other than those of the firm and declare any conflicts that are apparent to them. The firm will then assess the impact of these on its independence as an auditor, as well as the INE’s independence from the firm and its partners. The INEs’ letters of appointment include ongoing obligations on INEs to disclose any potential conflicts as soon as they become apparent, and specifically on a quarterly basis the INEs confirm to the POB Secretary that they have no financial interests with any of the firm’s audit clients listed on the firm’s prohibited investments list. In addition, the INEs confirm their independence annually as part of the firm’s Annual Declaration process, and any changes to their directorships and personal appointments is also confirmed each year.

In the event that there was a fundamental disagreement between an INE and either the POB or the SLT that could not be resolved following discussions with the chair of the POB and the CEO, and as a result the INE resigned from the firm, the fact that there had been such a disagreement would be disclosed in this transparency report. No such disagreement has occurred to date.

v) Subcommittees

The POB has three main subcommittees that deal with key aspects of governance: the Risk and Audit Committee, Public Interest Committee and the Remuneration Committee. The POB’s oversight of management and the establishment of separate Risk and Audit and Remuneration committees ensure that the firm complies with appropriate corporate governance, risk management and quality standards.

Risk and Audit Committee

The Risk and Audit Committee is responsible for ensuring that the firm’s quality and risk management framework is appropriate and operating effectively. Its specific duties include:

- overseeing policies and procedures on quality and risk management (including ethics and independence)
- monitoring and reviewing the effectiveness of the firm’s internal audit function and the timeliness and effectiveness of management’s corrective actions
- overseeing management’s response to any major external or internal audit recommendations
- monitoring the firm’s relationship with its external auditors and external regulators.

During the period, the Risk and Audit Committee consisted of three elected members of the POB, the CEO (or his nominated deputy), plus one INE (Deena Mattar, Chair). RAC meetings have been regularly attended by the CFO and Finance Director, the Head of Quality and Reputation, the Head of Legal, and Business Risk and Internal Audit leads. In addition, representatives of the firm’s external auditors, Mazars (UK) LLP, are invited to attend as appropriate.

The Risk and Audit Committee met eight times last year, and four of these meetings were attended, in part, by the external auditors.

Public Interest Committee

The Public Interest Committee is responsible for overseeing the public interest aspects of the decision-making of the firm, including the management of reputational risks. In addition, the Public Interest Committee is responsible for engaging, together with senior management of the firm, in dialogue with the FRC and external stakeholders – in particular, representatives of shareholders in PIEs audited by the firm.

Remuneration Committee

The Remuneration Committee is responsible for setting the remuneration framework of the CEO and the SLT, dependent upon the achievement of predetermined criteria and goals. The committee, which consists of three elected POB members and at least one INE, met six times last year. Further information on the remuneration of audit partners and directors is included in Appendix G.
3.2 Governance KPIs

The Audit Firm Governance Code requires firms to determine governance KPIs and to report against them in their transparency reports. The following indicators are used to report on the performance of our governance systems.

<table>
<thead>
<tr>
<th>Key performance indicator</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A Leadership</strong></td>
<td></td>
</tr>
<tr>
<td>The SLT/POB/RAC/PIC and RemCo should each meet at least the number of times specified in the Terms of Reference each year, with a minimum average attendance target of 80% over a 12-month rolling period.</td>
<td>Average meeting attendance for the 12 months to June 19 (first 12-month rolling period) was: SLT 91%, POB 91%, RAC 100%, PIC 100% and RemCo 93%. During the year to 30 June 2019, the RAC, PIC and RemCo met the number of times specified in the Terms of Reference or more. The POB is required to meet as often as necessary and met six times. The SLTs Terms of Reference do not currently specify the number of times they will meet and they met 12 times during the year. Individual attendance rates for members of the SLT, POB, RAC, PIC and RemCo and further details are set out in Appendix F - Meeting attendance.</td>
</tr>
<tr>
<td>The POB should comprise a minimum of one practicing audit partner</td>
<td>The POB included three practicing audit partners for the full year to 30 June 19 (Nick Page, Simon Bevan and Norman Armstrong)</td>
</tr>
<tr>
<td>Terms of Reference of all Boards and Committees are reviewed every three years</td>
<td>Terms of Reference were most recently reviewed as follows: SLT – October 2018 POB – October 2015 RAC – December 2017 PIC – November 2017 (when established) RemCo – August 2014 A wider review of the firm’s Membership Agreement is currently underway and will incorporate a review of the Terms of Reference for the POB, RAC, PIC and RemCo.</td>
</tr>
<tr>
<td><strong>B Values</strong></td>
<td></td>
</tr>
<tr>
<td>The firm should carry out an annual people survey with the board reviewing and acting upon the findings</td>
<td>Regular pulse surveys of all our people are undertaken: A quality pulse survey was carried out in May 2019 and a culture pulse survey is currently underway (October 2019).</td>
</tr>
<tr>
<td>Key performance indicator</td>
<td>Response</td>
</tr>
<tr>
<td>---------------------------</td>
<td>----------</td>
</tr>
</tbody>
</table>
| **C INEs** | There should be at least three INEs  
There are three INEs and further details can be found in section 3.1. |
| | The board satisfies itself that the INEs remain independent from the firm on an annual basis  
The INES completed an Annual Declaration in May 2019. In addition, they confirmed on a quarterly basis that they had no financial interests with any of the firm’s audit clients listed in the firm’s prohibited investments list/Global Conflicts List or Global Restricted List. |
| **D Operations** | The PIC should review contact with the firm’s whistleblowing helpline on an annual basis  
The PIC receives a report on whistleblowing at each meeting. In between meetings, they are updated of any significant whistleblowing contact by the Head of Quality and Reputation. |
| | The Head of People and Culture attends at least one PIC meeting each year  
Malcolm Gomersall attended the January 2019 PIC meeting in his (then) role as Head of People and Client Experience. |
| | Formal external POB effectiveness review carried out at least every four years (preceding the final year of each CEO term)  
An externally facilitated effectiveness review of the POB was carried out in 2018. In addition, the POB conducted a self-appraisal in July 2019. |
| | The SLT and RAC review the effectiveness of the firm’s systems of internal controls annually  
Refer to section 2.4 - Statement on the firm’s internal quality control systems. The RAC reviewed the SLT’s report on the effectiveness of its internal quality control systems in September 2019. |
| **E Reporting** | The POB should receive an update/presentation from each Service Area lead at least annually  
The PIC receives regular updates from the Head of Audit with significant matters being reported to the POB by the Chair of the PIC. It is our intention to incorporate a rolling programme of Service Area lead updates into the POB agendas for financial year 2020 onwards. |
| | The SLT and the POB review the transparency report annually (to satisfy itself that it is fair, balanced and understandable and complies with the AFGC, or explains otherwise)  
This transparency report has been reviewed by the SLT and the RAC on behalf of the POB. |
3.3 Legal structure and ownership

Grant Thornton UK LLP is incorporated under the Limited Liability Partnerships Act 2000, and registered in England and Wales (registered number OC307742). In this report, Grant Thornton UK LLP is referred to variously as: the firm, the LLP, Grant Thornton, we, our and us.

Ownership
The firm is entirely owned by its members (normally referred to as partners). During the year to 30 June 2019 the average number of members was 190 (2018: 187). A list of the members is available for inspection at the LLP’s registered office: 30 Finsbury Square, London, EC2A 1AG.

Our business
Grant Thornton is a leading financial and business advisory firm. We are structured in a way which makes it easier to drive quality through all we do such that it is second nature. We offer our clients a great depth of expertise and we deliver our services in a distinctive and personal manner. A full list of our services can be found on our website.

During the year to 30 June 2019 the average number of employees was 4,617 (2018: 4,409), and they operated from 27 offices (2018: 27) throughout the United Kingdom. In addition, we have offices in the British Virgin Islands and the Cayman Islands, which are necessary for our insolvency, restructuring, forensic and investigatory work. Our website has a current list of our office addresses.

Principal subsidiary undertakings
Set out below is a list of the principal subsidiary undertakings of Grant Thornton UK LLP at 30 June 2019, along with details of their principal activity.

<table>
<thead>
<tr>
<th>Companies</th>
<th>Principal activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant Thornton Business Services</td>
<td>Employment of personnel</td>
</tr>
<tr>
<td>Grant Thornton Specialist Services (Cayman) Limited</td>
<td>Insolvency and restructuring services</td>
</tr>
<tr>
<td>Grant Thornton [British Virgin Islands] Limited</td>
<td>Insolvency and restructuring services</td>
</tr>
<tr>
<td>Fulwood Insurances Limited</td>
<td>Insurance Services</td>
</tr>
<tr>
<td>Geniac UK Limited</td>
<td>Management of business support functions</td>
</tr>
<tr>
<td>The Local Futures Group Limited</td>
<td>Licensing of Intellectual Property Services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Limited liability partnerships</th>
<th>Principal activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant Thornton Services LLP</td>
<td>Employment of personnel</td>
</tr>
</tbody>
</table>
Appendices
In July 2016, the FRC published a revised version of the Audit Firm Governance Code, which is applicable for financial years beginning on or after 1 September 2016.

The revised code is applicable to us for the year ending 30 June 2019 and we have fully applied the principles and provisions of the revised Code in this report. We have found the implementation of the Code to be invaluable in strengthening our governance processes, particularly in relation to its public interest aspects. We have set out below how we are complying with each of the principles and provisions of the revised Code, including the references to the required disclosures in this report and/or on our website.

