

Transparency report

Grant Thornton UK LLP year ending 31 December 2020

April 2021



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Chief Executive Officer

As a result of the structural changes and investments we had made in the previous 18 months the firm entered 2020 in a strong position and enters 2021 with confidence. Like every other business in the UK (and beyond), our resilience was put to the test in March 2020 when the first national lockdown occurred. The resilience of our business and the response of our people has allowed us to overcome these challenges together and enter 2021 with confidence.



Dave Dunckley
CEO

As a firm, through our national resilience group, we sought to respond to the multiple challenges including the overnight move to home working, how we could continue to engage with and deliver for our clients and how to support our people. In audit there has been the additional challenge of how to maintain and improve our quality when both we, and our clients, were operating in a different environment from ever before.

At the outset of the lockdown, we set our clear priorities across the firm to protect our people, our clients and our business.

We have maintained this focus throughout the pandemic doing everything we can to create not only a safe environment for our people, but an environment where our people are able to deliver high-quality work and particularly high-quality audit work. The strength, agility and flexibility of our IT infrastructure enabled us to continue to deliver audit quality whilst working remotely and adapting to each of our clients' individual circumstances.

I am proud of the way our firm and our people have responded to the challenges we have faced. This response has helped us to deliver a strong set of results in 2020. Our strength has allowed us to continue to invest across the firm, including in audit quality where we continue to focus on building a sustainable audit practice. Our strong performance also allows us to look forward with confidence.

Notwithstanding this confidence, we know we still have legacy issues to deal with – including the quality of certain of our previous audits. In her comments, Head of Audit, Fiona Baldwin references the Financial Reporting Council's (FRC's) annual report from July 2020. Whilst disappointing, this is not fully reflective of the significant improvements the audit team has made under her leadership and we are confident that our July 2021 report will show demonstrable improvements. We are halfway through our three-year investment programme and are now confident we are seeing improved results of the work around audit quality.

In July, the FRC announced a fine and firm-wide non-financial measures in relation to historic breaches of ethical standards between 2014 and 2017. We acknowledge the issues raised by the FRC about our previous conduct. Our response to the matters identified has been ongoing for some time prior to the announcement and includes the creation of a formal Ethics implementation plan. This includes the creation of the Ethics Board (EB), which I am a part of, which oversees our compliance with Ethical Standards and the progress of the Ethics Implementation Plan (EIP). More details are contained in the section Ethics, Independence and Compliance.

I have met the FRC on several occasions during the year and the meetings are always productive. I continue to believe that the regulator has a significant role to play in sustaining improved audit quality. Our industry needs a strong regulator which is focused on improvement and has a positive impact by creating an environment of open discussion and debate. We welcome the FRC's constructive engagement approach to matters. We continue to believe that where fines, if imposed, are issued they are levied on a proportionate basis.

2020 has been a challenging year for everyone but I am pleased with our response to these challenges and the continued improvements that we have made. Despite the ongoing uncertainty with the COVID-19 pandemic we have entered 2021 with confidence and strength as we are now seeing the benefits from our recent investments to enhance audit quality.



Dave Dunckley
Chief Executive Officer



Head of Audit

2020 has been a challenging year for all of us with COVID-19 presenting an unprecedented situation. We have had to work in different ways as we support our people and clients through what have often been challenging individual circumstances.

As an audit practice, we have continued to focus on our commitment to improving audit quality and operate as a high-quality and sustainable audit firm. Having been in role for 21 months I can see the changes that we have made and continue to make are contributing to this goal.

As I noted in last year's transparency report, we have a clear Audit Strategy to 2022 with a detailed Strategic Implementation Plan (SIP) to support this. This plan has led to a number of significant developments in the business during the year. Many of these are outlined in this report, including details of our response to COVID-19 in respect of our people and audit quality.

Considering the FRC's Audit Quality Inspection annual report on the firm (published in July 2020), we recognised at the start of our audit quality journey in Spring 2019, that the changes we were making would not be evident in this 2020 report, due to the time lag between audits being performed and them being reviewed and reported on by the FRC. Whilst we were disappointed by the results of our reviews, we concurred with the AQR view that the impact of the actions we have taken/continue to take, would not be evident during that cycle of reviews. We are, however, encouraged by the fact that reviews undertaken in 2020 (both internal and external) are clearly demonstrating the progress we are making following the actions we have been taking since Spring 2019.

We continue to audit clients in the FTSE 350 and receive frequent requests to tender. We continue to assess each opportunity and will start to pursue more opportunities in this market when the conditions are right – namely when we are comfortable that our quality in this market is consistently high and the market and regulatory conditions provide an appropriate commercial position. We continue to invest in technology and people to service these more complex clients and to create a sustainable talent model comprising specialist auditors with future fit skills.



Fiona Baldwin
Head of Audit

Client review

During 2020 we have undertaken a full review of our audit portfolio utilising a new risk profiling mechanism. This has led to us both ceasing to work with a number of clients and working with others on different commercial terms. As a firm we have also improved our Bid/No Bid process in respect of tendering for work. During the year we have had many conversations with clients about our expectations in respect of the need for both them and us to continually improve quality and the impact this will have including:

- expectations of the quality of audit evidence provided by clients
- the increased level of challenge we are giving to audit evidence particularly in areas of estimation and judgement
- the realities of the length and cost of audit
- the implications for the audit of receiving insufficient appropriate evidence on a timely basis.

These conversations have generally been received in a positive manner but on some occasions they have resulted in the ending of audit relationships where we cannot reach a mutually acceptable position.

Regulatory developments

Following the various reports into the audit market in recent years the FRC has sought to progress changes which can be achieved without legislation. This includes the principles for operational separation of audit practices which the FRC issued in July 2020 and subsequently updated in February 2021. We have engaged with the FRC on these proposals and have a detailed plan to ensure we meet the principle of operational separation broadly in line with the timetable for the Big 4 firms.

In September Sir Tony Redmond issued his report into the audit structure for Local Authorities. We welcome his recommendations; we are particularly supportive of his recommendation around extending the reporting deadline, fee structures and the formation of a new combined regulator. As one of the leading audit firms in this market we believe these would have a positive contribution to audit quality. We will continue to contribute to the various debates about the future of the audit profession as we seek to improve our audit quality and transparency. With the recent release of the BEIS consultation, we see this as a great opportunity for both the UK audit market and UK audit firms to work together to achieve strong, consistent and sustainable audit quality.

Attractiveness of audit

Whilst we continue to recruit excellent people to join the audit practice it is becoming increasingly difficult to achieve. The attractiveness of the profession has decreased in recent years and it is particularly challenging to retain newly qualified individuals. As part of our response to this we are continuing to strengthen our various training and development programmes including our new digital programme for associates run jointly with BPP and our apprenticeship programmes. I am pleased with the external recognition of this, being ranked 12th in the top 100 apprenticeship employers by the Education & Skills Funding Agency. We continue to be heavily focused on improving social mobility, which has also been recognised with our firm's 2nd place in the Social Mobility Employer Index 2020. Achieving a sustainable and diverse workforce is one of our strategic priorities.

2nd

place in the Social
Mobility Employer Index
2020

12th

in the top 100
apprenticeship
employers by the
Education & Skills
Funding Agency

Supporting audit quality

We have focused effort during 2020 on a number of key projects including: improvements in our audit working papers and guidance, strengthening our Responsible Individual (RI) base and our Quality Support Team (QST) in-flight review support team. We have specifically utilised the skills of our transactions advisory team to assist in the assessment of Going Concern to address COVID-19 challenges on our client's ability to forecast future activity levels. Despite the challenges of COVID-19 we have continued to invest heavily in training with an average for qualified people of 40 hours more training than prior year. We continue to invest in our digital capabilities with a focus on increasing the use of our current and new digital tools across the audit practice. We are also investing heavily during 2021 in a reinvigorated Culture within Audit programme, led by our new Head of Audit Culture, Mark Bishop. Mark will work closely with the firm's Head of People and Culture, Perry Burton, to ensure we focus the activities we undertake to be in line with the audit culture we, and our regulators, are seeking for us as auditors.

As part of our work to strengthen our teams (and identify those who need support) all client facing managers and above have completed a financial reporting assessment. Our RIs have also completed a formal financial reporting assessment and auditing case study. Both were set by an external training provider. During the year we have recruited over 450 people into the audit practice and recruited/promoted 17 new engagement leaders including 11 new RIs.

In the last quarter of 2020, we introduced our new resource deployment system which will help to improve the effectiveness of our people scheduling processes. This process is key to ensure we have the right level and skills mix for our audit teams.

Overall, I am very happy with the significant progress we have made during 2020. We are now halfway through a three-year plan and 2021 will be a year of consolidating and building on our achievements to date. In doing so we will continue to focus on our wider purpose of "Doing what's right, ahead of what's easy".

Independent chair of the Audit Quality Board

I was delighted to become chair of the Audit Quality Board (AQB) during the year. Our purpose is to advise the SLT regarding ways to maintain and improve the firm's levels and consistency of audit quality and to champion the public interest nature of the audit practice, underpinned by the Audit Firm Governance Code (AFGC).

The AQB meets monthly and the reports received, discussions held and dialogue has been positive, constructive and challenging.

As part of my role, I meet regularly with Fiona Baldwin as Head of Audit as well as the firm's Independent Non-Executives (INE) and have been invited to attend the Public Interest Committee (PIC) meetings since my appointment. I have also had detailed discussions of how audit quality impacts on audit partner remuneration for the year to December 2020.

Prior to my appointment, and during the year, I met with the FRC to discuss the audit quality Review Report, issued in July 2020 and during the year the FRC attended an AQB meeting as observer. Improving audit quality is fundamental to the firm and the economy as a whole. I am glad to report that from my perspective the firm (led by the CEO's active involvement) is focused on taking the necessary actions to improve quality in all areas. The actions taken during the year, including enhanced training and the strong focus on a culture of constructive challenge, demonstrate to me the firm's commitment to ensuring quality in all the firm's audit work.

The key foundations have been laid as part of the work undertaken over the last 21 months since Fiona Baldwin was appointed Head of Audit. These are now delivering real change and I believe the continued investment in people and processes, together with the execution of the SIP will further strengthen the firm and its audit quality.



Philip Johnson
Independent chair of the Audit Quality Board

Independent Non-Executive chair Partnership Governance Board (PGB) and the Public Interest Committee (PIC)

This is my sixth and final comment on behalf of the INEs in my role as the independent non-executive chair of the PGB and the PIC. As of 1 April 2021, Imogen Joss will replace me as chair of both these groups.

During the year as INEs we sat on the firm's Partnership Oversight Board (POB), as non-voting members. The POB was renamed the Partnership Governance Board (PGB) on 1 January 2021. We have used the term PGB throughout this report to represent this board. The PGB is the ultimate governance body of the firm and this is the reason we sit on this body. We continue to consider this to be the most appropriate place from which we can influence key decisions, maintain our independence from the firm's leadership and to pursue our responsibilities to all stakeholders in the firm and externally. This includes our obligations under the AFGC, namely to:

- promote audit quality
- help the firm secure its reputation more broadly, including in its non-audit businesses
- reduce the risk of firm failure.

After each PGB meeting, I email the partner group with the headlines of what was discussed. The minutes of the PGB meetings are made available to all partners shortly thereafter. Away from the formal cycle of the PGB and subcommittee meetings, the INEs meet regularly alone to discuss the firm's position and our own regulatory responsibilities.

We have access to all partner communications and are invited to attend partner meetings and visit offices. Due to COVID-19 physical office visits have not been possible during 2020 but we continue to engage with the partner group through other means.



Ed Warner
Independent Non-Executive
chair of the PIC and PGB

How the PGB works

To support the work of the PGB there are several subcommittees which are chaired by the INEs. These committees together with our work on the PGB are key to delivering our remit as INEs as set out in the AFGC and as part of overall good governance practice. Details of the committees can be found in the Leadership and Governance section.

Risk and Audit Committee (RAC)	Remuneration Committee (RemCo)	Public Interest Committee (PIC)	Profit Sharing Sub Committee (PSSC)	Investments Committee
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Promote audit quality

I continue to chair the PIC which is made up of myself and my fellow INEs. We meet three times a year and pay attention particularly to audit quality. For the last two meetings we have been joined by Philip Johnson the independent chair of the firm's AQB to help in our assessment of audit quality. The newly formed Ethics Board (EB), which is chaired by Deena Mattar also reports to the PIC. This brings further focus to quality matters. The Head of Audit, Ethics Partner and the INEs have met with the FRC in various forums over the past year. We have also had direct feedback from the FRC in respect of their ongoing monitoring of the firm's audit quality. We continue to contribute to the FRC's various discussions and believe a well-supported regulator is key to the health and strength of the audit market. We look forward to continuing a positive relationship with the FRC next year.

As INEs our role on the PGB is to help ensure the firm maintains its reputation, that it looks beyond the audit business to help the firm secure its standing more broadly across all the services we provide to our clients and the market as a whole.

The CEO and relevant members of the SLT present to the PGB on key developments within the firm, including operational, legal, financial and structural matters. Over the course of the year, we receive, scrutinise and constructively challenge the leadership's strategic plans and activities, both holistically and at a service line level.

The work of the PGB includes time at most meetings without the SLT being present to allow for an open and thorough debate about all matters relating to the firm including SLT activities, key risks and events.

Reduce the risk of firm failure

The PGB meetings consider a range of matters that could influence the firm's ongoing stability. This includes consideration of financial results and key matters which have, or could have, a significant financial impact on the business or its reputation. The INEs are also involved in consideration of the firm's risks and risk processes as well as the results of internal audits.

We continue to have a strong dialogue with members of the SLT, including a monthly call I have with the CEO.

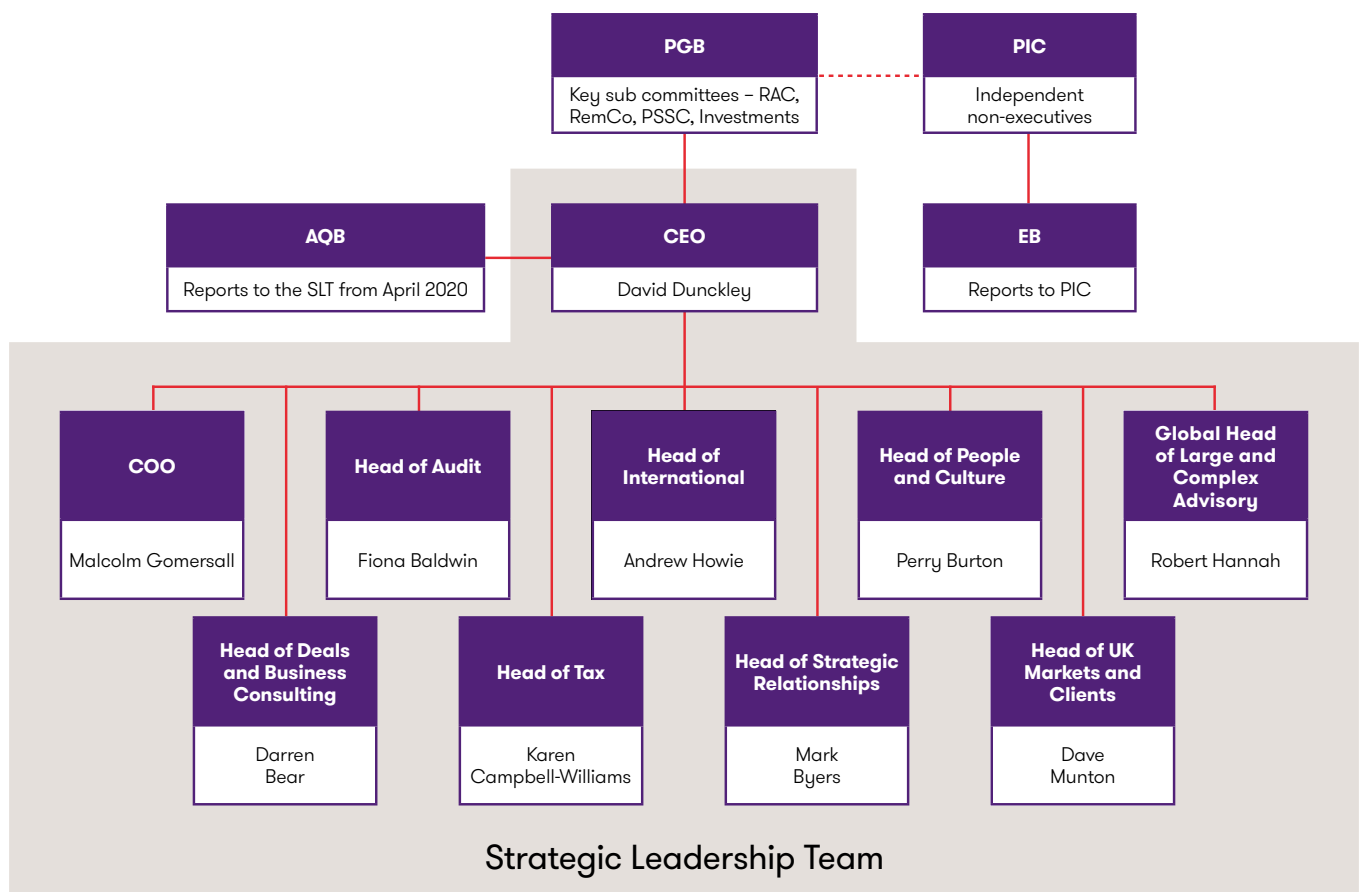
Overall conclusion

In conclusion I can report that the INEs continue to find our meetings and interactions useful in allowing us to discharge our duties. The discussions held are open, timely, frank and allow for rigorous debate and challenge.

I am therefore pleased to confirm that we have confidence in the way the firm is being managed, the focus on audit quality, internal control and the identification and mitigation of risks.

Leadership and governance

The firm has two principal governance group's, the SLT and the PGB; in addition, there are two key groups focusing on quality, the AQB and EB. Each group collaborates to provide the firm with a best practice governance structure. The governance structure including the rights and obligations of partners is set out in the firm's membership agreement, which was updated during 2020. As a firm we are committed to and comply with the provisions of the AFGC.



SLT

The SLT is chaired by David Dunkley, the CEO. He has executive authority for the management of the business subject to be being bound by our Statement of Principles. The statement is developed by the PGB and approved every three years by the partnership with the last approval in December 2019.

The SLT is appointed by the CEO and is responsible for:

- ensuring the firm operates within our Statement of Principles
- protecting the goodwill and reputation of the firm
- developing and implementing our strategy
- ensuring we comply with all relevant regulatory and legal requirements
- ensuring we participate 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
- designing and implementing an operating model to deliver a profitable and sustainable firm.

The CEO is nominated by the PGB for a four-year period and may serve no more than two four-year periods. The appointment is subject to an all-partner vote.

Following a review of how we manage quality and reputation it was decided these areas should be embedded into all of our functions and processes. Therefore, Jonathan Riley stood down from his role as Head of Quality and Risk in June 2020. All the activities he was responsible for have been reallocated and embedded into our underlying processes.

The members of the SLT, their attendance at meetings and length of service are shown in Appendix C – during the year there were three changes to the membership of the SLT:

- Jonathan Riley stood down on 30 June
- Perry Burton and Andrew Howie were appointed on 1 July.

AQB

The AQB was formed in February 2020 to advise the SLT regarding ways to maintain and improve the firm's level and consistency of audit quality in accordance with relevant professional standards and to champion the public interest nature of the audit practice. Further details of the AQB can be found on page 21.

PGB

The PGB is responsible for the protection of the firm and its partners' interests, standards of corporate governance within the firm and the oversight of the SLT. It is chaired by Ed Warner, one of our INEs.

Its principal duties¹ are:

- development of our Statement of Principles
- appointment (and, if required, the removal) of the CEO
- 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
- recognising that we have a public interest role that extends beyond any potential short-term interests of the partners.

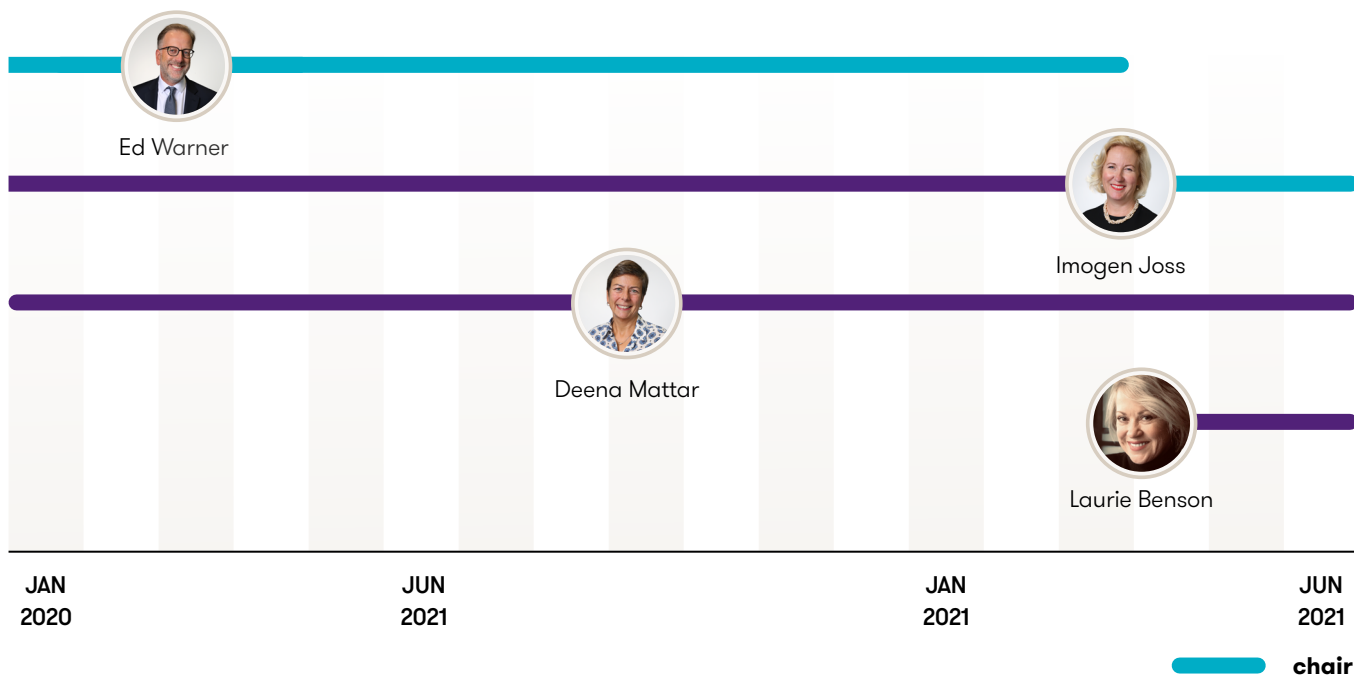
The membership consists of:

- partners elected by the wider partnership; these members are elected for a three-year period and may serve no more than two consecutive terms
- the three INEs
- the CEO as an ex officio member and up to two further ex officio members appointed by the CEO.

EB

The EB was formed in July 2020 and is chaired by Deena Mattar, one of our INEs. In addition to Deena the membership of the EB consists of four partners (covering different service lines as well as PGB membership), a member of the legal department, the CEO in an ex officio capacity with the Head of Audit and Ethics Partner attending as observers.

¹ Further details can be found on our website <https://www.granthornton.co.uk/en/about-us/leadership-and-governance/>



INEDs

We have three INEDs who bring a wide range of experience and skills covering a range of sectors and legal structures. They also bring significant knowledge as INEDs with other organisations. Our INEDs are independent of the firm – they held voting rights on the PGD but only exercise these when doing so would not compromise their independence. They are invited to key partner meetings and have regular meetings with the CEO and other members of the SLT. They also meet key representatives from the regulators and institutional investment community.

All three INEDs were in post throughout the year. Ed Warner has been an INED of the firm since September 2010 and was appointed as Independent chair of the PGD on 1 April 2016 for a three-year period. In 2018, it was agreed that this term would be extended by two years². His term ended on 31 March 2021 and was replaced by Imogen Joss. Laurie Benson will be joining us in April 2021 to work alongside Deena and Imogen.

INED appointments are for an initial term of three years. They can be re-appointed by the elected members for additional terms and where any INED's term would exceed nine years this would be subject to particularly rigorous review and explanation.

Name	Year joined
Ed Warner	2010
Deena Mattar	2016
Imogen Joss	2017

Our INEDs have 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. Where ultimately this cannot be resolved and the INED resigns, they are required to report this resignation publicly.

If there had been such a disagreement, this fact would be disclosed within this Transparency Report. No such disagreement has occurred to date.

Details of the INEDs independence and pre appointment disclosure are included on page 31.



Laurie Benson (our new INED)

Laurie is an experienced Non-Executive Director and Global Business Leader with P&L experience in the US and EMEA and was recently listed on the 100 Women to Watch report as part of The Hampton-Alexander report on FTSE Boards. She previously had a successful career as a media executive, including roles at Time Magazine and Bloomberg. She now applies her extensive operational experience and expertise in changing consumer behaviour, digital media and technology as a Non-Executive Director with a portfolio of roles including a UK regulator and a national charity.

² Given that this resulted in the total term lasting longer than nine years, the extension was subject to rigorous review by the PGD and, in accordance with AFGC provision C.3.2, they concluded that his continuation in the role for this period was in the best interests of the PGD and the firm, and that he remained and remains independent

PIC

The PIC is made up of the INEs and is responsible for overseeing the public interest aspects of the decision-making of the firm including the management of reputational risks. In addition:

- it 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 Public Interest Entities (PIEs), as defined by the FRC, audited by the firm
- it receives reports as to whether any matters have been referred to the whistleblowing phone-line.

The group meets at least three times a year. After the formation of the AQB the chair of that board has started to attend the PIC to provide an update on its activities. The EB reports to the PIC; details of the EB can be found on page 25.

PGB subcommittees

There are several subcommittees of the PGB, the main three ones are:

Committee	Chair
RAC	Deena Mattar
RemCo	Imogen Joss
PSSC	Ed Warner

RAC

The principal role of 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. 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
- reviewing the adequacy of the firm's whistleblowing processes (in 2021 the role transfers to the PIC)
- monitoring the firm's relationship with its external auditors and regulators.

The RAC consists of members of the PGB, the CEO (or nominee) and Deena Mattar as the INE and chair. The RAC meets at least four times a year and the chair reports at each PGB meeting on the RAC's activities. These activities include:

- reviewing updates from the firm's internal audit team
- providing input to the firm's enterprise risk management processes. This includes the annual review of systemic risks and their mitigation plans
- receiving reports to support their review of the effectiveness of internal controls.

The RAC continues to focus on its roles in respect of both internal and external audit and updates from key areas of the business. During the year the committee has also spent time focusing on the firm's revised risk framework and new Quality Management Approach (QMA).

A key responsibility of the chair is to review current activities of the Committee to ensure they fully meet and reflect the objectives and requirements of the revised AFGC with specific reference to the public interest, risk and audit quality. Members of the firm's leadership bodies are invited to report on relevant matters. This has included the CEO, Chief Operating Officer (COO), Head of Audit, Head of Markets and Clients, Ethics Partner and Head of Internal Audit. The firm's external auditors also attend meetings where audit and financial reporting issues are considered.