<table>
<thead>
<tr>
<th>Provision of the revised Code</th>
<th>How Grant Thornton UK LLP complies with the Code</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A Leadership</strong></td>
<td></td>
</tr>
<tr>
<td>A.1 Owner accountability principle</td>
<td>The management of a firm should be accountable to the firm's owners and no individual should have unfettered powers of decision.</td>
</tr>
<tr>
<td>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.</td>
<td>See part 3.1 and Leadership and Governance pages on our website</td>
</tr>
<tr>
<td>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.</td>
<td>See part 3, Structure and Governance</td>
</tr>
<tr>
<td>A.1.2a 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.</td>
<td>See part 3 and Appendix E</td>
</tr>
<tr>
<td>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.</td>
<td>See part 3 and Appendix E</td>
</tr>
<tr>
<td>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.</td>
<td>See part 1.2, 3.1 and Appendix H See also the Leadership and Governance pages on our website</td>
</tr>
<tr>
<td><strong>A.2 Management principle</strong></td>
<td></td>
</tr>
<tr>
<td>A.2.1 Management should have effective management which has responsibility and clear authority for running the firm.</td>
<td>See part 3.1 and Leadership and Governance pages on our website</td>
</tr>
<tr>
<td><strong>B Values</strong></td>
<td></td>
</tr>
<tr>
<td>B.1 Professionalism principle</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Provision of the revised Code</strong></td>
<td><strong>How Grant Thornton UK LLP complies with the Code</strong></td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-----------------------------------------------------</td>
</tr>
<tr>
<td><strong>B.1.1</strong> 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.</td>
<td>See parts 1-2 and our Code of Conduct on our website</td>
</tr>
<tr>
<td><strong>B.1.2</strong> Firms should introduce KPIs on the performance of their governance system, and report on performance against these in their transparency reports.</td>
<td>See Part 3.2 and Appendix F for KPI on attendance</td>
</tr>
<tr>
<td><strong>B.1.3</strong> 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.</td>
<td>See part 2 and part 3.1 and our Code of Conduct on our website</td>
</tr>
<tr>
<td><strong>B.2 Governance principle</strong>&lt;br&gt;A firm should publicly commit itself to this Audit Firm Governance Code.</td>
<td>See part 1.1 and the Annual Reports page of our website&lt;br&gt;We are committed to the Audit Firm Governance Code and continue to incorporate the principles and provisions of the Code</td>
</tr>
<tr>
<td><strong>B.2.1</strong> The firm should incorporate the principles of this Audit Firm Governance Code into an internal code of conduct.</td>
<td>See part 2 and our Code of Conduct on our website</td>
</tr>
<tr>
<td><strong>B.3 Openness principle</strong>&lt;br&gt;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.</td>
<td>See part 2.2 and our Code of Conduct on our website</td>
</tr>
<tr>
<td><strong>C Independent non-executives</strong></td>
<td></td>
</tr>
<tr>
<td><strong>C.1 Involvement of independent non-executives principle</strong>&lt;br&gt;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.</td>
<td>See parts 1.3 and 3&lt;br&gt;See part 1.3, 1.4 and our Code of Conduct on our website</td>
</tr>
<tr>
<td><strong>C.1.1</strong> 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.</td>
<td>See parts 1.2 and 3.1&lt;br&gt;Our INEs are members of the Partnership Oversight Board. The Partnership Oversight Board and its main subcommittees are all chaired by INEs</td>
</tr>
<tr>
<td><strong>C.1.2</strong> 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.</td>
<td>See part 1.2, 3.1 and Appendix E&lt;br&gt;Further details are on our Leadership and Governance pages on our website</td>
</tr>
<tr>
<td><strong>C.1.3</strong> 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:</td>
<td>See Part 1.2</td>
</tr>
<tr>
<td>• Promoting audit quality,&lt;br&gt;• Helping the firm secure its reputation more broadly, including in its non-audit businesses.&lt;br&gt;• Reducing the risk of firm failure.</td>
<td></td>
</tr>
<tr>
<td><strong>C.1.4</strong> Independent non-executives should have regular contact with the Ethics Partner, who should under the ethical standards have a reporting line to them.</td>
<td>See Part 1.2</td>
</tr>
<tr>
<td><strong>C.2 Characteristics of independent non-executives principle</strong>&lt;br&gt;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.</td>
<td>See part 3.1 and Appendix E</td>
</tr>
<tr>
<td><strong>C.2.1</strong> 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.</td>
<td>See part 3.1</td>
</tr>
</tbody>
</table>
### Provision of the revised Code

<table>
<thead>
<tr>
<th>C.3 Rights and responsibilities of independent non-executives principle</th>
<th>How Grant Thornton UK LLP complies with the Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>See part 1.2, 1.3, 3.1 and our Leadership and Governance pages on our website</td>
</tr>
<tr>
<td>Each independent non-executive should have a contract for services setting out their rights and duties.</td>
<td>Each of our INEs has a contract</td>
</tr>
<tr>
<td>Independent non-executives should be appointed for specific terms and any term beyond nine years should be subject to particularly rigorous review and explanation.</td>
<td>See part 3.1</td>
</tr>
<tr>
<td>The responsibilities of an independent non-executive should include, but not be limited to, oversight of the firm’s policies and processes for:</td>
<td>See part 3 and Leadership and Governance pages on our website</td>
</tr>
<tr>
<td>• Promoting audit quality.  • Helping the firm secure its reputation more broadly, including in its non-audit businesses.  • Reducing the risk of firm failure.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>Our firm has appropriate indemnity insurance in place for the INEs</td>
</tr>
<tr>
<td>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.</td>
<td>Our firm provides sufficient resources to the INEs to enable them to perform their duties. This includes access to independent professional advice at the firm’s expense if necessary. See Leadership and Governance pages on our website</td>
</tr>
<tr>
<td>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.</td>
<td>See part 3.1 and our Leadership and Governance pages on our website</td>
</tr>
</tbody>
</table>

### D Operations

<table>
<thead>
<tr>
<th>D.1 Compliance principle</th>
<th>See parts 1.2, part 2 and Appendix D See also our Code of Conduct on our website</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>See parts 2.5 and 2.6 and Appendix C</td>
</tr>
<tr>
<td>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.</td>
<td>See part 2.5 and 2.6 The firm has established policies and procedures to cover this requirement</td>
</tr>
<tr>
<td>The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.</td>
<td>See Appendix D</td>
</tr>
<tr>
<td>The firm should take action to address areas of concern identified by audit regulators in relation to the firm’s audit work.</td>
<td>See parts 2.1, 2.5 and 2.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D.2 Risk management principle</th>
<th>See part 1.3 and 2.14</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>See part 1.3 and 2.14</td>
</tr>
<tr>
<td>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.</td>
<td>See part 2.14</td>
</tr>
<tr>
<td>Provision of the revised Code</td>
<td>How Grant Thornton UK LLP complies with the Code</td>
</tr>
<tr>
<td>------------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>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.</td>
<td>See part 2.4</td>
</tr>
<tr>
<td>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.</td>
<td>See parts 2.1, 2.2 and the Code of Conduct on our website as is the Code of Conduct</td>
</tr>
<tr>
<td>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.</td>
<td>See part 1.3 and 2.1 and 2.2 This interim Transparency Report is published on 31 October 2019</td>
</tr>
<tr>
<td>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.</td>
<td>See parts 1.2 and 3.1</td>
</tr>
<tr>
<td>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.</td>
<td>See our whistleblowing policies and procedures under our Corporate Responsibilities pages on our website See also parts 1.4, 1.5 and 3.1</td>
</tr>
<tr>
<td>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.</td>
<td>See our whistleblowing policies and procedures under our Corporate Responsibilities pages on our website See also parts 1.4, 1.5 and 3.1</td>
</tr>
<tr>
<td>E Reporting</td>
<td></td>
</tr>
<tr>
<td>E.1 Internal reporting principle 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.</td>
<td>Our key governance bodies (including the INEs) received timely and relevant information to enable them to discharge their duties See parts 1.3 and 3.1</td>
</tr>
<tr>
<td>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.</td>
<td>Appendix A sets out how we have adopted each of the principles of the revised Code</td>
</tr>
<tr>
<td>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 and E.3.1.</td>
<td>See specific code provisions in this section for references to their disclosure requirements. This transparency report is published on our website</td>
</tr>
<tr>
<td>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.</td>
<td>See Appendix B</td>
</tr>
<tr>
<td>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.</td>
<td>See Appendix H</td>
</tr>
<tr>
<td>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.</td>
<td>See part 2.4 This report is based on the principles of the Code, Local audit regulation and requirements from the EU Audit Regulation; has been centrally co-ordinated by a specialist team; and ultimately reviewed and approved by the Strategic Leadership Team and the Risk and Audit Committee</td>
</tr>
<tr>
<td>E.3.2 The transparency report should be fair, balanced and understandable in its entirety.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>See part 1.4 and 1.5</td>
</tr>
</tbody>
</table>
### E.4.1 Provision of the revised Code

**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.**

**How Grant Thornton UK LLP complies with the Code**

See part 1.4 and the Leadership and Governance pages on our 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.**

**How Grant Thornton UK LLP complies with the Code**

Our audited financial statements are published on our website and prepared under International Financial Reporting Standards as adopted by the European Union and UK laws and regulations.

### 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.

**How Grant Thornton UK LLP complies with the Code**

This statement is made in our Annual Report available on our website.

### 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.

**How Grant Thornton UK LLP complies with the Code**

This statement is made in our Annual Report available on our website.

### 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.**

**How Grant Thornton UK LLP complies with the Code**

See part 3

#### 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.

**How Grant Thornton UK LLP complies with the Code**

See parts 2.2, 2.5 and 2.6 and 3.1 and the Annual Report pages on our website

#### F.2 Shareholder dialogue principle

**Shareholders should have dialogue with audit firms to enhance mutual communication and understanding.**

**How Grant Thornton UK LLP complies with the Code**

See part 2.6

#### F.3 Informed voting principle

**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.**

**How Grant Thornton UK LLP complies with the Code**

See part 2.6
In accordance with provision E.2.2 of the AFGC, 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. Below, we outline what elements we have adopted and how we have done so.

### B Corporate Governance Code

<table>
<thead>
<tr>
<th>Corporate Governance Code</th>
<th>What Grant Thornton UK LLP does</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A Role of the Board</strong></td>
<td></td>
</tr>
<tr>
<td><strong>A.1</strong> Every company should be headed by an effective board which is collectively responsible for the long-term</td>
<td>The board in this context is the Partnership Oversight Board (POB or the board)</td>
</tr>
<tr>
<td><strong>A.1.1</strong> The board should meet sufficiently regularly to discharge its duties effectively. There should be a formal schedule of matters specifically reserved for its decision. The annual report should include a statement of how the board operates, including a high level statement of which types of decisions are to be taken by the board and which are to be delegated to management.</td>
<td>See Appendix F: Meeting attendance</td>
</tr>
<tr>
<td><strong>A.2.1</strong> The roles of chairman and chief executive should not be exercised by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established, set out in writing and agreed by</td>
<td>See the Leadership and Governance Section</td>
</tr>
<tr>
<td><strong>A.3.1</strong> The chairman should on appointment meet the independence criteria set out in B.1.1 below. A chief executive should not go on to be chairman of the same company. If exceptionally a board decides that a chief executive should become chairman, the board should consult major shareholders in advance and should set out its reasons to shareholders at the time of the appointment and in the next</td>
<td></td>
</tr>
<tr>
<td><strong>A.4.1</strong> The chairman should ensure that new directors receive a full, formal and tailored induction on joining the board. As part of this, directors should avail themselves of opportunities to meet major shareholders.</td>
<td>The CEO and Chair of POB are different</td>
</tr>
<tr>
<td><strong>A.4.2</strong> The chairman should regularly review and agree with each director their training and development needs.</td>
<td>The Chair meets the independence criteria</td>
</tr>
<tr>
<td><strong>A.6.2</strong> Evaluation of the board of FTSE 350 companies should be externally facilitated at least every three years. The external facilitator should be identified in the annual report and a statement made as to whether they have any other connection with the company.</td>
<td>We used an external consultancy to advise and undertake the Effectiveness review in 2018. See Report from the independent non-executive chair of the PIC and the POB on behalf of the INEs</td>
</tr>
<tr>
<td><strong>C.3.4</strong> Where requested by the board, the audit committee should provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company’s position and performance, business model and strategy.</td>
<td>The Risk and Audit Committee reports to the board on its review of the Annual Report and Accounts</td>
</tr>
<tr>
<td><strong>C.3.6</strong> The audit committee should monitor and review the effectiveness of the internal audit activities. Where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.</td>
<td>The Risk and Audit Committee regularly reviews the activities of the internal audit function</td>
</tr>
</tbody>
</table>
In accordance with the Local Auditor and Accountability Act 2014 (the Act), where an audit firm is also a local auditor as defined by the Act, the audit firm is required to prepare and publish a transparency report which meets the requirements of the Local Auditors (Transparency) Instrument 2015 issued by the FRC. Regulation 3(5) of the 2015 Instrument permits the inclusion of the disclosures relating to local audits in the transparency report required by Article 13 of the EU Regulation No. 537/2014 such that we are not required to publish a separate transparency report relating solely to local audits.

Below we outline the disclosure requirements from the schedule of the Instrument and where the relevant disclosures can be found within this report.

<table>
<thead>
<tr>
<th>Regulation 3(2)</th>
<th>Provision of the Local Audit Regulations Review</th>
<th>How Grant Thornton UK LLP complies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A description of the legal structure and ownership of the transparency reporting auditor</td>
<td>Refer to part 3: Leadership and governance</td>
</tr>
<tr>
<td>2</td>
<td>Where the transparency reporting auditor belongs to a network, a description of the network and the legal and structural arrangements of the network</td>
<td>Refer to Appendix G: International organisation</td>
</tr>
<tr>
<td>3</td>
<td>A description of the internal quality control system of the transparency reporting local auditor and a statement by the administrative or management body on the effectiveness of its functioning in relation to local audit work.</td>
<td>Refer to section 2.4: Statement on the firm’s internal quality control systems</td>
</tr>
<tr>
<td>4</td>
<td>A description of the transparency reporting local auditor’s independence procedures and practices including a confirmation that an internal review of independence practices has been conducted.</td>
<td>Refer to Appendix D: Ethics and independence</td>
</tr>
<tr>
<td>5</td>
<td>Confirmation that all engagement leads are competent to undertake local audit work and staff working on such assignments are suitably trained.</td>
<td>Refer to sections 2.5 and 2.6</td>
</tr>
<tr>
<td>6</td>
<td>A statement of when the last monitoring of the performance by the transparency reporting local auditor of local audit functions, within the meaning of paragraph 23 of Schedule 10 to the Companies Act 2006, as applied in relation to local audits by Section 17 and paragraphs 1, 2 and 28(7) of Schedule 5 to the Act, took place.</td>
<td>Refer to sections 2.5 and 2.6</td>
</tr>
<tr>
<td>7</td>
<td>A list of major local audits in respect of which an audit report has been made by the transparency reporting local auditor in the financial year of the auditor; and any such list may be made available elsewhere on the website specified in regulation 4 provided that a clear link is established between the transparency report and such a list.</td>
<td>Refer to Appendix K: Major Local Audits</td>
</tr>
<tr>
<td>8</td>
<td>A statement on the policies and practices of the transparency reporting local auditor designed to ensure that persons eligible for appointment as a local auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.</td>
<td>Refer to sections 2.5 and 2.6</td>
</tr>
<tr>
<td>9</td>
<td>Turnover for the financial year of the transparency reporting local auditor to which the report relates, including the showing of the importance of the transparency reporting local auditor’s local audit work.</td>
<td>See section H: Financial information</td>
</tr>
<tr>
<td>10</td>
<td>Information about the basis for the remuneration of partners.</td>
<td>See Appendix I: Partner remuneration</td>
</tr>
</tbody>
</table>
The firm is subject to ethical and independence standards set by its regulators. We fully understand the impact of our individual and collective behaviours on our reputation and that of the professional services sector as a whole. We help our people to understand their ethical responsibilities by providing formal guidance, a strong culture of collaboration and consultation and regular training and awareness programmes.

The policies and procedures highlighted were in operation for the year ended 30 June 2019.

The firm continues to make progress since the introduction of the FRC Revised Ethical Standard in 2016 in respect of required changes to processes and procedures and has kept pace with public perceptions and the changing regulatory landscape. Further, the firm is currently working on further enhancements to its processes and procedures to take account of the changes proposed by the FRC to the Ethical Standard which is imminent.

Leadership

The firm’s Ethics Partner provides guidance and support on the application of UK and international Ethical Standards supported by an enhanced Ethics Function. The team is proactive in providing advice on ethical issues from an Ethical Standard perspective and also, more generally, in relation to complex and high-risk situations that could be of heightened public interest.

The firm has invested over recent years in the Ethics Function in both people and technology. At 30 June 2019, the Ethics Partner was supported by a team of 12, covering ethics and independence.

Policies and procedures

The firm’s Core Manual summarises our key policies and procedures in a concise and easy-to-understand way. It provides guidance on the overarching principles of ethics that underpin the ICAEW Code of Ethics and the FRC Revised Ethical Standard 2016. We require all our people to:

- behave at all times with integrity
- maintain objectivity
- work with due care and competence
- respect confidentiality
- behave professionally
- avoid conflicts of interest.

As part of the Quality and Reputation agenda, our intranet is routinely updated under the heading of Quality and continues to provide detailed guidance and support.

Learning and awareness

On joining the firm, all partners and employees are provided with the Code of Conduct and experience our orientation programme including online training programmes on key policies such as the principles of ethics, personal independence, anti-money laundering, information security and the Bribery Act.

We have developed other ethics modules that are included into core audit, tax and advisory training delivered by the firm. In addition, on an annual basis, all of our people are required to confirm their understanding of, and compliance with, relevant ethical requirements and key policies as summarised in the Core Manual and the guiding principles set out in the Code of Conduct, through an Annual Declaration.
Identifying conflicts of interest
The international network and all the member firms each utilise a Global Independence System and a system of international relationship checks to identify potential conflicts of interest including to avoid personal investments threatening independence, the provision of non-audit services to audit clients and other conflicts of interest.

Potential clients with international operations
If potential clients have international operations, an international relationship check is performed to identify any relationships of other member firms of GTIL that may present a conflict of interest and/or a threat to independence.

The international network maintains databases of restricted entities and other relationships that could create a conflict. These are searched as part of the international relationship checking process.

When the prospective client is already an audit client of a member firm of GTIL, consultation is required with the relevant audit engagement leader to ensure that the proposed non-audit service is permitted, and that any perceived threats to independence created by the proposed non-audit service can be adequately safeguarded. Where required, the circumstances are communicated to the audit client’s audit committee and, in the case of public interest entities (PIEs), are approved by them prior to commencement of work.