RemCo

The Remuneration Committee is responsible for setting the remuneration framework and performance targets of the CEO as well as assessing the achievement of these targets. It also provides oversight to the CEO's recommendation of remuneration to members of 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. The committee meets at least three times a year and consists of two INEs and at least three elected members of the PGB.

Further information on the remuneration of audit partners and directors is included in Appendix F.

PSSC

This subcommittee comprises the three INEs and two elected partners. It meets at least twice a year to oversee the basis for the distribution of profits to our partners. As part of this role the committee scrutinise the various determinants that are used to determine profit shares. These include quality gradings as we believe it is imperative to the firm's activities that partners are assessed on their quality whether in audit or non-audit roles and that each partners' profit share appropriately reflects their contribution to delivering and supporting quality.

After the completion of the 2020 profit allocation process the PSSC will be disbanded. The work currently undertaken by this subcommittee will move to the RemCo.

Membership of bodies, biographies, meeting attendance and length of service

Details of the number of meetings, members attendance and length of services for all governance groups can be found in Appendix C.

Details and biographies of the members of our governance groups, can be found in Appendix D.

Complaints and claims

If a client is not satisfied with any aspect of our work, they can discuss this with the engagement leader, head of the relevant line of service, Head of UK Markets and Clients or our legal department. We take all complaints and allegations seriously. We have internal processes to address both informal and formal matters and complaints. Our confidential whistleblowing phone-line is available to all, including employees, clients and members of the public.

Our internal legal team have access to the RAC and CEO whenever required and report matters regularly to the SLT in respect of ongoing and potential complaints, claims and regulatory action.

Investor and external dialogue

Representatives of our firm actively engage with regulators, standard setters and investor groups to help shape and influence the drive for better reporting and regulatory change where it is necessary. Our INEs, as well as many of our partners and people, 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 the wider profession, the business community and investor groups.

Our Grant Thornton Governance Institute continues to publish its annual corporate governance review looking at trends in compliance and disclosure of the FTSE 350. The Institute also issues a number of reports and thought leadership in respect of governance themes throughout the year.

Additionally, we participate in a number of events and consultations organised by the FRC, the ICAEW, the Policy and Reputation Group (PRG) the International Forum of Independent Audit Regulators (IFIAR) and the IAASB.

Governance Key Performance Indicators (KPIs)

During the year, a review was undertaken of our governance KPIs taking into consideration a range of external sources as well as our internal expectations. Sources considered include the guidance on governance from the FRC and other bodies, KPIs used by the wider profession and the requirements of the AFGC.

The groups to which the relevant KPIs apply are: SLT, PGB, PIC, RAC, RemCo, AQB and EB.

Area of the AFGC	KPI	Response																										
Leadership	Terms of reference are present for each key governance body. These include details of the scope/matters reserved for the body	Terms of reference are in place and are available on our website under About us/Leadership and governance																										
	Terms of reference are reviewed at least every year	Terms of reference for the existing governance groups were reviewed during the year. The terms of reference for the AQB and EB were created during the year. These were reviewed and approved on formation of the groups																										
	The PGB shall include at least one practicing audit partner	From 1 January to 30 June three practicing audit partners (Norman Armstrong, Simon Bevan, Paul Naylor) were members of the PGB. From 1 July this increased to four with the appointment of Michael Frankish. This reduced to three in October when Simon Bevan relinquished his RI status																										
	The minimum average attendance target for each group is 80% on a rolling 12-month basis	See Appendix C. The rolling 12-month average attendance for all governance groups at 31/12/20 was:																										
		<table> <tr> <th>Group</th><th>Target met</th><th>Rate</th></tr> <tr> <td>SLT</td><td>Yes</td><td>97%</td></tr> <tr> <td>PGB</td><td>Yes</td><td>97%</td></tr> <tr> <td>PIC</td><td>Yes</td><td>100%</td></tr> <tr> <td>AQB</td><td>Yes</td><td>86%</td></tr> <tr> <td>EB</td><td>Yes</td><td>95%</td></tr> <tr> <td>RAC</td><td>Yes</td><td>98%</td></tr> <tr> <td>Remco</td><td>Yes</td><td>89%</td></tr> <tr> <td>PSSC</td><td>Yes</td><td>100%</td></tr> </table>	Group	Target met	Rate	SLT	Yes	97%	PGB	Yes	97%	PIC	Yes	100%	AQB	Yes	86%	EB	Yes	95%	RAC	Yes	98%	Remco	Yes	89%	PSSC	Yes
Group	Target met	Rate																										
SLT	Yes	97%																										
PGB	Yes	97%																										
PIC	Yes	100%																										
AQB	Yes	86%																										
EB	Yes	95%																										
RAC	Yes	98%																										
Remco	Yes	89%																										
PSSC	Yes	100%																										
	Members of the firm's governance groups are subject to formal annual appraisal	All members of the governance groups, including the INEs were subject to a performance appraisal during 2020																										
Values	The governance groups should promote an appropriate professional culture including a culture of quality	Details of the results of our people survey are on page 34																										

Area of the AFGC	KPI	Response																
INEs	There should be at least three INEs who maintain their independence throughout their appointment	There were three INEs during the year who remained independent. The AQB was also chaired by an Independent chair																
	Independent members should chair all key governance groups except the SLT	Our key governance groups are chaired by INEs as detailed below. The SLT as a management group is chaired by the CEO and two sub committees of the PGB (Investments and Nominations) are chaired by partners																
		<table><tr><th>Group</th><th>Chair</th></tr><tr><td>PGB</td><td>Ed Warner</td></tr><tr><td>PIC</td><td>Ed Warner</td></tr><tr><td>RAC</td><td>Deena Mattar</td></tr><tr><td>Remco</td><td>Imogen Joss</td></tr><tr><td>PSSC</td><td>Ed Warner</td></tr><tr><td>AQB</td><td>Philip Johnson</td></tr><tr><td>EB</td><td>Deena Mattar</td></tr></table>	Group	Chair	PGB	Ed Warner	PIC	Ed Warner	RAC	Deena Mattar	Remco	Imogen Joss	PSSC	Ed Warner	AQB	Philip Johnson	EB	Deena Mattar
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AQB	Philip Johnson																	
EB	Deena Mattar																	
Operations	The PGB and PIC receive updates from each of the following during the year: <ul style="list-style-type: none">• Head of Audit• chair of Ethics Board• chair of the RAC	These updates were provided during the year																
	At least annually the SLT and RAC review the effectiveness of the firm's structure of internal control	This was completed as part of the approval process for this transparency report. See page 23																
Reporting	The SLT and RAC review the financial statements and transparency report. The latter review includes an assessment of compliance with the AFGC	This transparency report has been reviewed by the SLT and the RAC on behalf of the PGB																
	The SLT and PIC should receive updates on complaints and whistle-blower matters during the year	These updates were provided during the year																
	A formal external evaluation of the effectiveness of the PGB is undertaken at least every three years	A review and update to the Membership Agreement was undertaken in the year. An informal review of the effectiveness of the PGB was undertaken in 2020 and a formal review of the effectiveness of the PGB will be undertaken during 2021 after Imogen Joss is appointed chair																
Dialogue	The INEs consider the firm's engagement with investors and other stakeholders	INEs are engaged in the firm's activities with investors and other stakeholders																

Risk management, quality and internal control

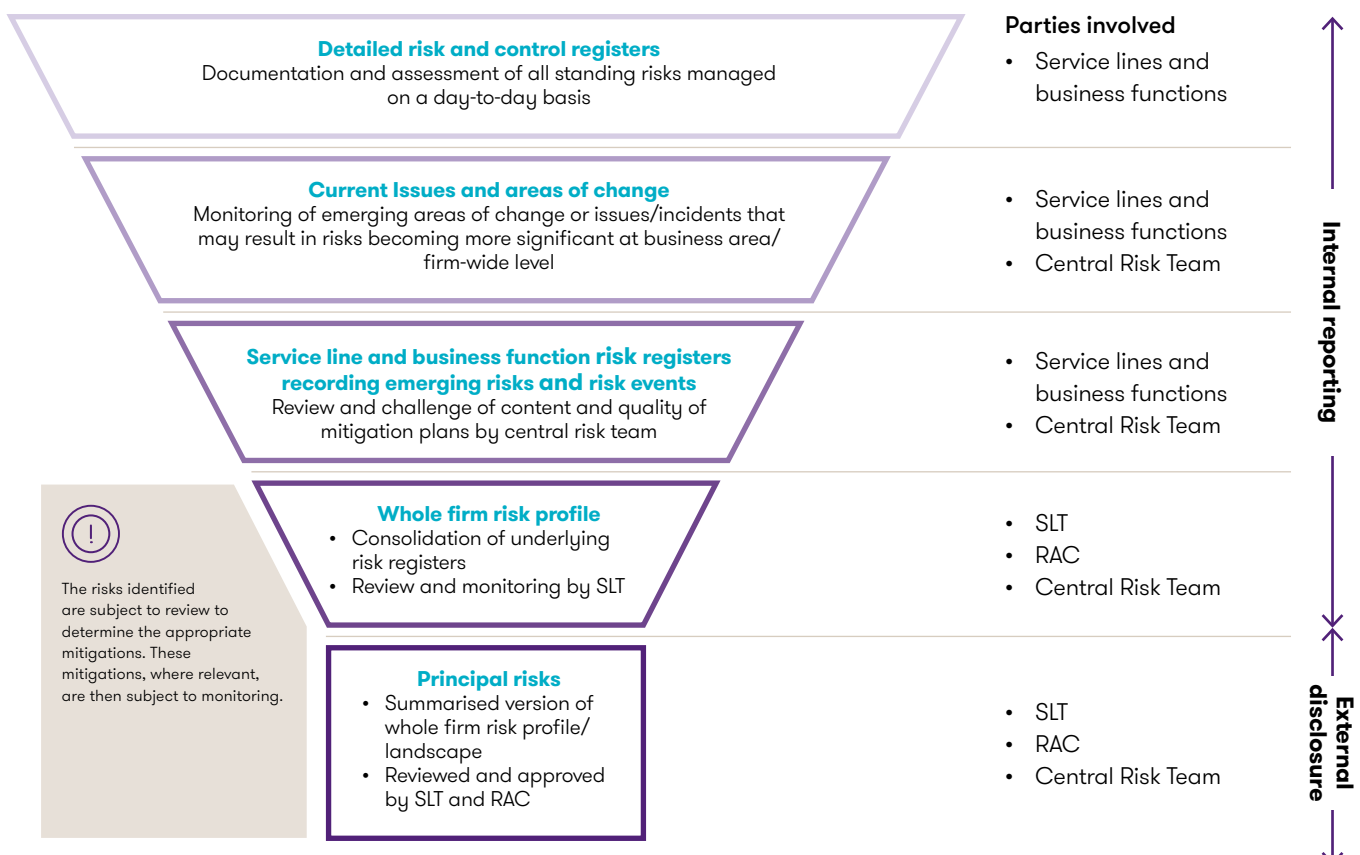
Risk management

During the year we commenced a programme to enhance our risk management approach, which is based around the three levels of defence model for effective risk management and control. Our programme also includes the implementation of an improved and more holistic resilience framework. This programme builds on the lessons learnt from the ongoing COVID-19 pandemic. Our programme is being led by our strengthened Risk and Resilience team and has been developed to be as simple and practical as possible.

Each line of service and business function is responsible for the ongoing identification, remediation and monitoring of their risks. Risks are reported in a consistent manner against set criteria considering the likelihood of occurrence and potential impact on the business. Risks are categorised in accordance with the firm's risk taxonomy which establishes three primary risk levels reflecting the firm's operating model.

Our key risks and mitigations have been reviewed by the SLT as part of the approval of this transparency report.

Our approach to risk management

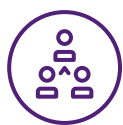


Quality

Quality is key to all that we do; it is impacted by many factors, but it remains the key responsibility for everyone in the firm to deliver quality in everything we do.

Quality standards

Our quality standards provide clarity to everyone in the firm on our shared expectations around quality.



Leadership

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



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



Risk management

We facilitate growth by actively understanding and managing the risks faced



Document management

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



Skill and competence

We develop and nurture people with the skills, capability and experience to drive and deliver excellence



Quality control

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



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



Quality assurance and monitoring

We monitor and evaluate our work against our quality standards, looking for opportunities to improve and enhance our service delivery

Impact of COVID-19 on Quality

COVID-19 has clearly had a significant impact on both the firm and our audit clients. The main impacts we have experienced have been:

- challenges from operating in a virtual environment both for working within audit teams and our interactions with our clients
- client delays in providing audit evidence due in many cases to their own remote working challenges
- difficulties around obtaining the necessary quality of evidence including the need to perform enhanced verification work on electronic communications
- additional accounting and auditing issues relating, but not limited to, impairments and going concern.

As the significance of COVID-19 became clear, particularly in respect of the need to close offices and the national lockdowns, we undertook a number of actions to ensure audit quality was maintained. These included:

- the firm's National Crisis Management team, which included the Audit COO worked closely with the Head of Audit and wider SLT to ensure audit quality was maintained
- a pause on the signing of all audit opinions for a period from late March for a number of weeks. This allowed time for everyone to assess the potential impact of COVID-19
- robust conversations with clients about the quality of evidence required, ability to complete audits, timing of this and the potential impact on audit opinions. This was supported by guidance and training
- provision of guidance and weekly COVID-19 technical calls
- review initially of all audit opinions by our National Assurance Services (NAS) technical team. In July this process moved to a risk focused review process
- use of colleagues from our Transaction Advisory Services team to assist audit teams in challenging client forecasts
- enhanced support on certain engagements from our QST and our in-flight review teams.