Dealing with conflicts
If a potential conflict is identified, appropriate procedures are put in place to obtain the informed consent of the interested parties, to protect confidential information and to ensure potential conflicts are, and are seen to be, effectively managed. In exceptional circumstances, the relevant head of service line and the Ethics Function/Partner must be consulted. To the extent that conflicts cannot be adequately safeguarded or where we believe that an objective, reasonable, informed third party might query our objectivity, we either do not undertake the non-audit service or withdraw from the audit, the decision being made with the full involvement of the client(s) concerned.

Client take-on process
The firm has continued to invest in enhancing and automating its take-on processes. The centralised client take-on team has a current complement of approximately 56 personnel. The team undertakes client verification for anti-money laundering purposes for all new and existing clients, working closely with our Financial Crime team. It also conducts family tree research for international operations and database searches that underpin our relationship checking processes.

The take-on team works collaboratively with the Ethics Function in the identification of connected parties, particularly where there is private equity (PE) involvement. Where there is an audit client within the PE investment portfolio, we consider the impact on independence based on the connected parties to that particular entity within the PE portfolio to assess the impact on audit independence.

Non-audit services to audit clients
Before offering a non-audit service to any audit client of the firm, the relevant Responsible Individual’s approval must be obtained. This approval is only given after consideration of any possible threats to the firm’s independence, the adequacy of any plan to safeguard such threats, and consultation and confirmation, as appropriate, with the Ethics Function.

Contingent fees
Where a proposed non-audit service to, or in respect of, an audit client includes any element of contingent fee, the formal approval of the Ethics Function is required.

Financial interests
Our partners, other individuals who can bind the firm and covered persons (broadly a person in a position to influence the conduct or outcome of an audit or other public interest assurance engagement, including certain persons with wider firm supervisory, management or other oversight responsibilities) and any persons closely associated with any such person are prohibited from having any direct or material indirect financial interest in an audit client or the parent undertaking of any audit client of Grant Thornton UK LLP, or in any publicly traded audit client (or publicly traded parent of an audit client) of a member firm of GTIL unless specific approval has been given.

Full details of the firm’s audit clients with publicly traded securities, and those of other member firms of GTIL, are accessible through the firm’s intranet.

Further, partners and employees may not have a material financial interest in any client to which they personally provide a professional service.

Partners, directors, associate directors and managers are required to record their financial interests (and those of persons closely associated with them) in the firm’s automated tracking system, Global Independence System.

Financial interests of the firm and its affiliated entities are also recorded in the Global Independence System, as these could have an impact on the independence of the firm or other member firms of GTIL. Any financial interest that could be deemed to create a conflict must be disposed of within five working days.

A formal confirmation is also required in the firm’s Annual Declaration, a mandatory submission for all of our partners and employees, that the record is complete. The closing date for submission is 30 September 2019 and the deadline for dealing with matters arising is 31 October 2019. The Ethics Function (and others in the firm as necessary) considers queries from the submissions, and a subsequent internal audit is undertaken by our Business Risk and Quality Assurance team.
Other ethical considerations

**Rotation of senior audit team members**

Engagement leads and other senior team members responsible for audits are required to rotate off the engagement after specified periods of time, which depends on their role and the type of entity.

Rotation in respect of PIEs, other listed entities and other entities deemed by the firm as having a heightened public interest is initially recorded when individuals are first assigned to a client. This record is maintained on a central database.

The firm’s policy concerning the rotation of partners and people requires that:

1. An audit lead may serve as the Responsible Individual on the audit of a PIE or other listed entity for a period of five years. In certain circumstances, and subject to audit committee decision and the approval of the Ethics Function/Partner together with the disclosure by the entity to its shareholders as soon as practicable, the period may be extended to a maximum period of seven years. In such circumstances the review by Engagement Quality Control Reviewer will be enhanced to safeguard the independence of the audit. At the end of their period of service the Responsible Individual must then rotate away from the engagement for a minimum of five years; the firm’s policy dictates that they must not normally have a client-facing role with that particular client during this period.

2. The Responsible Individual of a material subsidiary is a “Key Audit Partner” and can also only act for five years, and after that period has to rotate off the engagement for at least five years. We have incorporated these considerations in the audit team succession plans.

3. A partner may serve as an Engagement Quality Control Reviewer on the audit of a PIE and other listed entities for a maximum period of seven years. After this time they must rotate away from the engagement for a minimum of five years. The firm’s policy is that they must not normally have any client-facing role with that particular client during this period.

4. Where a partner serves on the audit of a PIE or other listed entity in a combination of roles as audit partner, Engagement Quality Control Reviewer and/or a “key partner involved in the engagement”, the total period (either continuously or in aggregate) of their service may not exceed seven years, followed by a minimum period of five years within which they have no involvement in the audit.

5. Periods of service as Audit Partner before a client became listed are included in the total. However, if the client becomes listed when the partner has already served for four or more years, they may serve for a maximum of another two years, subject to audit quality considerations.

6. “Key Partners Involved in the Engagement” can act for seven years and then must rotate off the engagement for at least two years.

7. Other partners and people who serve in a senior position on the audit of a PIE or other listed entity should not act for more than seven years in that role unless safeguards are put in place. The normal safeguard is rotation off the engagement but a change of role within the engagement team or an enhanced review of the individual’s work are other available safeguards.

Rotation of the Responsible Individual for other audits or other Public Interest Assurance Engagements is dependent on the entity type and is a maximum of either five, seven or 10 years, based on a risk assessment. In certain circumstances an extension may be granted for audit quality purposes by the Firm’s Ethics Function/Partner.

**Gifts, favours and hospitality**

The firm’s policy on gifts, favours and hospitality reflects the enhanced requirements of the Revised Ethical Standard 2016. Partners and employees are not permitted to accept from, or give to, audit clients, suppliers or third parties any gifts, favours or hospitality that might, or might be seen to, prejudice our integrity and objectivity in relation to our audit clients.

Subject to de minimis levels, all gifts, favours or hospitality (given or received) must be recorded in the firm’s hospitality register (Riliance). In addition, prior approval is required for any gift, favour or hospitality received in excess of £50 or given in excess of £100. Limits for non-audit clients are typically higher although again, there are approval processes in place.
Monitoring
We monitor our people’s compliance with ethical and independence requirements through:

1. the firm’s Annual Declaration process. All our people are required to confirm that they understand and have complied with the firm’s policies relating to independence, confidentiality, market abuse, gifts, favours and hospitality and whistleblowing

2. quality control and quality assurance reviews of assignment files across service lines to check compliance with internal controls and specifically engagement acceptance procedures and independence policies

3. monitoring with regard to client take-on and ethics during the course of the year, specifically around work in progress of assignments

4. review of the Global Independence System accounts of all new partners, 20% of existing partners and 5% of managers against evidence to support their recorded financial interests. Additionally, a rolling monthly assurance programme to test check selected groups of our people in advance of the formal annual audit. Non-compliance is dealt with utilising direct fines for our equity partners and other sanctions for employees

5. the firm’s internal audit function that reviews compliance with key internal controls across every service line on a three-yearly basis and reports to the SLT and the POB through the Risk and Audit Committee. A new system, Vinci Works, is being introduced that will enable electronic annual self-assessment for certain functions within the business in addition to the five-year internal audit cycle

6. encouraging our people to consult with others when faced with a difficult decision or to speak up on areas of concern. If for whatever reason they feel unable to do so, we provide an externally hosted, confidential whistleblowing hotline. Reports of the hotline’s activity are reviewed by the Risk and Audit Committee.

Complaints and claims
We have robust procedures in place for dealing with complaints.

A register of all complaints and possible claims is maintained by the firm’s Legal department. Our In-House Legal Counsel has direct access to the CEO and RAC to discuss all relevant issues and to confirm appropriate courses of action.

Supplier relationships
Our independence requirements extend to our relationships with suppliers. Checks are carried out before we enter into a supplier contract to establish whether they are an audit client, and if they are, special consideration is given to whether a threat to independence might arise.

Where applicable, the Ethics Function must be consulted.
E Members of the firm’s leadership and governance bodies

Members of the Partnership Oversight Board (POB)

Members of the Partnership Oversight Board

Ed Warner
Chair and independent non-executive

Ed is an investment banker, who has a wealth of experience from his years as CEO at the IFX Group and of Old Mutual Financial Services (UK). Ed is also chairman of derivatives exchange LMAX, an aviation services business Air Partner PLC, and a listed investment company. He is also chair-designate of HarbourVest Global Private Equity.

Deena Mattar
Independent non-executive

Deena is a skilled FTSE 250 finance director with nine years of experience as an executive on a plc board, an excellent knowledge of the City and a first-class reputation among institutional shareholders and buy and sell side analysts. She has nearly nine years as a non-executive director (and, in some cases, audit chairman) of a number of boards both listed and unlisted and also chairs the firm’s Risk and Audit committee.

Imogen Joss
Independent non-executive

Imogen spent her executive career in the fintech arena as Commercial Director of the London Stock Exchange and latterly President of two divisions of S&P Global. She brings global experience to the boards that she serves plus a strong commercial, client and talent-focused agenda while specialising in Remuneration Committee work on both listed and non-listed boards. She currently serves on the boards of five organisations across advisory services and fintech, as well as being Chair of the firm’s Remuneration Committee.
Simon Bevan  
Partner  
Simon is a London-based assurance partner, with a client focus on knowledge businesses and professional service firms. He leads the firm’s China Britain Services Group and has taught at three Chinese universities. Simon joined the partnership in 2012 from another leading firm, where he had held leadership and governance positions. Simon joined the POB in July 2015, was reappointed in July 2018 and is a member of the Remuneration Committee. He chairs the Partner and Director Selection Panel, and also leads the firm’s Partner Support Unit.

Nigel Morrison  
Partner  
Nigel is an experienced advisory partner who, during the year also coached and mentored fellow partners, as well as carrying out a number of governance roles. Nigel was elected to the POB in July 2015, and, having stood down from it on 31 December 2018, now occupies the role of CFO for the firm.

Helen Dale  
Partner  
Helen is a partner specialising in restructuring. Helen works with executive boards and their senior teams to deliver change under difficult and/or time-sensitive circumstances. Helen also heads up our Corporate Advisory offering for London Restructuring. Helen is an active speaker and panellist for topics including leadership, change and business turnaround. Helen joined the POB on 1 July 2017.

Nick Page  
Partner  
Nick is an audit partner based in the London Technology, Media and Telecommunications practice. He works with a variety of mid-corporate, privately owned, private equity backed or AIM quoted clients. During the year, Nick was the leader of the firm’s Technology, Media and Telecommunications group. Nick joined the POB on 1 July 2017, at which point he also became a member of the Risk and Audit Committee. Having taken up the role of Head of London Audit, he stood down from the POB on 31 August 2019.

Karen Campbell-Williams  
Partner  
Karen is based in our Manchester office and has been a tax partner at Grant Thornton since 1997. She works with growing, dynamic entrepreneurial businesses and their stakeholders to effectively manage their tax obligations. As well as her client-facing role, Karen is also sits on the Partner Selection Panel. Karen joined the POB in July 2016, where she was also a member of the Remuneration Committee. On 31 August 2019, Karen retired from the POB to join the firm’s Strategic Leadership Team (SLT) as Head of Tax.
Eddie Best  
Partner  
Eddie is a London-based partner with over 20 years of experience providing internal audit and controls advisory services to FTSE 350 and equivalent groups. His focus is on supporting clients in their management of risk and realisation of opportunities as they grow and develop. Eddie’s core work involves supporting clients across a variety of sectors through the coordination of integrated services, across international boundaries and technical specialisms. Eddie was elected onto the POB in July 2019 and is also a member of the Profit Sharing Committee.

Wendy Hart  
Partner  
Wendy is a corporate finance advisory partner with responsibility for leading transactions in Thames Valley and Southampton. She has a wealth of experience of advising on mid-market M&A and fundraising, as well as working with many clients to help them devise and implement value-building strategies. She has a retained adviser relationship with a number of high-growth businesses. During her 30-year career with Grant Thornton, Wendy has been an Office Managing Partner and Technology Sector Head. Wendy joined the POB in July 2018.

Norman Armstrong  
Partner  
Norman has been an advisory and audit partner at Grant Thornton since 2005. He has over 25 years’ worth of experience helping dynamic businesses achieve their strategic goals and potential for growth. Working across the South (Southampton, Oxford and Reading) his clients range from fast-growing, privately owned and PE-backed businesses to international and listed groups. Norman joined the POB in July 2018 and is also a member of the Risk and Audit Committee.

Philip Secrett  
Partner  
Philip is a corporate finance partner and is Head of Public Company Advisory. With 24 years in the firm, he has been advising on public company corporate finance transactions for 20 years and his experience has included supporting growth companies access to UK equity markets and leading public company M&A transactions. Philip is Chairman of the AIM Advisory Group at the London Stock Exchange, a group that provides input and advice on all matters affecting the operation and regulation of AIM. Philip was a member of the POB between July 2016 and July 2019, and then re-appointed again in October 2019. Philip is also a member of the Risk and Audit and Remuneration Committees.

Sean Croston  
Partner  
Sean leads the Corporate Simplification Group in London, and has been a licensed insolvency practitioner for more than 20 years. Prior to this, he was sector lead for Healthcare Services for the firm with a focus on advising NHS Trusts. Sean has spent a large part of his career advising on large and complex group restructurings and has worked in a number of overseas jurisdictions including Asia, Germany and the United States. Sean was elected onto the POB in July 2019 and is also a member of the Risk and Audit Committee.
David Dunckley  
Chief Executive Officer  

David was appointed as CEO on 1 December 2018. Since taking up the role, his leadership has been focused on keeping clients at the heart of the business, creating a culture in which people can thrive and ensuring the firm continues to have a strong social conscience.

Prior to becoming CEO, David sat on the SLT as Head of Mid-Markets (London), focusing on growing the mid-market service offering and embedding the firm’s London identity. Having been a partner with the firm for over 20 years, his previous roles include Global Head of Restructuring and Reorganisation (R&R) for the Grant Thornton International network, Europe Middle East and Africa Head of R&R, Head of Transactional Advisory and Head of Restructuring. David is a licensed Insolvency Practitioner, with a particular interest in the automotive and professional practices sectors.

Malcolm Gomersall  
Chief Operating Officer  

Malcolm was appointed to the role of COO on 1 December 2018 having previously occupied the role of Head of People and Client Experience [now People and Culture] since April 2018.

As COO, Malcolm’s focus is on building and sustaining an operating model which supports profitable growth, improvements in quality and makes doing business easier for our people. This involves simplifying the way we operate, within an agile and supportive environment, which will drive excellent client service. Malcolm also remains a key sponsor for Grant Thornton’s work on social mobility, and continues his work with the Access Accountancy Patron Group.

Other positions previously held include Regional Managing Partner for Central Region and London Audit and Tax Business Leader.

Jonathan Riley  
Head of Quality and Reputation  

Building on his early years as inspector of taxes and as a senior policy adviser to the president of the Board of Trade, Jonathan brings over 30 years’ experience to his role. As Head of Quality and Reputation, his time is focused on ensuring that outstanding quality and protecting the reputation of Grant Thornton is embedded into the business, and that client experience is second to none.

Jonathan is the key relationship partner with our regulators. He speaks regularly on matters of quality and trust, both on broad regulatory matters and on building trust in the integrity of financial markets.

Other positions previously held include: Chartered Institute of Tax [Trustee & Council Member], Low Income Tax Reform Group [Chair] and HM Treasury Tax Professional Forum [member].
Mark Byers
Head of Strategic Relationships
Appointed to the SLT in July 2015, Mark has worked his entire professional career with the firm in regulatory roles, corporate finance advisory, restructuring and insolvency. Mark leads our strategic client relationships as well as our international strategy. His focus is on ensuring the firm is well placed to establish and maintain deep and long-lasting relationships that are valued by our key clients.

Mark has led Grant Thornton’s restructuring services on a global basis, and also works with major financial institutions and their regulators on supporting restructuring strategies designed to promote financial stability following the challenges faced by the financial services sector in Europe.

David Munton
Head of UK Markets
An audit partner since 2003, David was appointed to the SLT on 1 May 2018, and prior to this held a number of leadership roles throughout the firm. Through working with a variety of growing businesses, he has considerable experience of auditing and advising clients with a particular interest across PE, automotive and support services.

As Head of UK markets, his focus looks towards growing the business, creating an environment our people want to work in and supporting the wider SLT to evolve the firm so it is fit for the future.

Karen Campbell-Williams
Head of Tax
Karen was appointed to the SLT as Head of Tax on 1 September 2019. A tax partner based in the North West, she has been with the firm since 1994 and, for over 30 years, has worked with a variety of organisations and their stakeholders to help them effectively meet their tax obligations at each stage of their business life cycle. These include entrepreneurial start-ups, fully listed public, charities and not for profit entities.

As well as her client-facing role, Karen also sits on the Partner Selection Panel and served as member of the POB and the Remuneration Committee from July 2016 to August 2019.

Fiona Baldwin
Head of Audit
Fiona was appointed to the SLT as Head of Audit on 3 June 2019. This is a full-time leadership role, with a focus on driving quality to the core of the practice, overseeing investments to strengthen our capabilities and ensuring that our audit teams have the skills and resources to deliver continuously great services.

Originally based in the firm’s Manchester office, Fiona is an experienced audit partner, with more than 20 years’ specialising in corporates, social housing, professional practices and pension schemes, both in the UK and internationally.
Robert Hannah
Head of Large and Complex Advisory

Robert was appointed into this role on 1 December 2018, having stepped down from the SLT as COO in April 2018. Robert is also Global Head of Strategic Growth Markets for Grant Thornton International (GTIL) and leads the programme to help accelerate the growth of GTIL’s member firms in key strategic markets. His key role is to collaborate with business leaders to ensure delivery of the firm’s strategy across the large and complex market facing group. Robert is also highly involved in coaching and mentoring across the firm.

Darren Bear
Head of Deals and Business Consulting

Darren was appointed into this role on 1 September 2019. His role is focused on leading the national Deals and Business Consulting service line, whilst also retaining a market role delivering corporate finance advice.

Darren joined Grant Thornton’s Corporate Finance team in April 2005 and became partner in 2011. His role has concentrated on mid-market corporate finance, covering a broad range of sectors, including Telecoms, Media and Technology and Industrials.
SLT members who retired part way through the period

Sacha Romanovitch  
CEO (retired from position 30 November 2018)  
Sacha served as CEO between July 2015 and 30 November 2018. During her tenure as CEO, Sacha also sat on the Grant Thornton Global Board of Governors, the Strategy Committee and also Chaired the Member Firm Matters Committee. Having been with the firm since 1990, she also held several other leadership roles including: member of the National Leadership Board with responsibility for People and Culture and Leader of the Corporate Advisory and London Audit and Tax practices.