As well as introducing the AQB during the year we have also restructured some elements of our quality teams. Our key quality teams are now:

- line of service quality teams – in audit this is the NAS team which has separate sub-teams for financial reporting, auditing and public sector work
- Take-On team including the financial crime and regulatory teams
- the Ethics Function supports the whole firm's compliance with our independence and ethical requirements. During the year we have strengthened the number of people in the function and implemented the Ethics Improvement Plan. Further details can be found in the section "Ethics, Independence and Compliance".

AQB

The AQB was formed in February 2020 and is independently chaired by Philip Johnson. Philip was Head of Quality and Risk Management at a Big 4 firm for several years prior to his retirement.

The purpose of the AQB is to advise the SLT regarding ways to maintain and improve the firm's levels and consistency of audit quality in accordance with relevant professional standards and to champion the public interest nature of the audit practice.



We have issued detailed guidance to support teams through the pandemic including:

- How to challenge the reliability and quality of audit evidence received from the client
- Going concern guidance including new consultation requirements
- Stock takes in lockdown
- Impact on asset valuations
- Support on guidance from the FRC

In addition to Philip Johnson the members of the AQB are David Dunckley as CEO, Fiona Baldwin as Head of Audit, Chris Smith as Head of NAS and Pete Dawson as Audit COO. From July there were also four RIs in attendance, acting as observers, covering the range of the markets we operate in. Details of attendance can be found in Appendix C and biographies in Appendix D. The AQB meets monthly and oversees all matters of audit quality and any matters or policies that may affect audit quality. The board meets monthly and whilst the AQB only provides recommendations to the SLT there is a formal mechanism in place in the event of a dispute.

Quality processes and improvements in the year

Within Audit, we have a number of quality processes supported by NAS. NAS is the centre of excellence for the firm's specialists in audit and accounting. NAS provides support to the audit practice through the provision of training and guidance, a suite of working paper templates and audit software. We continue to strive for a culture of openness and encourage all members of the practice to consult with colleagues, NAS and other teams. The sharing of knowledge and experience is key to the delivery of audit quality and is supported by specific consultation requirements for auditors to consult with NAS on key judgemental and complex issues. Our policies, processes and guidance support teams to ensure our audits, including group audits, comply with relevant requirements.

The NAS Audit Professional Standards team works with the practice through the provision of "in-flight support" (IFS). IFS is provided whilst audits are ongoing, assisting teams with the application of the firm's methodology and tools at all stages of the audit and offers engagement teams working on the more complex and challenging audits direct access to the firm's technical experts to help them deliver high quality audits.

We have continued to develop our audit processes, during the year, including:

- investment in our QST and NAS teams with the appointment of a new lead partner and four senior team members in QST and three in NAS
- investment in the firm's IT audit specialist team, including two director-level appointments
- developments of the firm's data analytics tools, including further investment in the team and software tools available to auditors
- enhanced risk profiling of all audit clients enabling us to focus support and resources more appropriately
- use of our transaction advisory and valuation specialists to support auditors in their assessment of going concern, particularly as a result of COVID-19
- a period of mandatory consultation with NAS before audit opinions were signed in the first six months of the pandemic, and then establishing a risk-based approach to continuing NAS consultation requirements
- revised approach to the audit of tax
- issued a suite of new working papers templates with an ongoing review of existing documents
- introduction of key audit quality indicators
- extension of the IFS programmes and the involvement of the enlarged QST
- developments in training, progression and quality assessment processes, including a programme of evaluations and assessment undertaken by all RIs. This is being rolled out to the manager group.

Quality Monitoring Approach

We have commenced the implementation of the QMA. This is our revised approach to quality management that helps to meet the requirements of various pieces of legislation including the forthcoming International Standard on Quality Management (UK) 1 (ISQM 1). The QMA is designed around a series of components that cover all the areas of the business that we believe impact quality. For each component, the QMA identifies quality objectives and related risks. Our policies, processes and controls are designed to mitigate these risks. The QMA contains a number of other specific requirements including those set out in regulations.

The implementation is being led by a steering committee chaired by Fiona Baldwin as Head of Audit. As part of the process all governance groups have been briefed and members of the SLT are formally approving the quality risks and mitigations generally (policies, processes and controls) in their respective areas.

The QMA also includes a review process, the Quality Management Evaluation (QME). Going forward, this review process will form the firm's approach to meeting the internal control review requirements of ISQC 1, ISQM 1, ICAEW audit regulations and the AFGC.

Internal control

The CEO and SLT have ultimate responsibility for our quality management system and to establish an appropriate structure of internal control to manage our risks.

As part of our annual procedures and in compliance with the AFGC, we have performed a review of the effectiveness of the system of internal control, including consideration of the process undertaken to update the Risk Register for principal risks, controls and monitoring mechanisms.

In summary, this involved:

- validating the firm's principal risks and summarised version of the whole firm risk landscape
- reviewing the management and monitoring of risks
- reviewing the work of Internal Audit
- reviewing the reports and findings from regulatory reviews
- reviewing the reports of the external auditors
- reviewing the consolidated risk register which is based on the risk registers for the underlying businesses.

Separately during the year, we have also completed reviews of our internal quality control systems as required by the ISQC 1 and ICAEW audit regulations. We continue to focus on improving our internal controls particularly through the implementation of the QMA which focuses on our quality processes.

Where findings or weaknesses have been identified but not remediated, plans have been developed and have been or will be implemented. On this basis, the SLT is satisfied that the firm's internal controls and quality control systems are robust and operating effectively.

Ethics, independence and compliance

I was delighted to be appointed as the firm's Ethics Partner with effect from 1 July 2020 at a critical time for ethics and independence in our firm. Ethics and independence are at the heart of our business.

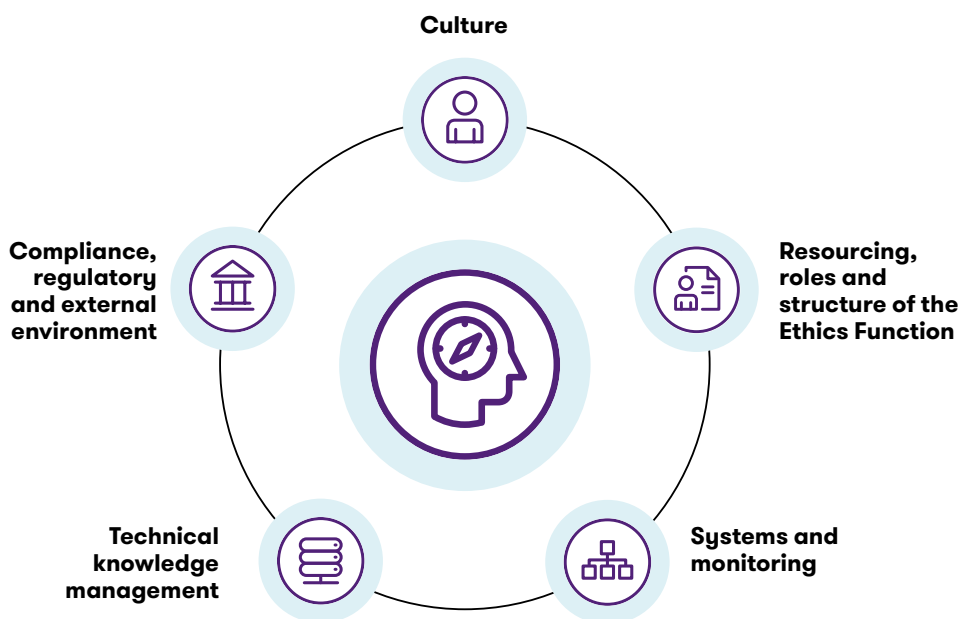
We require all our partners and people to:

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

These are not new requirements and we continue to take steps to make compliance with the Ethical Standard second nature for everybody in our firm. During the year, as part of our commitment to ethics and independence as a key cornerstone of our activities, we developed the EIP which is structured around five key areas.



Andy Wood
Ethics Partner



On 8 July 2020 the FRC announced a fine and non-financial measures in respect of failures to ensure compliance with ethical standards and requirements between 2014 and 2017. We are focused on delivering the changes needed to have a world class approach to ethical and independence matters. The creation of the EB and the EIP are key to delivering this.

EB

The creation of the EB is a critical element of our EIP. The Board reports to the PIC and is chaired by Deena Mattar one of our INEs. A formal Terms of Reference was agreed for the EB which meets monthly. There is a standing agenda for each meeting and regular communications amongst the members of the EB.

“As the chair of the EB, I am pleased with the progress that has been made in respect of the EIP. The role of the Board is to aid, through oversight, challenge and support, the SLT and the Ethics Partner in meeting their responsibilities under the UK Ethical Standard in place from time to time as well as delivery of the Ethics Implementation Plan.

Having been an independent non-executive on a variety of boards over the last ten years, as well as being a member of Grant Thornton’s PGB, I am able to bring that experience to the Ethics Board and to help to keep the Board accountable for progress.

We meet to provide advice and guidance to the Ethics Partner and the Ethics Function. The Board reports directly to the PIC with day-to-day contact with the Head of Audit.”



Deena Mattar
chair of the Ethics Board

Key 2020 actions



Culture

- Establishment of EB
- Introduction of firm-wide common purpose and accompanying messaging on quality from senior leaders
- Introduction of quality gradings linking compliance with performance ratings
- Increased engagement between Ethics Function and firm personnel via interactive sessions
- Root Cause Analysis (RCA) completed with outcomes feeding into EIP
- Communications plan created to foster consistent messaging
- Inclusion of ethics content as part of career progression (in promotion and new hire interviews)



Resourcing, roles and structure of Ethics Function

- Appointment of Andy Wood as new Ethics Partner, following the retirement of Adrian Richards
- Introduction of enhanced job descriptions and goal setting for members of Ethics Function
- Engagement with People and Culture function and the Business School
- Review and restructure of Ethics Function underway
- Increase in head count to help meet needs of the business – more than ten new starters, half of which are at manager level and above



Systems and process development

- Engagement with firm's IT teams to align goals and development timelines
- Establishment of IT development governance practices and reporting channels
- Significant overhaul of our non audit/additional services and fee consultation process
- Commencement of process reviews
- Review of existing monitoring reports and management information
- Updates to Support Desk system to incorporate user feedback and to facilitate triage of queries (currently in testing phase)



Technical knowledge management

- Since July 2020 more than 2,000 people attended our Lessons Learned workshops, representing all partners and people above manager level
- Ethics have input into technical learning that has been delivered across the firm, ensuring that appropriate prominence is given to ethical and independence aspects of all material
- Strengthened our collaborative working relationships across the firm, particularly with the Business School
- Developed a comprehensive workstream plan that has resulted in the delivery of co-ordinated training to our people across the firm
- Created and delivered learning material on a firm-wide basis and provided input on modules across audit, tax and advisory. This includes both new joiner material as well as learnings for those in roles



Compliance/regulatory/external environment

- Personal independence – over 600 people have had the GIS account subject to some form of audit/confirmation
- Over 3,500 consultations with the practice covering a range of matters including non-audit services, fee consultations, personal independence and rotation matters

Code of conduct

Our code of conduct sets out the expectations of all individuals in the firm and supports our wider purpose of “Doing what’s right, ahead of what’s easy”. The code is based on our CLEAR principles and structured into six areas:

- 1 a purpose-driven firm
- 2 behaving with integrity
- 3 working with clients and others
- 4 working together
- 5 protecting our business
- 6 getting support.

Our code of conduct provides clarity on what’s expected of everyone in Grant Thornton and as a firm. While it cannot govern every possible situation – it’s a key part of our wider stewardship, governance and risk management culture. The code is available on our [website](#) at [about us/code of conduct](#).

Ethics Function and support

To ensure that the Ethics Function is adequately resourced and capable of delivering a class-leading service we have continued in the year to expand the Ethics Function’s resources. We have added a further 35% capacity into the team during 2020, adding to the overall headcount of the team (FTE) that has increased significantly over the last few years.

2019

12.5



2020

17



The function supports the firm in the application of both external and internal guidance as well as providing consultation support and where relevant approval across the range of ethics and independence matters.

A number of other ethics/compliance teams, including financial crime, regulation and Take-On, work with the Ethics function and across the firm in respect to ensuring our policies, processes, monitoring and reporting processes are appropriate. These cover such areas as anti-money laundering, anti-bribery, client acceptance and continuance, complaints, data protection, training, documentation of our independence and regulatory compliance.

Policies, guidance and learning

We expect our partners and people to uphold the highest level of ethics and independence by “doing what is right”. We use our intranet to provide details of our policies, procedures and guidance as well as how to consult in relation to questions. This information covers all aspects of relevant regulatory requirements including those issued by the FRC, ICAEW, IESBA, SEC, CIOT, IPA, FCA and general legislation.

All partners and people are required to confirm their understanding and compliance with relevant ethical requirements and key policies on an annual basis. Regular training is given to refresh people of key topics and requirements for example, personal independence, provision of services to audit clients, anti-money laundering and information protection.

Joining Grant Thornton

Upon joining the firm, all partners and people receive:

- access to the Code of Conduct
- detailed independence training, including expected behaviours and access to our policies and processes
- training in respect of anti-money laundering and anti-bribery
- data protection and Information security training, including GDPR.

Managers and above are required to complete details of their investments in the Global Independence System (GIS) prior to joining.

During 2021, we will be undertaking additional training, which will be mandatory for managers and above, across the key areas of independence including three mandatory modules on ethical principles, corporate independence and personal independence. Managers and above will be required to sit a practical assessment.

Client and engagement Take-On

Our Beyond Compliance process provides a framework to consider the identity and characteristics of the clients we act for and the services that we provide to ensure that we can be confident that they support our reputation. Our assessment of clients prior to Take-On goes Beyond Compliance. Initial questions are used to focus on the characteristics, behaviours and values of potential and existing clients and how they relate to the values we hold as a firm. It also considers the services we propose to provide to clients to ensure that they are appropriate, the risks can be managed and we have the skills to deliver them.

Where the responses are not straightforward and further consideration is necessary, the process is reinforced by use of a Central Take-On Panel (CTOP). This is comprised of senior members of the firm, to assess such opportunities taking account of the responses to these questions. The Beyond Compliance and CTOP processes were automated at the beginning of 2021 to enhance the robustness and effectiveness of this element of client Take-On.

As part of our Take-On procedures we consider various matters including client identification, legal structures, ownership, anti-money laundering, current business relationships, other conflicts of interest or matters that could impact on our independence for any audits and other public interest assurance engagements.

Take-On team

We have a centralised Take-On team to support our process which is led by a partner and contains over 60 people. The team is responsible for key Take-On checks, at the time of acceptances and on an ongoing basis, and supporting the wider Beyond Compliance approach. The checks undertaken include:



Non-audit services to audit clients

Prior to accepting any non-audit service to any audit client, approval must be received from the relevant Audit Engagement Leader. This approval is only given after consideration of the permissibility of any service, the possible threats to the firm's independence and the adequacy of any planned safeguards. Consultation with the Ethics Function is required in situations where there is increased complexity as to the permissibility of a service.

Where required, the circumstances are communicated to the audit client's audit committee or those charged with governance and in the case of PIEs are subject to audit committee approval prior to commencement of work. Due to the changes in the 2019 Ethical Standard, our policies changed in the year to prohibit the provision of new non-audit services to audit clients on a contingent fee basis. We continue to monitor any contingent fees that are subject to the transitional arrangements.

Conflicts of interest and relationships

As part of the GTIL network we and all other member firms each utilise international relationship checks to identify potential conflicts of interest or independence issues.

If a potential conflict is identified at any stage of our work with a client, we engage with all relevant parties to obtain informed consent and implement procedures to adequately safeguard confidential information. These procedures need to be adequate to address any actual or perceived conflicts. Where necessary the relevant head of service line, the Ethics Function, the Ethics Partner and other member firms are consulted.

If it is not possible to adequately safeguard against the actual or perceived conflict to an extent that an objective, reasonable and informed third party would query our approach we will not undertake one or more of the services. The final decision is made with the involvement of the client(s) concerned.

Financial interests

The following 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:

- partners
- other individuals who can bind the firm for example, employee Responsible Individuals (RIs) or local public audit Key Audit Partners (KAPs)
- covered persons as defined by the FRC, broadly a person in a position to influence the conduct or outcome of an audit/other public interest assurance engagement, including certain persons with wider firm supervisory, management or other oversight responsibilities
- any persons closely associated with any such person
- our INEs.

Those individuals graded manager or above are required to register their (and those of persons closely associated to them) financial interests on the firm's GIS system. The GIS system also contains details of the financial interests of the firm and its affiliates.

Partners and people may not have a material financial interest in any client to which they personally provide professional services. Any financial interest above, or deemed to create a conflict or independence threat, must be disposed of within five working days.

Supplier relationships

As our independence requirements extend to our suppliers, we carry out checks before we enter new supplier contracts. This is to identify if they are an audit, or other public interest assurance engagement, client. If they are, consideration is given to any potential threat to independence. Risk based financial crime risk and third party code of conduct checks are also undertaken.

Gifts and hospitality

The firm has clear limits on what may be accepted or given as gifts and hospitality – these are aligned to the requirements of the Ethical Standard. Partners and people 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 current or prospective audit clients. Above de minimis limits all gifts, favours or hospitality must be recorded in the firm's systems and prior approval must be obtained from the Ethics Function and potentially the SLT. Consideration is given not only to the monetary amounts but also non-monetary considerations for example, the nature, frequency, context and parties involved.

Audit specific matters

Self-review, self-interest, management, advocacy, familiarity and intimidation (including Rotation)

On each audit engagement, the team is required to consider at planning and throughout the audit, the firm's independence, and the independence of the audit team. This is achieved through consideration of the six key independence threats:

- 1 self-review
- 2 self-interest
- 3 acting as management
- 4 acting in an advocacy role
- 5 familiarity
- 6 intimidation.

Specifically, in relation to familiarity we have detailed requirements on engagement leaders and team rotation which follows the relevant rotation requirements for the client. The rules for most of our clients are those of the FRC's Ethical Standard. On occasion we are required to specifically comply with the requirements of other jurisdictions for example IESBA and the SEC requirements. Rotation is recorded upon initial assignment to a client team and subsequently monitored via a central database. We provide detailed guidance to teams to assist them to assess the need for rotation on an audit-by-audit basis. The key rotation and cooling off periods are:

Nature of client	Role	Term (years)	Cooling off (years)
PIE/other listed entities	Audit engagement leader/Key audit partner	5	5
PIE/other listed entities	Engagement Quality Control Reviewer (EQCR) and Other Key Partners Involved in the Engagement	7	5
PIE/other listed entities	Other partners and staff in senior position	7	Subject to assessment of the threat and safeguards
Non-listed	All roles	10	2

We follow the additional guidance in the FRC's Ethical Standard and may on occasions utilise the exemptions within the standard particularly section 3.14 and 3.15. For our non-listed audits, an extension may be given for a limited period, for maintaining audit quality, after consultation, subject to appropriate safeguards. We also fully comply with the audit firm rotation rules in the FRC's Ethical Standard. Individuals in their cooling off period do not have significant or frequent interaction with the audit client.

INEs

The firm has considered the AFGC, the FRC's Ethical Standard as well as what an objective, reasonable and informed third party would expect in establishing independence criteria for the appointment of INEs. The PGB is a 'supervisory board' as envisaged by the FRC's Ethical Standard and, therefore non-executive members of the PGB are not partners 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, in respect of a client of the firm INEs, are not permitted to:

- be a director
- be a member of the audit committee
- hold a key management position
- 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 on our audits, as well as the INE's independence from the firm and its partners. On an ongoing basis, we require our INEs to disclose any potential conflicts as soon as they become apparent. This includes a quarterly confirmation process 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.

People and culture

We agree with the FRC that “it is important that firms create a culture where achieving high quality audit work is valued and rewarded, and which emphasises the importance of ‘doing the right thing’ in the public interest”³. We continue to work to embed our culture of openness and transparency where our people can make a difference, with particular focus on quality. Our culture is underpinned by our CLEARR values.



³ FRC Audit Culture Thematic review - May 2018

Impact of COVID-19 on quality

Right at the outset we recognised that many people were having to adapt to a number of working patterns to manage their new circumstances – mostly due to childcare issues when the schools were shut. We offered every single person in our firm the chance to reduce hours or take a sabbatical on a purely voluntary basis.

Lockdown resulted in a significantly changed way of working and a changed demand for some services. We asked some people to reduce their working hours. In doing this we made two commitments:

- by being asked to reduce hours, nobody in the firm would be paid less than they would have had if we had chosen to use the government's furlough scheme
- we made the commitment that, should our results be better than expected, we would repay the reduction in people's salaries. We have now repaid these amounts having confirmed we would do so to all of our people in December 2020.

We made no redundancies or requested people to reduce hours within our audit practice.

Throughout the pandemic we have focused on the physical and mental wellbeing of our people through a number of mechanisms:

- regular engagement from people managers as well as from leadership of the firm
- our employee assistance programmes is available to all and we have collaborated with the charity CABA to provide additional support
- encouragement of virtual events for example virtual coffee breaks to help people keep connected. We utilise Yammer, our social media tool, to allow people to engage across and large range of subjects both professional and social
- we have provided all our people access to our "Boost!" site which provides a programme of activities, online events, resources and support.

Recruitment

Having the right people with the right skills is fundamental for consistently achieving our CLEAR values and audit quality. We utilise a competency-based selection process, which covers all entrants from trainee to partner. All our people are subject to detailed vetting and, where applicable, are required to confirm their independence and "fit and proper" status on joining. As part of our audit quality work, we have enhanced the quality assessment for key members of the audit practice and all experienced hires (at manager and above level) are required to sit a technical assessment prior to joining the firm.

We have continued to recruit throughout the year at all levels, including experienced auditors. We have recruited several RIs/KAP from the Big 4 and promoted seven engagement leaders internally to strengthen both our RI and manager populations. We have continued to recruit our annual associate entry in September with a specially redesigned programme to ensure they gained the right skills even though working remotely. This programme now focuses on the more practical aspects of audit. We have also introduced a new digital qualification for our associates in conjunction with BPP. This looks at big data, data analytics and visualisation, cyber security, digital innovation and disruption and ethical and legal matters.

We recognise that there is more to do to fully reflect the society in which we operate within our people and we are particularly focused on the following six areas of diversity:



Ability



Ethnicity



Gender



LGBT+



Mental Health



Social mobility

Learning

Our Business School is focused on developing our people to be well-rounded professionals in line with the firm's capability framework. We are committed to creating environments where business and people can flourish and to do this, we need to pay attention to our professional development. Most of our people, including partners, are required to undertake appropriate Continuing Professional Development (CPD). To assist in this all those working in assurance have access to a wide range of learning and development initiatives to build their technical capability, leadership skills and commercial acumen.

We use a range of techniques to help our people develop technical, professional, ethical and other skills. These include, but are not limited to, classroom training, coaching and on the job learning.

Within audit we have continued to invest in our training programmes throughout the year with a number of both mandatory and recommended training modules. We have introduced 'sector badging' mandatory training for auditors working in specific sectors. All RIs have completed a financial reporting assessment and auditing case study during 2020. In addition, managers and senior managers have undertaken an audit case study during the latter part of 2020 into early 2021.

During the year the average number of training hours (partners and qualified people) was 99 (18 months to 31 December 2019 – 107).

Promotion, development, and remuneration

Everyone has a people manager to support them in developing the skills, confidence and experience to progress within the firm. Our competency framework provides details of the expected skills at each grade; this is used as the basis for promotion assessment.

We have clear promotion processes, which from 1 October 2020 includes manager and senior manager promotees being required to undertake a financial reporting assessment prior to promotion. Partners and people in the audit line of service receive quality gradings which in the case of partners is used positively and negatively to influence their profit share. We continue to provide a flexible benefits package that is regularly benchmarked against the market.

People metrics

Our annual people survey provides a key opportunity for us to understand our people's experiences. Our annual survey includes three questions that are asked by all audit firms applying the AFGC (as marked by an *). The responses are in respect of people in our audit practice.

	2020	2019	2018
I am encouraged to deliver high-quality work*	86%	89%	91%
I have sufficient time and resources to do my job*	35%	28%	35%
The training and development I receive from Grant Thornton has prepared me for the work I do*	66%	50%	63%
To what extent do you agree that producing quality work is a top priority in the firm	89%	79%	n/a
I feel able to challenge or speak up when something doesn't feel right	86%	75%	n/a

Monitoring

Engagements, and the firm more widely, are subject to several quality reviews from both external regulators and as part of our internal processes. The firm is subject to external monitoring primarily by the FRC and the ICAEW.

External monitoring

The FRC is the competent authority for the regulation and monitoring of audit firms in the UK. The FRC monitors the firm's audit quality directly in respect of our audits of PIEs. The ICAEW continues to have delegated authority from the FRC to inspect our quality in respect of other audits.

The FRC has continued to engage with us in a number of areas as part of their Audit Firm Monitoring and Support (AFMAS) obligations including:

- engagement reviews undertaken by the AQR
- review of firm-wide processes
- thematic reviews.

We continue to engage with the FRC on a regular basis across their AFMAS work and more widely. We have developed our relationships during the year and have appreciated the time that the FRC team has spent with us during this first 18 months of our three-year quality journey. We are committed to maintaining a positive dialogue with the FRC. We have received the following (non-engagement specific) reports in the year.

Grant Thornton specific	Profession wide thematic reviews
AFGC	Use of technology in Audit
Internal audit	Audit Quality Indicators
Risk and resilience	Climate reporting

Our CEO, Head of Audit and chair of the AQB have met the FRC on several occasions during the year. For the monitoring of public sector audits see section "Public sector audit – including local audit".

Annual report from the FRC – overall

The FRC issued their annual Audit Quality Inspection report in July 2020. The report covers reviews of individual engagements and firm-wide processes. The report was the first report issued after we commenced work on our detailed Audit Investment Plan (AIP), which is now the SIP. Due to the timing of the report, the review was conducted in respect of audits for periods ending between 31 August 2018 and 31 March 2019. The AIP therefore had limited impact on those engagements subject to review.

The overall assessment by the FRC noted the following:

“The firm has taken steps to address the key findings in our 2019 public report through the AIP, including focused training and standardising the firm’s audit work programs. We have identified improvements, for example, in the audit of going concern, a key finding last year. We also identified good practice in a number of areas of the audits we reviewed (including delaying signing the audit opinion until all evidence had been provided by the audited entity) and in the firm-wide procedures (including engaging external consultants in its root cause analysis process).

The overall inspection results remain unacceptable following poor inspection results last year. We continue to have recurring findings that contributed to this year’s inspection results. These include the effectiveness of the audit of revenue and appropriate levels of challenge and scepticism in areas of judgement. The firm needs to ensure that the specific actions taken to address the root causes of our findings also consider the actions taken to address the root causes of our findings also consider the actions needed to deal with the recurring nature of the issues.”⁴

Our response to the FRC’s findings noted the following:

“In Spring 2019, we developed our Audit Investment Plan “AIP” as it was clear to us, at that stage of the 2018/19 review cycle that we recognised that we were not consistently achieving the high level of audit quality we expect to. We also recognised that, at the start of our audit quality journey in Spring 2019, the changes we were making would not be evident in this 2020 report, due to the time lag between audits being performed and them being reviewed and reported on by the FRC – as such, whilst we are disappointed by the results of our reviews, we concur with the AQR view that the impact of the actions we have taken/continue to take would not be evident during this cycle of reviews.