Simon Jones  
COO (retired from position 31 December 2018)  
Simon served in the role of COO between April 2018 and 30 November 2018, and then CFO from 1 December 2018 to 31 December 2018. Prior to this, he had been part of the SLT as Head of Finance and Infrastructure, in addition to sitting on the Global IT Strategy and Global Finance Committees. Simon stared his career in Audit with the firm in 1998, including time as managing partner for Milton Keynes office and as regional managing partner for the Central region offices.

Sarah Howard  
Leader for Public Services (retired from position 31 August 2019)  
Sarah served on the SLT in the role of Leader for Public Services between April 2018 and 31 August 2019. Having gained over 30 years’ experience working with the public sector, and having responsibility for the UK’s largest public audit team, Sarah has also served as President of CIPFA and board member of the CCAB.

Karl Eddy  
Leader for Digital Innovation (retired from position 30 November 2018)  
Karl served on the SLT in the role of Leader for Digital Innovation between April 2018 and 30 November 2018, leading an enterprise activity as well as creating and managing the strategic partnerships and investments. With over 14 years with the firm, Karl’s expertise has focused on advising and delivering large-scale programmes supporting business growth.
**Meeting attendance**

Meeting attendance: Year to June 2019

The table below sets out attendance at meetings of the firm’s principal leadership and governance bodies and their subcommittees as detailed in Section 3.1: the Strategic Leadership Team (SLT), the Partnership Oversight Board (POB), Risk and Audit committee (RAC), the Remuneration committee (RemCo) and Public Interest Committee (PIC) in the year to 30 June 2019.

<table>
<thead>
<tr>
<th>Meetings</th>
<th>Appointed</th>
<th>SLT</th>
<th>POB</th>
<th>RAC</th>
<th>RemCo</th>
<th>PIC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of meetings in year</strong></td>
<td>12</td>
<td>6</td>
<td>8</td>
<td>4</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Leadership Team</strong></td>
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<td></td>
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</tr>
<tr>
<td>Fiona Baldwin (Appointed 3 June 2019)</td>
<td>3 June 2019</td>
<td>1 of 1</td>
<td></td>
<td></td>
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<td>1</td>
</tr>
<tr>
<td>Mark Byers</td>
<td>1 July 2015</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>David Dunckley (CEO from 1 December 2018)</td>
<td>1 May 2018 (SLT)</td>
<td>11</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Karl Eddy (stood down 30 November 2018 and retired from the firm 30 September 2019)</td>
<td>1 July 2015</td>
<td>4 of 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malcolm Gomersall</td>
<td>1 May 2018</td>
<td>11</td>
<td></td>
<td>6</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Robert Hannah (Appointed 1 December 2018)</td>
<td>1 December 2018</td>
<td></td>
<td></td>
<td>9 of 9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sarah Howard (stood down 31 August 2019)</td>
<td>1 May 2018</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simon Jones (stood down from SLT 1 December 2018 and remained as CFO until retiring from the firm 31 December 2018)</td>
<td>1 July 2015</td>
<td>4 of 4</td>
<td>3</td>
<td>4 as a member 1 as guest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>David Munton</td>
<td>1 May 2018</td>
<td></td>
<td>11</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Jonathan Riley</td>
<td>1 May 2018</td>
<td>12</td>
<td></td>
<td>3</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Sacha Romanovitch (stood down as CEO 30 November 2018 and retired from the firm 13 December 2018)</td>
<td>1 July 2015</td>
<td>4 of 4</td>
<td>1</td>
<td>6</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

Coloured to represent ‘attendance by invitation’

**Key:**
- SLT = Strategic Leadership Team
- POB = Partnership Oversight Board
- RAC = Risk and Audit Committee
- RemCo = Remuneration Committee
- PIC = Public Interest Committee

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Interim Transparency Report 2019
## Meetings

<table>
<thead>
<tr>
<th>Partnership Oversight Board</th>
<th>Appointed</th>
<th>SLT</th>
<th>POB</th>
<th>RAC</th>
<th>RemCo</th>
<th>PIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norman Armstrong</td>
<td>1 July 2018</td>
<td>6</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simon Bevan</td>
<td>1 July 2015 (re-appointed for an additional 3 years as of 1 July 2018)</td>
<td>5</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Karen Campbell Williams (stood down from POB 31 August 2019 to join SLT)</td>
<td>1 July 2016</td>
<td>5</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Helen Dale</td>
<td>1 July 2017</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wendy Hart</td>
<td>1 July 2018</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nigel Morrison (stood down from POB 31 December 2018 to become CFO)</td>
<td>1 July 2015 (re-appointed for an additional 3 years as of 1 July 2018)</td>
<td>3</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Nick Page</td>
<td>1 July 2017</td>
<td>6</td>
<td>8</td>
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<td></td>
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</tr>
<tr>
<td>Philip Secrett (stood down 30 June 2019)</td>
<td>1 July 2016</td>
<td>6</td>
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</table>

### Independent non-executives

<table>
<thead>
<tr>
<th>Name</th>
<th>Appointed</th>
<th>SLT</th>
<th>POB</th>
<th>RAC</th>
<th>RemCo</th>
<th>PIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deena Mattar</td>
<td>19 February 2016 (re-appointed for a period of 3 years to Feb 2022)</td>
<td>6</td>
<td>8</td>
<td>3</td>
<td></td>
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</tr>
<tr>
<td>Imogen Joss</td>
<td>1 July 2017</td>
<td>5</td>
<td></td>
<td>6</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Ed Warner</td>
<td>15 September 2010 (re-appointed for an additional 3 years to March 2021)</td>
<td>5</td>
<td></td>
<td>1</td>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>

### Management

<table>
<thead>
<tr>
<th>Name</th>
<th>SLT</th>
<th>POB</th>
<th>RAC</th>
<th>RemCo</th>
<th>PIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jon Roberts, Head of Assurance</td>
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<td>1</td>
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<td>2p</td>
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</tr>
<tr>
<td>Adrian Richards, Ethics Partner</td>
<td></td>
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<td>3</td>
<td></td>
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<tr>
<td>Nigel Morrison (CFO)</td>
<td></td>
<td></td>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Owen Brookman (Head of Legal)</td>
<td></td>
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<td>2</td>
<td></td>
</tr>
</tbody>
</table>

Coloured to represent attendance by invitation

**Key:**
- SLT – Strategic Leadership Team
- POB – Partnership Oversight Board
- RAC – Risk and Audit Committee
- RemCo – Remuneration Committee
- PIC – Public Interest Committee
Grant Thornton UK LLP is the UK member firm of Grant Thornton International Limited (GTIL). GTIL is a private company limited by guarantee, incorporated in England and Wales. It is a non-practising international umbrella entity that does not provide services to clients. Grant Thornton member firms around the world deliver services to clients.

As of 30 September 2018 GTIL had more than 135 member firms with combined global revenues of USD $5.45 billion, a 9.4% increase from 2017. Each member firm is a separate legal entity. Membership of the global network does not make any firm responsible for the services or activities of other member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another’s acts and omissions. Member firms carry the Grant Thornton name, either exclusively or as part of their national practice names.

The total turnover from audit firms that are members of the GTIL networks in European Union (EU) or European Economic Area (EEA) member states from the statutory audit of annual and consolidated financial statements, calculated to the best extent possible, is approximately USD $598 million. This represents the turnover in the GTIL financial statements from each entity as at the GTIL financial year end, 30 September 2018.

A full list of Grant Thornton member audit firms in (EU)/(EEA) member states, and the countries in which they are registered or have their principal places of business, is listed on page 61 (per this document).

Governance

Global Board of Governors
The Board of Governors (the Board) is the principal and overriding authority in GTIL. The Board exercises governance over GTIL and comprises the chair of the Board, the chief executive officer (CEO) of GTIL, managing partners from the largest Grant Thornton member firms, and managing partners elected or appointed from other Grant Thornton member firms that are not among the largest and independent directors. The Board aims for a reasonable balance of diversity and representation from different geographical areas, including emerging markets. The Board’s responsibilities include:

• approving global strategic direction and policies
• overseeing the implementation of the global strategy
• overseeing membership matters (including approving new member firms, suspending the rights of a member firm or expelling a member firm)
• appointing and setting the remuneration of the chair of the Board
• appointing, evaluating performance and setting the remuneration of the CEO
• approving the GTIL budget and member firm fees
• overseeing the financial health of GTIL
• overseeing global enterprise risk management
• overseeing general governance matters, such as the composition and performance of the Board.

Chair of the Board
The Chair is a proactive role with a focus on ensuring that the Board functions as a coordinated group in support of the CEO to deliver on the global strategy. Scott Barnes was appointed Chair as of 1 January 2015 for a term of three years. In December 2017, the Board reappointed Scott for an additional
term of two years. The role of the Chair is pivotal to creating the conditions necessary for a highly effective Board focused on the Grant Thornton network’s global strategic development.

**Independent Board members**

Independent Board members bring a valuable external business perspective to the deliberations of the Board, add to the network’s profile and increase Board transparency. Independent Board members support the network’s recognition of its public interest responsibilities and its attitude towards quality, risk management and governance, as well as the network’s effectiveness in executing its strategic goals and market positioning. GTIL has processes in place to ensure that the appointment of independent Board members and their ongoing services are compliant with relevant independence rules.

**Standing committees**

There are seven standing committees with authority and powers for certain matters as delegated to them by the Board.