We are, however, encouraged that those files where some of the direct actions we have implemented since Spring 2019 did impact on the audit work performed, were amongst the five files which achieved “Good” or “Good with limited improvements required” this year. We are pleased that the FRC has highlighted as good practice a number of areas within our quality processes and within the five files which achieved “Good” or “Good with limited improvements required” and believe that the changes we have made, both in engagement approach, structure, governance, performance assessment and reward and consistency through mandatory template work papers amongst others will be evident in the FRC public report in 2021.”⁵

We remain disappointed with the results but are encouraged by several areas where we are seeing improvements and this has continued into our current file review cycle. We are and will continue to focus on improving audit quality as part of our SIP.

⁴ GTAudit-Quality-Inspection-Jul-2020.pdf (frc.org.uk) page 8

⁵ GTAudit-Quality-Inspection-Jul-2020.pdf (frc.org.uk) page 12

QAD of the ICAEW – Review

The 2020 review was planned for the first half of 2020, but this was delayed due to COVID-19. The review of 10 files was completed with the findings received in February 2021.

ICAEW has completed its 2020 monitoring review and the report summarising its audit findings and any follow-up action proposed by the firm will be considered by ICAEW’s audit registration committee in July 2021.

The results of our external reviews can be found below.

Other regulatory reviews

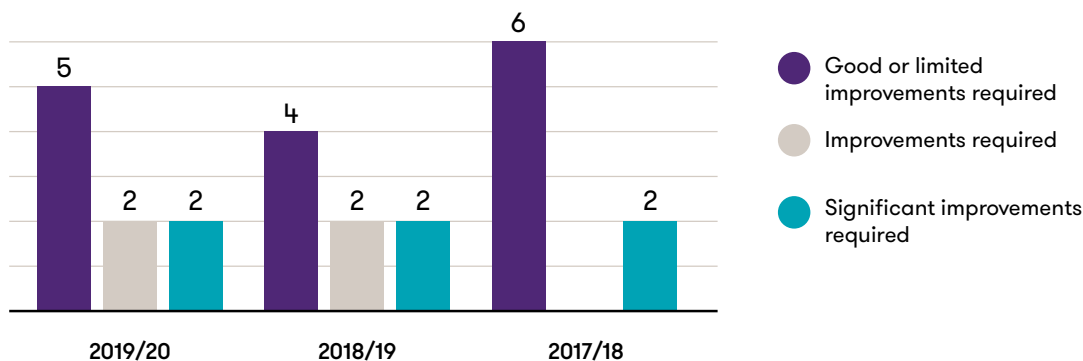
We are subject to review in respect of audit quality by a number of other regulatory bodies.

Body	Review in the 2020
Crown Dependencies (Isle of Man only)	Reviewed by the AQR as part of their overall programme
PCAOB	The last review was completed in 2015 and published in May 2016. This report is available on the PCAOB website
CPAB	The last review was completed in 2016 and finalised in January 2017
GTIL network review	This is a triennial review which is next due during 2021

External monitoring – engagement reviews

FRC

The AQR reviewed nine files as part of the review reported in July 2020.



The review identified five key areas for improvement in the individual file reviews:

- further strengthen the effectiveness of the audit of revenue
- ensure audit teams apply appropriate levels of challenge and scepticism, in particular on areas of judgement on high risk audits
- ensure materiality is justified and set at an appropriate level
- ensure that sufficient audit evidence is obtained to confirm the existence and valuation of inventory
- improve certain quality control procedures on audits.

We have responded to the detailed matters raised and undertaken a series of actions based on more detailed root cause analysis including:

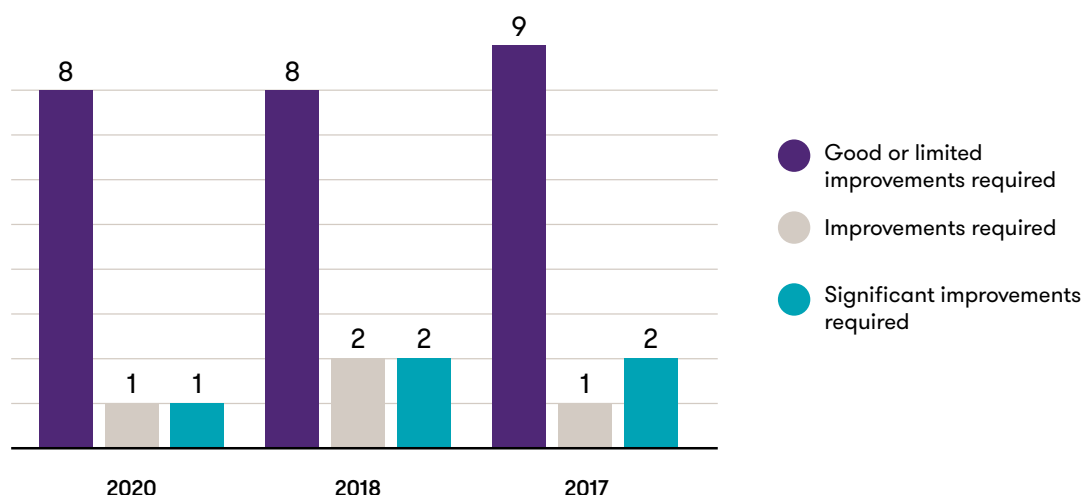
- enhanced training covering both technical and behaviour change
- delaying the signing of opinions to allow teams to stand back and fully document their audit evidence
- updated guidance over materiality, inventory counts and inventory valuation
- wider sharing of the RCA findings
- development of a new IT audit team
- further strengthening of our in-flight support and review team.

The AQR also identified several good practice points including:

- delayed signing the auditor’s report until all audit evidence was provided by the audited entity
- audit procedures performed on opening balances and comparatives on a first-year audit
- good challenge of management on adoption of IFRS 15.

QAD

The QAD finalised their 2020 visit in early 2021. The results of QAD visits in the last four years are shown below there was no visit in 2019.



The review identified areas for improvement in the individual file reviews:

- across most reviews some evidence gaps in limited areas and minor documentation gaps were noted
- in respect of the two files which required improvement or significant improvement:
 - accounting, including late adjustments in relation to a joint venture
 - recoverability of related party transactions and intragroup receivables
 - the consideration of audit evidence received for inventory counted by a third party.

The QAD did however note that “The work on completeness of revenue had improved in comparison with our previous visits. However, there were some instances where further improvement was required.”

Consistent with the approach to the AQRs report the findings are being assessed and actions developed to respond to these findings.

Originally the QAD were planning to review engagements for year ends on or after December 2019 as they wanted to see the impact of the quality improvements we had started investment in. However, due to delays in the signing of our opinions five of the files reviewed related to periods prior to December 2019, with one relating to December 2018. We remain encouraged by both the file gradings and the comments within the 2020 QAD report which demonstrate that we are making tangible quality improvement steps. Both of the files which required improvements or significant improvements were pre-December 2019 year ends and all the files reviewed which had December 2019 year ends onwards were rated as either good or limited improvements required.

External monitoring – firm-wide

The FRC's review was conducted based on the requirements of International Standard on Quality Control UK 1 (ISQC 1). The review related to policies and processes in 2019 with the primary focus being:

- partner and people matters relating to the FY18 performance review
- acceptance and continuance
- RCA.

The key findings identified were:

- partner appraisals and remuneration – clarity around the linkage to audit quality
- appraisals and remuneration – lack of process to ensure the impact of quality reviews are reflected in objectives and appraisals
- senior promotions – lack of formal process to ensure audit quality is considered appropriately and consistently in promotions
- centralised monitoring and review of some questions and ensuring all key risks in respect of the acceptance and continuance process are considered
- RCA – further work required to rationalise the process to classify findings on individual reviews into themes and improve evidence retention.

The AQR also identified two good practice points:

- 1 enhanced consideration of potential damage to values, reputation and brand when making acceptance and continuance decisions
- 2 engagement of external consultants in its RCA process.

Internal monitoring

Engagement reviews

Following changes in 2019 we have a revised structure to our quality reviews. We are moving to a goal where each in scope engagement leader is subject to at least one review in the year. This will be one of a NAR, Pulse or External regulatory review. Our in scope engagement leaders represent all signing engagement leaders (RIs, KAPs and others who act as public sector auditors). During the 2020 review cycle 107 reviews have been conducted (2019: 103) with some engagement leaders receiving more than one review.

The split of reviews is detailed below:

Number of reviews	2020	2019
External review	34	15
NAR	47	45
Pulse Review	26	43
Total	107	103

We have reviewed 86% of engagement leaders potentially in scope for review (2019: 70%, 2018: 39%)

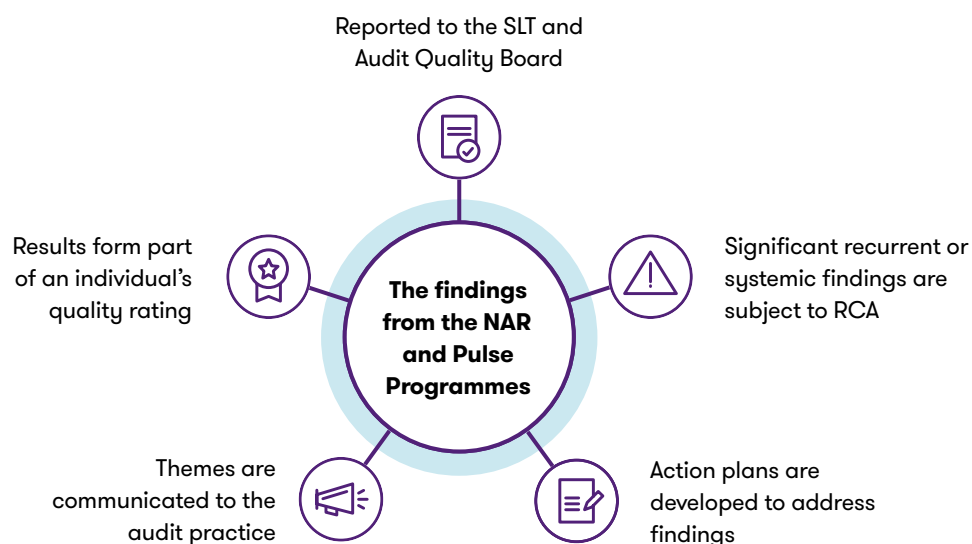
The grading of our internal reviews follows that of the AQR. Our overall results are:

Findings	Internal reviews		All reviews	
	2020	2019	2020	2019
Good or Good with limited improvements	85%	74%	75%	71%
Improvements required	7%	16%	16%	17%
Significant improvement required	8%	10%	9%	12%

Our NAR process covers the whole audit from planning to completion. This includes review of the detailed audit work in a number of areas. Each engagement leader receives a NAR review at least every three years. New engagement leaders are subject to review within a year of appointment. Any engagement leader with files that do not meet the expected standard is subject to review in the subsequent year.

The Pulse programme focuses on two key risk areas of each audit. Any engagement leader who has not been subject to external or NAR review receives a Pulse review.

All reviews are conducted under the guidance of our Audit Quality Monitoring Team to ensure integrity and consistency. When selecting the file to review for a specific individual we focus on the more complex and higher risk engagements.



Internal monitoring – firm-wide reviews

The firm undertakes a review of its firm-wide procedures as part of the requirements of ISQC (UK) 1 and the ICAEW audit regulations. This review was completed as part of our return to the ICAEW and from 2021 this review will form part of the QMA implementation – see page 22.

Internal monitoring – ethics and independence

The firm has invested heavily over the past four years to strengthen our ethics and independence team who operate a number of mechanisms to monitor compliance with ethical and independence requirements. In July 2020 we introduced the EIP which contains plans to enhance our monitoring programmes. These plans are being developed in conjunction with the QMA implementation. During 2020 the key monitoring mechanisms were:

- individual NAR file reviews consider how the engagement team addressed ethical and independence matters
- the Annual Declaration process is a comprehensive declaration from all partners and people in respect of understanding and compliance with the firm's policies and procedures in respect of ethics, independence, confidentiality, gifts and hospitality and other regulations
- testing of 20% of partners and 5% of managers and above to check the accuracy of disclosed financial investments
- consideration of ongoing consultations from engagement teams
- the pre-approval of non-audit services to audit clients.

Root Cause Analysis (RCA)

RCA is undertaken following the results of internal and external quality reviews. Further RCA is also undertaken in respect of other areas where we have a concern over quality. The RCA team perform the reviews and have continued to utilise the support of specialist external consultants. During the year, the firm has sought to strengthen the team and this will continue in 2021.

Our RCA approach is tailored to the subject being considered but includes a combination of:

- data analysis
- interviews with the team including the engagement leader, EQCR, team members and specialists
- group discussions.

Number of Reviews covered by RCA

	2019/20	2018/19
External file reviews	10	26
Internal file reviews	22	22

The team also undertook several RCA reviews on recurring issues and themes that impact the overall audit quality of the firm, including challenge of management, communication between the central and client facing teams and onboarding of new hires. At the end of the review themes are identified and actions developed to address those impacting negatively and also encouraging positive areas to be replicated.

The results of the RCA are reported to the SLT, AQB, PIC, FRC and the ICAEW. The key themes identified in the 2019/2020 RCA cycle were:

Positive themes

Area	Ongoing actions
 <p>Training to improve project management Including project management training and whole team involvement in planning</p>	Further project management training in development, investigation into tools to assist teams
 <p>Tone from the top Including sharing lessons learned from reviews and proactivity in seeking support where required</p>	New quality score methodology being released. This links quality factors with reward and promotion
 <p>Client engagement Including senior involvement to build client relationship and encourage quality delivery from client</p>	Continued review and education of the firm's client base

Areas for improvement

Area	Action
 <p>Project management Including sufficiency and timeliness of reviews and clarity of roles and responsibilities</p>	Development of Audit Quality Indicators to monitor characteristics of timely and sufficient involvement
 <p>Technical expertise Including insufficient understanding of certain audit topics and insufficient consultation</p>	Investment in further template working papers as well as technical assessments for RIs (completed) and managers (to be completed)
 <p>Lack of professional scepticism and challenge including stand back and critical thinking Including insufficient linkage between areas of the file and senior members stepping into the detail</p>	Assisted by technical expertise and focus on technical training

Disciplinary and enforcement matters

There are several ongoing investigations by the FRC in respect of the firm's audits, as follows:

Period	FRC	ICAEW
Year to 31 December 2020	1	1
18 months to 31 December 2019	2	2

- **Sports Direct International plc** – Further to an announcement made by the FRC in November 2016, it is investigating the firm's auditing of the financial statements of Sports Direct International plc
- **Patisserie Holdings plc** – In November 2018, the FRC announced an investigation into the firm's audits of the financial statements of Patisserie Holdings plc
- **Interserve plc** – In April 2019, the FRC announced an investigation into the firm's auditing of the financial statements of Interserve plc

In addition, there are five open enquiries by the ICAEW into the firm's audits, which are not in the public domain.

Detailed below are the numbers of cases in recent periods in which the FRC or ICAEW have made findings against the firm or one of its members: The Findings made in the year to 31 December 2020 – Firm-wide compliance with ethical standards (2014–17) – FRC Investigation.

In July 2020, the FRC announced that it had fined the firm £1.95 million (after a discount for admissions and early disposal), for (i) firm-wide failures to ensure compliance with ethical standards and requirements between 2014 and 2017 and (ii) the loss of independence in relation to the firm's audit of Conviviality Retail Plc for the year ending on 30 April 2014.

The ICAEW finding in the period was an unpublicised caution. No fine was imposed.

Details of the matters resolved in the prior 18 months can be found in our 2019 transparency report available on our [website](#) under About Us/Annual Reports.

Public sector audit – including local audit

Our public sector practice provides statutory and other related audit services to a range of public sector clients including those subject to the Local Audit and Accountability Act 2014 (the Act). The Act requires the auditor of certain public bodies in England to appoint a registered “Local Auditor” as their statutory auditor. Bodies to which the regulations apply include:

- councils
- health trusts (excluding foundation trusts)
- clinical commissioning groups
- police and crime commissioners and chief constables
- fire and rescue services
- national parks
- certain pension funds.

Registration

We are registered as a Local Auditor under the requirements of the Act. Through registration with the ICAEW at 31 December 2020 we had 27 registered KAPs (31 December 2019: 27). The dedicated public sector audit practice sits within our wider audit line of service and signed the audits for 99 major local audit clients in the year.

Structure

The practice follows the same policies, processes and methodologies as the wider Audit practice with adaptation to meet the specific requirements of our public sector client base. The Head of Public Sector Assurance reports to the Head of Audit.

Internal control

Our local audit work is subject to the firm’s overall internal quality control system. However, there are additional areas of control that are focused on local audit. These include:

- within the Public Sector audit team, we have a dedicated technical team, which provides guidance and support to audit teams in respect of specific accounting, audit and financial reporting matters. This team works closely with the firm’s Professional Standards and NAS teams to ensure consistency of approach
- the public sector nature of local audits is considered as part of our client Take-On process
- we have specialist technical panels for specific matters which are unique to the public sector for example, Value for Money.

The review undertaken of the firm’s overall internal control system covers the work undertaken on public sector clients.

Recruitment

The public sector practice uses the same recruitment processes as the wider firm with a clear focus on the public sector nature of any roles.

Development, appraisal and promotion

People working in the local audit team are subject to the same training requirements as people in the wider audit practice. Given the specialist nature of public sector audit, the firm takes very seriously the need to ensure all staff working on local audits keep up to date technically and professionally. We therefore have a programme which is designed to ensure all individuals maintain and develop their technical competence. Under the firm’s sector badging policy qualified people, including our registered KAPs, receive additional training each year to maintain their technical competence in public sector work. In 2020 this additional training amounted to approximately eight days and consisted of:

- two events during the year each lasting two days which focused on key local audit issues. This was attended by all members of the PSA practice except our most junior people. These were followed by a test of competence at the end of the session
- weekly update bulletin for all local auditors covering key audit and financial reporting issues for the sector.
- over 20 one-hour briefing calls on emerging technical issues or training areas
- specific feedback sessions on regulator and quality review findings.

We also provide specific sessions for Engagement Leads focusing on the critical issues they will need to focus on prior to sign off.

The firm has a CPD policy which people in the local audit practice are expected to meet. Individuals are expected to follow the same competency framework as the wider firm as a basis for performance management and promotion.

Quality monitoring

Our public sector audits are subject to both internal and external monitoring. The internal monitoring is detailed in the “Monitoring” section of this report. We are also subject to potential external review from several regulatory bodies as follows:

Country	Client type	Regulator
England	NHS Foundation Trust	ICAEW ⁶
England	Major audits ⁷	FRC
England	Non major audits (excluding foundation trusts)	QAD team of the ICAEW under the direction of NHS improvement
Scotland	Central Government bodies, Local authorities, NHS bodies	Audit Scotland
Wales	Local authorities, NHS bodies	Audit Wales

During the year the firm was inspected in respect of:

Type of audit	2020	2019
NHS Foundation trusts	-	2
Major NHS	1	1
Non Major NHS	3	2
Major Local Government	5	3
Non major local audit	4	-
Scottish Local authority Council	-	1
Welsh Local authority	-	1

We also undertook a number of internal reviews as part of the NAR programme 10 (2019: 10) and seven Pulse reviews (2019: 11). Areas for improvement from the reviews are identified and actions undertaken in the last year the areas of focus have been:

- the robustness of audit work around the valuation of property plant and equipment
- the extent and scope of work to address risks of fraud in the financial statements
- the robustness of work around the valuation of pensions liabilities.

Further training and guidance has been given to teams to ensure improvements in the subsequent audit cycle.

⁶ Under appointment from NHS Improvement

⁷ 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

The Local Auditors (Transparency) Regulations 2020

Below is outlined our response to the disclosure requirements of the Local Auditors (Transparency) Instrument 2015. As our public sector practice is integrated with our wider audit practice most of our responses cross reference to the wider Transparency Report.

	Provision of the Local Audit Regulations Review	How Grant Thornton UK LLP complies
a	A description of the legal structure, governance and ownership of the transparency reporting local auditor	See Appendix E
b	Where the transparency reporting local auditor belongs to a network, a description of the network and the legal, governance and structural arrangements of the network	See Appendix E
c	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	See above and section "Risk management, Quality and Internal Control"
d	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	Our public sector practice are subject to the same ethics and independence rules as all other areas of audit practice. This includes firm-wide requirements where applicable. See section "Ethics, Independence and Compliance"
e	Confirmation that all engagement leads are competent to undertake local audit work and staff working on such assignments are suitably trained	Our engagements leaders are all KAPs under the legislation. They and our people are appropriately trained and competent in the roles. See above and in section "People and Culture"
f	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 2006 Act, as applied in relation to local audits by Section 18 and paragraphs 1, 2 and 28(7) of Schedule 5 to the 2014 Act, took place	As set out above the last external reviews were undertaken by the FRC and QAD during 2020
g	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	See Appendix H
h	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	See above
i	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	Turnover from local audit work in the 12 months to 31 December 2020 was £25.8 million, 18 months to 31 December 2019 £35.9 million. This represents 5% and 5% of the firm's total revenue, respectively. These amounts are included in the revenue disclosed in Appendix F.
j	Information about the basis for the remuneration of partners	See Appendix F

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Appendix A

Audit Firm Governance Code and EU Regulations

AFGC

We have set out below how we have complied with the AFGC – July 2016 issued by the FRC.

Provision of the code		How complied with
A	Leadership	
A1	Owner accountability principle	
	The management of a firm should be accountable to the firm's owners and no individual should have unfettered powers of decision	The PGB provides an elected body which includes INEs. The PGB and INEs hold the CEO and SLT accountable for the benefit of the partnership as a whole. Further information can be found in the "Leadership and Governance" section as well as on our website
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.	See section "Leadership and Governance"
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.	See section "Leadership and Governance"
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	See section "Leadership and Governance" and Appendices C and D
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	See section "Leadership and Governance"
A.2	Management principle	
	A firm should have effective management which has responsibility and clear authority for running the firm	Further information can be found in the "Leadership and Governance" section as well as on our website under About us/Leadership and governance
A.2.1	Management should have terms of reference that include clear authority over the whole firm including its non-audit businesses and these should be disclosed on the firm's website	See our website under About us/Leadership and Governance
B	Values	
B.1	Professionalism principle	
B.1.1	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 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	See sections on <ul style="list-style-type: none">• Leadership and Governance• Risk management, internal control and quality• People and Culture
B.1.2	Firms should introduce KPIs on the performance of their governance system, and report on performance against these in their transparency reports	See section "Governance Key Performance Indicators"
B.1.3	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	See page 27. Our full code of conduct can be found on our website under About us/Code of conduct

Provision of the code		How complied with
B.2 Governance principle		
	A firm should publicly commit itself to this Audit Firm Governance Code	We are fully committed to the AFGC
B.2.1	The firm should incorporate the principles of this Audit Firm Governance Code into an internal code of conduct	Our code of conduct is consistent with the principles of the AFGC
B.3 Governance principle		
	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	See section on “Risk management, quality and internal control” as well as our code of conduct
C Independent Non-Executives		
C.1 Involvement of independent non-executive’s principle		
	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	See section on “Leadership and Governance”
C.1.1	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	We have three INEs who meet independently through the PIC. In addition the chair of our AQB is independent from the firm but not one of our INEs. See section on “Leadership and Governance”
C.1.2	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	See section “Leadership and Governance” and our website under About us/Leadership and governance
C.1.3	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: <ul style="list-style-type: none"> • Promoting audit quality • Helping the firm secure its reputation more broadly, including in its non-audit businesses • Reducing the risk of firm failure 	See section “Independent Non-Executive chair of the Public Interest Committee and Partnership Governance Board”
C.1.4	Independent non-executives should have regular contact with the Ethics Partner, who should under the ethical standards have a reporting line to them	The INEs have regular contact with the Ethics Partner who attends each PIC meeting. Deena Mattar (INE) chairs the Ethics Board which was formed during the year.
C.2 Characteristics of independent non-executives principle		
	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	See section “Leadership and Governance”. All our INEs bring finance skills however Deena Mattar is a Fellow of the ICAEW and has chaired on a number of audit committees
C.2.1	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	See section “Ethics, Independence and compliance” sub section “INEs”

Provision of the code

How complied with

C.3 Rights and responsibilities of independent non-executives principle

	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	See section “Leadership and Governance” and on our website under About us/Leadership and governance
C.3.1	Each independent non-executive should have a contract for services setting out their rights and duties	Each of our INEs and the chair of the AQB has a contract for services
C.3.2	Independent non-executives should be appointed for specific terms and any term beyond nine years should be subject to particularly rigorous review and explanation	See section “Leadership and Governance” sub section “INE’s” and on our website under About us/Leadership and governance
C.3.3	The responsibilities of an independent non-executive should include, but not be limited to oversight of the firm’s policies and processes for: <ul style="list-style-type: none"> • promoting audit quality • helping the firm secure its reputation more broadly, including in its non audit businesses • reducing the risk of firm failure 	See sections “Independent Non-Executive chair of the Public Interest Committee and Partnership Governance Board”. “Leadership and Governance” sub section “INE’s” and on our website under About us/Leadership and Governance
C.3.4	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	Appropriate indemnity insurance is in place
C.3.5	The firm should provide each 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	Sufficient resources, including access to independent legal advice, is available to our INEs
C.3.6	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	See section “Leadership and Governance” sub section “INE’s” and on our website at About us/Leadership and Governance

D.1 Compliance principle

	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	This is considered throughout this report specifically in sections: <ul style="list-style-type: none"> • Governance Key Performance Indicators • Risk management, Quality and Internal control • Ethics, Independence and compliance • People and Culture • Monitoring
D.1.1	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.	The firm has policies and procedures to ensure compliance. See sections <ul style="list-style-type: none"> • Risk management, Quality and Internal control • Ethics, Independence and Compliance
D.1.2	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	Policies and procedures are in place to meet this requirement see section. “Risk management, Quality and Internal control”
D.1.3	The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest	See section “Ethics, Independence and Compliance” sub section “Conflicts of Interest and relationships”
D.1.4	The firm should take action to address areas of concern identified by audit regulators in relation to the firm’s audit work	See section “Monitoring”

D.2 Risk management principle

	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	See section “Risk management, Quality and Internal control” subsection “Internal control”
D.2.1	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	See section “Risk management, Quality and Internal control” subsection “Internal control”

Provision of the code

How complied with

D.2.2	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. It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary	See section “Risk management, Quality, and Internal control” subsection “Internal control”
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	See section “Risk management, Quality and Internal control” subsection “Risk management” and “Appendix F”
D.3	People management principle	
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	See section “People and Culture” and our website
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	Our INEs are involved in people matters as part of their role on the PGB and the PIC
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. The independent non-executives should be satisfied that there is an effective whistleblowing process in place	See section “Leadership and governance” and our website under About us/Code of conduct/whistleblowing policy
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	The INEs received updates on matters raised under our whistleblowing policies and hotline. Further details can be found on our website at About us/Leadership and Governance
E	Reporting	
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	Our governance groups, which include our INEs, received relevant and timely information to enable them to discharge their duties
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	We are compliant with the principles of the AFGC. This is explained in this appendix and throughout this report
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, B1.2, C.2.1, D.1.3, D.2.2, E.2.2 and E.3.1	This report is published on our website under About us/Annual reports
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	Not applicable
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	See sections “David Dunkley – Chief Executive Officer”, “Fiona Baldwin – Head of Audit” and “Appendix F”
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	See section “Risk management, Quality, and Internal control” subsection “Risk management” and “Appendix F”

Provision of the code	How complied with
E.3.2 The transparency report should be fair, balanced and understandable in its entirety	<p>This report is based on the principals and requirements of:</p> <ol style="list-style-type: none"> 1 The AFGC 2 The Local Auditors (Transparency) Regulations 2020 regulations and 3 EU Audit Regulation - Article 13 of the EU Regulations 537/2014 <p>The report has been drafted with input from a range of individuals in the firm, including senior leadership. The report has been reviewed and approved by the SLT and RAC</p>
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.	
E.4.1 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	See section "Leadership and Governance" and our website under About us/Leadership and Governance
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	
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	This statement is made in our financial statements
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	This statement is made in our financial statements
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	
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	See section "Leadership and Governance" subsection "Investor dialogue"
F.2 Shareholder dialogue principle	
Shareholders should have dialogue with audit firms to enhance mutual communication and understanding	See section "Leadership and Governance" subsection "Investor dialogue"
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	
See section "Leadership and Governance" subsection "Investor dialogue"	

EU Regulations

We set out below how we comply with Article 13 of the EU Regulations 537/2014 which has been enshrined into UK Law.