- Governance committee (GC) ensures efficient and effective operation and oversight of GTIL’s leadership structures and performance.
- Strategy committee (SC) advises on the development, alignment and execution of the global strategy. Budget and audit committee (BAC) oversees the GTIL budget and audit processes to ensure the successful execution of the global strategy and adherence to the fiduciary responsibilities of GTIL.
- Member firm matters committee (MFMC) considers and determines resolution of recommendations made by the global leadership team (GLT) relating to member firm matters. Considerations include member firm terminations, complaint handling and proposed changes to the rules and agreements that materially affect member firms.
- Enterprise risk management committee (ERMC) has oversight responsibility for ensuring an appropriate enterprise risk management framework is maintained for GTIL and its member firms.
- Technology and innovation committee (TIC) governs and oversees Grant Thornton’s global technology and innovation strategy and ensures that global technology and innovation projects are aligned with Grant Thornton’s commercial objectives.
- CEO compensation committee (CEOC) executes the Board’s responsibilities relating to the annual performance evaluation and related compensation of the CEO, the adoption of policies that govern the CEO’s compensation and performance, and the oversight of plans for CEO development. The use of standing committees allows a more efficient and effective discharge of the Board’s responsibilities and involves others in the activities of the Board. Each standing committee is chaired by a Board member and its membership includes, but is not limited to, Board members.

**Chief executive officer (CEO)**

The CEO is appointed by the Board for an initial term of up to five years, renewable once for a further period of up to three years. In 2017, the Board appointed Peter Bodin, formerly the CEO of the Swedish member firm, to be the GTIL CEO for a term of five years, as of 1 January 2018. The CEO is responsible for the leadership of GTIL. The role of the CEO includes the development and recommendation of global strategic priorities for ratification by the Board, together with overseeing execution of these priorities. The CEO has responsibility for appointing the global leadership team (GLT), subject to the concurrence of the Board. The GLT assists the CEO in the execution of the global strategy. The CEO works closely with the GLT in maintaining global policies and procedures, including those governing international work for the assurance, tax and advisory service lines.

**Global leadership team (GLT)**

The GLT develops and drives the execution of the global strategy and is chaired by the CEO. It is a full-time management group dedicated to leading the network in the successful execution of the strategy. Between them, GLT members have global development, service lines, functional and regional responsibilities. The diagram below depicts these responsibilities as at 1 January 2019.

A critical role of the GLT is to work with member firms in driving the execution of the global strategy. Our ambition is to help build strategic sustainable growth for Grant Thornton member firms and their clients globally, with a focus on quality. More information can be found at www.grantthornton.global.

### The Board of Governors as of 1 January 2019

- Scott Barnes, Chair
- Peter Bodin, CEO
- Vishesh Chandiok, India
- David Dunckley, United Kingdom
- Maria Victoria C. Españo, Philippines
- Hisham Farouk, United Arab Emirates
- Gagik Gyulbudaghyan, Armenia
- Xu Hua, China
- Emilio Imbriglio, Canada (observer)
- Anna Johnson, Sweden
- Vassilis Kazas, Greece
- Daniel Kurkdjian, France
- Kevin Ladner, Canada
- Mike McGuire, United States
- Joachim Riese, Germany
- Victor Sekese, South Africa
- Judith Sprieser, independent member
- Shigeyoshi Yamada, Japan

The Board of Governors as of 1 January 2019 includes, but is not limited to, Board members.

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For more details on the GTIL network refer to the GTIL transparency report.

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**Grant Thornton member audit firms**

**European Union (EU)/European Economic Area (EEA) member states**

<table>
<thead>
<tr>
<th>Country</th>
<th>Member firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Grant Thornton Uniteru GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft</td>
</tr>
<tr>
<td>Belgium</td>
<td>Grant Thornton Bedrijfsrevisoren CVBA</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Grant Thornton OOD</td>
</tr>
<tr>
<td>Croatia</td>
<td>Grant Thornton revizija d.o.o.</td>
</tr>
<tr>
<td>Cyprus</td>
<td>Grant Thornton (Cyprus) Ltd</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Grant Thornton Audit s.r.o.</td>
</tr>
<tr>
<td>Denmark</td>
<td>Grant Thornton Statsautorisert Revisionspartnerselskab</td>
</tr>
<tr>
<td>Estonia</td>
<td>Grant Thornton Baltic OÜ</td>
</tr>
<tr>
<td>Finland</td>
<td>Revico Grant Thornton Oy</td>
</tr>
<tr>
<td></td>
<td>Idman Vilén Grant Thornton Oy</td>
</tr>
<tr>
<td></td>
<td>Advico Finland Oy</td>
</tr>
<tr>
<td>Country</td>
<td>Member firm</td>
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<tr>
<td>---------------------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Country</td>
<td>Member firm</td>
</tr>
<tr>
<td>France</td>
<td>Grant Thornton</td>
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<tr>
<td></td>
<td>AEG Finances</td>
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<td></td>
<td>IGEC</td>
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<td></td>
<td>Tuilliet Audit</td>
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<tr>
<td></td>
<td>Cabinet Didier Kling &amp; Associes</td>
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<tr>
<td></td>
<td>Carib Audit &amp; Conseil</td>
</tr>
<tr>
<td>Germany</td>
<td>Warth &amp; Klein Grant Thornton AG</td>
</tr>
<tr>
<td></td>
<td>ATS Allgemeine Treuhand GmbH</td>
</tr>
<tr>
<td></td>
<td>Warth &amp; Klein Grant Thornton GmbH &amp; Co. KG</td>
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<tr>
<td></td>
<td>Sozietät Prof. Dr. Dr. h. c. W. Klein u. a., Düsseldorf</td>
</tr>
<tr>
<td></td>
<td>WPG Wohnungswirtschaftliche Prüfungs- und Treuhand GmbH</td>
</tr>
<tr>
<td></td>
<td>Warth &amp; Klein Grant Thornton Revisionsunion GmbH</td>
</tr>
<tr>
<td>Greece</td>
<td>Grant Thornton SA</td>
</tr>
<tr>
<td>Hungary</td>
<td>IB Grant Thornton Audit Kft.</td>
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<tr>
<td>Iceland</td>
<td>Grant Thornton endurskoðun ehf</td>
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<tr>
<td>Ireland</td>
<td>Grant Thornton</td>
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<tr>
<td></td>
<td>Grant Thornton [NI] LLP</td>
</tr>
<tr>
<td>Italy</td>
<td>Ria Grant Thornton Sp.A.</td>
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<tr>
<td>Latvia</td>
<td>Grant Thornton Baltic SIA</td>
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<tr>
<td>Lichtenstein</td>
<td>ReviTrust Grant Thornton AG, Schaan</td>
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<td>Lithuania</td>
<td>Grant Thornton Baltic UAB</td>
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<tr>
<td></td>
<td>Grant Thornton Baltic UAB Kauno filialas</td>
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<td></td>
<td>Grant Thornton Baltic UAB Klaipédos filialas</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Compliance &amp; Control S.A.</td>
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<tr>
<td>Malta</td>
<td>Grant Thornton Malta</td>
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<tr>
<td>Netherlands</td>
<td>Grant Thornton Accountants en Adviseurs BV</td>
</tr>
<tr>
<td>Norway</td>
<td>Grant Thornton Revisjon AS</td>
</tr>
<tr>
<td></td>
<td>Grant Thornton Økonomiservi ce AS</td>
</tr>
<tr>
<td>Poland</td>
<td>Grant Thornton Frąckowiak Sp. z o.o. sp.k.</td>
</tr>
<tr>
<td></td>
<td>Grant Thornton Polska Sp. z o.o. Sp.k</td>
</tr>
<tr>
<td>Portugal</td>
<td>Grant Thornton Audit SRL</td>
</tr>
<tr>
<td>Romania</td>
<td>Grant Thornton Audit SRL</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>Grant Thornton Audit, s.r.o.</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Grant Thornton Audit d.o.o.</td>
</tr>
<tr>
<td>Spain</td>
<td>Grant Thornton, S.L.P.</td>
</tr>
<tr>
<td></td>
<td>Grant Thornton Andalucia, S.L.P.</td>
</tr>
<tr>
<td></td>
<td>Cruces Y Asociados Auditores, S.L.P.</td>
</tr>
<tr>
<td>Sweden</td>
<td>Grant Thornton Sweden AB</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Grant Thornton UK LLP</td>
</tr>
</tbody>
</table>
H Financial information

Relative importance of statutory audit work

An analysis of the firm’s turnover for the years ended 30 June 2019 and 2018 showing the relative importance of statutory audit work and the levels of non-audit services provided to audit and non-audit clients is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 (unaudited)</th>
<th></th>
<th>2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£ million</td>
<td>%</td>
<td>£ million</td>
<td>%</td>
</tr>
<tr>
<td>Statutory audit and related fees</td>
<td>131.7</td>
<td>26</td>
<td>132.4</td>
<td>27</td>
</tr>
<tr>
<td>- Public interest entities</td>
<td>7.3</td>
<td>1</td>
<td>9.8</td>
<td>2</td>
</tr>
<tr>
<td>- Other entities</td>
<td>124.4</td>
<td>25</td>
<td>122.6</td>
<td>25</td>
</tr>
<tr>
<td>Non-audit work to audit clients</td>
<td>59.9</td>
<td>12</td>
<td>53.0</td>
<td>11</td>
</tr>
<tr>
<td>Sub-total audit clients</td>
<td>191.6</td>
<td>38</td>
<td>185.4</td>
<td>38</td>
</tr>
<tr>
<td>Non-audit work to non-audit clients</td>
<td>310.2</td>
<td>62</td>
<td>306.4</td>
<td>62</td>
</tr>
<tr>
<td>Total</td>
<td>501.8</td>
<td>100</td>
<td>490.8</td>
<td>100</td>
</tr>
</tbody>
</table>

Total turnover includes £25.2 million (5%) in relation to local audit work of which £2.0 million relates to non-code work (2018: £26.9 million representing 5% of revenue).

Voluntary Code of Practice on Disclosure of Audit Profitability

The Consultative Committee of Accountancy Bodies issued the Voluntary Code of Practice on Disclosure of Audit Profitability in March 2009. This sets out the recommended disclosures in respect of the profitability of statutory audits and directly related services (the reportable segment).

The turnover and operating profit of the firm’s statutory audit reportable segment calculated in accordance with the Voluntary Code are:

<table>
<thead>
<tr>
<th></th>
<th>2019 £ million (unaudited)</th>
<th>2018 £ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>131.7</td>
<td>132.4</td>
</tr>
<tr>
<td>Operating profit</td>
<td>5.4</td>
<td>13.5</td>
</tr>
</tbody>
</table>

Audit services for this purpose includes any audit required by UK statute and required to be carried out in accordance with the International Standards on Auditing (UK and Ireland) along with other work that “fits naturally” with the auditor’s statutory responsibilities.

Operating profit has been calculated after charging direct costs (eg employment costs) on an actual basis and allocating other overheads (eg property costs, IT costs) pro rata based on headcount or fees/turnover attributable to the reportable segment.

Members’ remuneration has not been charged in arriving at the operating profit, which is consistent with its treatment in our statutory financial statements.
Partner remuneration

In accordance with the firm’s membership agreement and subject to the approval of the POB, the chief executive officer (CEO) determines the total amount of the firm’s annual audited profits to be allocated and distributed to partners (the profit pool).

Profits are primarily distributed in accordance with members’ profit-sharing units, which are allocated depending on role, assessed ability and performance. In addition, a significant percentage of the profit pool is allocated based on a balanced assessment of behavioural and operational metrics. This links performance to the firm’s strategy and achievement of its long-term goals. Partners are assessed individually against contribution to implementing our strategy and with particular reference to ensuring that quality is at the heart of everything we do.

The firm is currently undertaking a review of its partner remuneration structure to ensure a clearer link between partner remuneration and a partner’s contribution to our key goals around Quality, Value and Talent.

Behaviours inconsistent with the firm’s values and the expected standards of behaviour set out in the Code of Conduct result in reduction of profit shares.

The remuneration framework of the CEO is determined by the Remuneration Committee, which is a subcommittee of the POB. The Remuneration Committee is responsible for setting the basis and criteria against which the CEO is measured, including the setting of targets and assessment of actual achievements. It also approves the CEO’s allocation of profit-sharing units to other partners on the SLT.

Remuneration of audit personnel
Audit partners and directors are quality graded by reference to the complexity, risk and quality of the work for which they are responsible, and taking into account a number of other criteria including the results of the monitoring reviews of the National Assurance Services team (both quarterly office audit quality measures and the National Audit Review process), the GTIL global audit review team, and by our regulators; attendance at all required audit technical update sessions; and any technical roles that they perform on behalf of the firm. The quality grade that is awarded as a result of these assessments contributes towards the level of remuneration received by each audit partner and director.

Audit partners (and audit personnel) are not remunerated by reference to sales of non-audit services to their audit clients.
J Public interest entities

The list of public interest entity audit clients for which Grant Thornton UK LLP has signed an audit opinion in the year ended 30 June 2019 is given below.

The definition of a public interest entity for this purpose is that given under Directive 2006/43/EC, as amended by Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, being:

a. entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC;

b. credit institutions as defined in point 1 of Article 3(1) of Directive 2013/36/EU of the European Parliament and of the Council, other than those referred to in Article 2 of that Directive

c. insurance undertakings within the meaning of Article 2(1) of Directive 91/674/EEC

d. entities designated by Member States as public interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees.

1 Allianz Technology Trust Plc
2 Aurora Investment Trust Plc
3 Avocet Mining Plc
4 Bank Saderat Plc
5 Birmingham City Council
6 Blackburn with Darwen Borough Council
7 Caffyns Plc
8 Calculus VCT Plc
9 Coventry City Council
10 Downing Strategic Micro-Cap Investment Trust Plc
11 Dudley Metropolitan Borough Council
12 Edge Performance VCT Plc
13 Ediston Property Investment Company Plc
14 Griffin Insurance Association Limited (The)
15 Grifonas Finance No. 1 Plc
16 Hansa Trust Plc
17 Henderson Alternative Strategies Trust Plc
18 Henderson International Income Trust Plc
19 HgCapital Trust Plc
20 Interserve Plc
21 Invesco Perpetual Select Trust Plc
22 Invesco Perpetual UK Smaller Companies Investment Trust Plc
23 JD Wetherspoon Plc
24 JPMorgan Japan Smaller Companies Trust Plc
25 JPMorgan US Smaller Companies Investment Trust Plc
26 Life Settlement Assets Plc
27 Liverpool City Council
28 London Borough of Croydon
29 London Pension Fund Authority
30 Manchester City Council
31 Mears Group Plc
32 Medica Group Plc
33 Melli Bank Plc
34 Menhaden Capital Plc
35 National Exhibition Centre (Developments) Plc
36 Oldham Metropolitan Borough Council
37 Pantheon International Plc
38 Pembroke VCT Plc
39 Quarto Group, Inc (The)
40 Salford City Council
41 Simplyhealth Access
42 Sports Direct International Plc
43 Swan Housing Capital Plc
44 University of Greenwich
45 Value and Income Trust Plc
46 Vardere Plc
47 Warrington Borough Council
48 Witan Investment Trust Plc
49 Woodford Patient Capital Trust Plc
50 Yorkshire Housing Finance Plc
J Major local audits

The list all major local audits in respect of which an audit report has been made by the transparency reporting local auditor in the financial year of the auditor that were conducted in the financial year. The year being to 30 June 2019.

The definition of a major local audit is defined as public sector entities under the Local Audit and Accountability Act 2014 (including Local Government, NHS Foundation Trusts, NHS Trusts and CCGs), Audit Scotland and Welsh Audit Office, including non-statutory audit engagements with entity or consolidated gross revenue or expenditure (from all sources) greater than £500 million or pension schemes with greater than £1,000 million of assets.

Note that some major local audits also meet the definition of Public Interest Entity on account of them maintaining listed debt.

Avon Pension Fund
Barts and The London NHS Trust
Birmingham City Council
Blackburn with Darwen Borough Council
Buckinghamshire County Council
Buckinghamshire Pension Fund
Cheshire East Council
Cheshire Pension Fund
Cheshire West and Chester Council
Chief Constable for Merseyside Police
Chief Constable for West Midlands Police
Commissioner of Police for the Metropolis and Mayor’s Office for Policing and Crime
Cornwall Council
Cornwall Pension Fund
Coventry City Council
Croydon London Borough Council
Croydon Pension Fund
Cumbria County Council
Cumbria Pension Fund
Devon County Council
Devon Pension Fund
Dudley Metropolitan Borough Council
East Lancashire Hospitals NHS Trust
Gloucestershire CC Pension Fund
Gloucestershire County Council

Greater Manchester Combined Authority
Greater Manchester Pension Fund
Greater Manchester Waste Disposal Authority
Greenwich Pension Fund
Hull and East Yorkshire Hospitals NHS Trust
Kent County Council
Kent Pension Fund
Lancashire County Council
Lancashire Pension Fund
Lewisham and Greenwich NHS Trust
Lewisham Pension Fund
Liverpool City Council
London Borough of Lewisham
London Borough of Sutton
London Borough of Westminster
London Borough of Westminster pension fund
London North West Healthcare NHS Trust
London Pensions Fund Authority
Manchester CCG
Manchester City Council
Mayor’s Office for Policing and Crime
Merseyside Pension Fund
NHS Bedfordshire Clinical Commissioning Group
NHS Birmingham and Solihull Clinical Commissioning Group
NHS Bristol, North Somerset and South Gloucestershire CCG
NHS Croydon Clinical Commissioning Group
NHS Cumbria Clinical Commissioning Group
NHS Dorset Clinical Commissioning Group
NHS East Lancashire Clinical Commissioning Group
NHS Gloucestershire Clinical Commissioning Group
NHS Kernow Clinical Commissioning Group
NHS Leicester City Clinical Commissioning Group
NHS Liverpool Clinical Commissioning Group
NHS Nene Clinical Commissioning Group
NHS Northern, Eastern and Western Devon Clinical Commissioning Group
NHS Somerset Clinical Commissioning Group
NHS West Hampshire Clinical Commissioning Group
NHS Wigan Borough Clinical Commissioning Group
NHS Wiltshire Clinical Commissioning Group
NHS Wirral Clinical Commissioning Group
North Bristol NHS Trust
Oldham Metropolitan Borough Council
Pennine Acute NHS Trust
Plymouth Hospitals NHS Trust
Police and Crime Commissioner for Merseyside
Rochdale Metropolitan Borough Council
Royal Borough of Greenwich
Royal Liverpool and Broadgreen University Hospitals NHS Trust
Salford City Council
Sandwell and West Birmingham NHS Trust
Shropshire Council
Shropshire Pension Fund
Somerset County Council
Somerset Pension Fund
South Gloucestershire Council
Southwark Council
Southwark Pension Fund
Stockport Metropolitan Borough Council
Surrey County Council
Surrey Pension Fund
Swindon Borough Council
University Hospital of Leicester NHS Trust
University Hospital of North Midlands NHS Trust
Warwickshire County Council
Warwickshire Pension Fund
West Midlands Pension Fund
West Midlands Police & Crime Commissioner
Wigan Council
Wirral Metropolitan Borough Council
Wolverhampton MBC
Worcestershire County Council
Worcestershire Pension Fund