Summarised requirement	How complied with
A statutory auditor or an audit firm that carries out statutory audits of public-interest entities shall make public an annual transparency report at the latest four months after the end of each financial year. That transparency report shall be published on the website of the statutory auditor or the audit firm and shall remain available on that website for at least five years from the day of its publication on the website. If the statutory auditor is employed by an audit firm, the obligations under this Article shall be incumbent on the audit firm	This transparency report, along with our prior reports are available on our website under About us/Annual reports
Statutory auditors and audit firms shall communicate to the competent authorities that the transparency report has been published on the website of the statutory auditor or the audit firm or, as appropriate, that it has been updated.	The FRC and ICAEW are informed of the publication of this Transparency Report
The annual transparency report shall include at least the following:	
a a description of the legal structure and ownership of the audit firm	See section “Leadership and Governance”
b where the statutory auditor or the audit firm is a member of a network: <ul style="list-style-type: none"> i a description of the network and the legal and structural arrangements in the network ii the name of each statutory auditor operating as a sole practitioner or audit firm that is a member of the network iii the countries in which each statutory auditor operating as a sole practitioner or audit firm that is a member of the network is qualified as a statutory auditor or has his, her or its registered office, central administration or principal place of business iv the total turnover achieved by the statutory auditors operating as sole practitioners and audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements 	See “Appendix E”
c a description of the governance structure of the audit firm	See section “Leadership and Governance”
d a description of the internal quality control system of the statutory auditor or of the audit firm and a statement by the administrative or management body on the effectiveness of its functioning	This is discussed throughout this report but specifically in sections <ul style="list-style-type: none"> • Leadership and Governance • Risk management, Quality and Internal control • Ethics, Independence and compliance • People and Culture • Monitoring
e an indication of when the last quality assurance review referred to in Article 26 was carried out (External review)	See section “Monitoring”
f a list of public-interest entities for which the statutory auditor or the audit firm carried out statutory audits during the preceding financial year	See “Appendix G”
g a statement concerning the statutory auditor's or the audit firm's independence practices which also confirms that an internal review of independence compliance has been conducted	See section “Monitoring” sub section “Internal monitoring – Ethics and Independence”
h a statement on the policy followed by the statutory auditor or the audit firm concerning the continuing education of statutory auditors referred to in Article 13 of Directive 2006/43/EC	All of our qualified people are required to take part in appropriate continuing professional education. See section “People and Culture”
i information concerning the basis for the partners' remuneration in audit firms	See “Appendix F”
j a description of the statutory auditor's or the audit firm's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7)	See section “Ethics, Independence and compliance” sub section “Audit specific matters”
k where not disclosed in its financial statements within the meaning of Article 4(2) of Directive 2013/34/EU, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories: <ul style="list-style-type: none"> i revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity; ii revenues from the statutory audit of annual and consolidated financial statements of other entities; iii revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and iv revenues from non-audit services to other entities 	See “Appendix F”
The transparency report shall be signed by the statutory auditor or the audit firm	The report is signed by Dave Dunckley on behalf of Grant Thornton UK LLP

Appendix B

Firm's principal risks

At the time of this transparency report the principal risks that the SLT consider could most significantly threaten the firm's ability to achieve its strategy and specifically impact the sustainability of the audit practice are as follows:

Risk	Mitigation
Business Resilience	
<p>Failure to anticipate, prevent, respond to and recover from disruptive events, regardless of source could pose a significant threat to the firm's business and its ability to operate and in particular, our ability to deliver client services, specifically:</p> <ul style="list-style-type: none">• failure to build resilience in changing business models and ensure continuity planning is aligned to future ways of working• failure to continue to effectively manage our response to and recovery from COVID-19	<ul style="list-style-type: none">• ongoing focus on enhancing existing business continuity processes to create a more consistent and holistic approach to resilience planning and incorporate learnings from COVID-19• implementation of Operational Resilience Management framework covering all areas of the firm's activities including Client and Business Activity, Technology and Data Protection, Third Parties, Property and Physical Security• Operational Resilience Committee sets the resilience strategy and monitors progress• continued central coordination and management of firm's response to ongoing challenges posed by COVID-19
Data	
<p>Data is a key asset and leveraging all data to its full potential is key to unlocking value for ourselves, our clients and delivery of our strategic plan. This brings with it enhanced risks:</p> <ul style="list-style-type: none">• risk that inadequate data strategy, governance and management impedes our ability to realise the benefits of data as an asset and transform it into meaningful information• evolving operating model (including digital transformation) increases the risk of non-compliance with data protection or privacy laws, regulations and contractual requirements	<ul style="list-style-type: none">• data governance policy covers the governance and ownership of effective data management within the firm• Data Governance Board supports the firm's data strategy to ensure that data becomes a strategic asset• Data Ethics framework to guide value judgements and approaches and demonstrate that as a firm we manage our data in a responsible and ethical way• master data management processes in place and use of standard data visualisation tools• Data Protection Team act as the focal point for compliance with GDPR, including developing and maintaining the necessary data protection and privacy policies and procedures• Data Protection Champions network representing all areas of the business to disseminate best practice and a central point to collate queries• all people are required to complete mandatory data protection training
People, Talent and Culture	
<p>The firm's ability to deliver high quality work for our clients depends upon having talented and diverse teams with the required breadth and depth of skills and experience at all times. There is a risk that the firm is unable to attract, develop and retain an agile and resilient workforce that will enable us to respond to future client needs and market changes. Specifically:</p> <ul style="list-style-type: none">• diversity and inclusion within the firm fails to match that within its clients and wider society• impact on the health and wellbeing of our partners and people from increased pressures of work in the current working environment• ability to manage resources effectively during COVID-19 and in recovery• addressing succession and key person risk• our people do not feel connected to our culture and find it harder to build and maintain connection due to continued working from home measures	<ul style="list-style-type: none">• commitment to building diverse teams and making everyday inclusion a reality. Inclusion Advisory board works with the SLT to help make the most inclusive decisions• increased people engagement continues to be a key performance indicator for the SLT• regular wellbeing pulse surveys to understand how our people are coping. Extended flexible working arrangements and 'Boost' programme to support the health and wellbeing of our people during COVID-19. Network of wellbeing champions and mental health First Aiders• implementation of agile talent solution and centralised resourcing model. Utilisation of global network resources• technical, leadership and commercial learning programmes and a focus on coaching to support the career development of our partners and people• robust talent strategy systems and processes including succession planning• dedicated People and Culture team ensures that our people's day-to-day experience reflects our reputation in the marketplace as a progressive employer• redefined purpose shaped by our people builds connection and belonging. 2021 implementation of a compelling employer brand to bring this to life for our people and new hires

Risk

Mitigation

Public Perception

Adverse or inaccurate media coverage directed at the firm and/or the industry can directly impact on public perception and can cause damage to our reputation, this could be driven by:

- client failure resulting in media scrutiny, public criticism and further regulatory focus
- failure to respond appropriately to contentious societal and economic issues
- failings in our peoples' conduct or breaches of confidentiality
- working with clients with values that do not align to our own

- Communications Team protects and enhances the firm's reputation through external media and social channels and supports the SLT in the development of the firm's corporate narrative
- CLEAR values and code of conduct drive the behaviours of our people
- continued programme of internal communications to inform and engage our people around the firm's priorities and performance and also remind them of their obligations around compliance and confidentiality
- Beyond Compliance framework to ensure we are confident that the clients we act for and the services that we provide support our reputation
- whistleblowing procedures including confidential web portal for people to raise any concerns they may have

Quality (Audit and non-Audit)

Giving the incorrect opinion or providing poor-quality advice leading to regulatory action, claims or loss of clients due to reputational damage. Driven by:

- poor quality culture
- inconsistent or ineffective tools and methodologies
- failure to manage the quality of evolving service offerings and methods of delivery
- not using the right team with the right skills, knowledge and experience
- taking on inappropriate work or clients which increases the risk of not meeting quality requirements
- inappropriate contractual terms lead to an exposure to inappropriate risk and/or client expectation
- inability to manage risks to quality as a result of remote working challenges due to COVID-19

Rigorous quality standards include:

- service line Quality and Risk Management Teams and Legal department support robust client and engagement take-on processes and contracting protocols
- extensive training programmes administered through Business School and regular service line technical updates supplemented by dedicated service line technical support
- annual self-certification and CPD returns by all our people
- investment in an ongoing programme of audit quality with leadership held to account via the AQB
- implementation of QMA which covers all aspects of the Audit Service line
- people quality pulse surveys
- performance reward systems incorporate individual quality gradings
- New Initiative process includes consideration of quality issues for key changes to the way we work with clients or how and what we deliver to clients
- complaints /potential claims reporting procedures and maintenance of sufficient PI insurance
- provision of specific guidance and regular communication about additional risk factors due to COVID-19 and the potential impact on the delivery of audit and non-audit engagements

Regulation and Legislation

Operating in a highly regulated environment, and one in which there is significant publicity of regulatory failures, means that breaches of legislation or regulation pose a significant financial and reputational risk to the firm. Specifically:

- taking on inappropriate work or clients resulting in legal or regulatory issues or conflicts
- failure to understand and/or respond to changes in regulation and legislation including as a result of Brexit
- failure to respond appropriately/robustly to regulatory investigations or sanctions
- risk of people working outside firm's policies and procedures enhanced by remote working

- quality standards incorporate and provide clear direction on legal and regulatory requirements
- Ethics function provide support, guidance and training on ethical and independence matters
- centralised global independence systems and monitoring
- rigorous client take on and continuance processes including relationship checks, client verification and due diligence
- strengthened systems and processes to manage any exposure to Financial Crime Risks
- whistleblowing procedures in place
- annual self-certification by all our people as to their understanding of and responsibilities for key ethical, regulatory and quality procedures
- engagement with regulators, institutes and governmental bodies to understand and play our part in the development of the industry

Risk

Mitigation

Stakeholder value

There is a risk that we fail to generate sufficient returns to meet the expectations and requirements of stakeholders including our partners, the pension fund and banks. This could be driven by:

- failure to proactively manage our cost base including property, professional indemnity insurance and people costs
- regulatory fines and associated costs of responding to investigations and regulatory sanctions in respect of legacy issues
- failure to identify and respond to market and other external factors including regulatory change which may impact our business model and cost base (eg operational separation, economic instability)
- failure to build a client base aligned with the firm's market strategy and which reflects an appropriate balance of risk and return
- failure to meet banking covenants or access appropriate finance

- implementation of new finance system drives timely and accurate management information which informs robust financial reporting processes including cashflow projections and key indicators review
- annual business planning and budgetary processes in place with rolling forecasts and scenario planning and a strong focus on working capital
- consistent and proactive review and management of overheads to increase efficiency and manage costs
- property portfolio review to ensure this remains aligned to our needs as we adapt to new ways of working
- implementation of an agile talent solution to manage fixed costs associated with future growth
- significant investment in improving quality to minimise future claims and regulatory issues
- individuals with responsibility for monitoring change in specific environments (regulatory, economic, market)
- ongoing preparation for regulatory change including readiness for operational separation
- continued focus on use of digital technology and automation to increase efficiencies and remaining cost competitive

Technology and service continuity (including Cyber)

Failure of our information technology systems resulting in disruption to business operations and the potential corruption or loss of data. Further, failure to adapt and embrace digital technology impacts our ability to remain competitive and create value for our clients, people and our business. Specifically including:

- ways of working during COVID-19 increase exposure around firm's assets, information security and continuity of service
- we fail to identify and manage potential cyber threats
- dependency on third party technology providers to meet their contractual obligations around security and service levels

- continuous focus on the maintenance of a robust, secure and resilient IT environment with policies and processes to protect the firm's and clients' data
- ISO 27001 accreditation and Cyber Essentials Plus certification
- service continuity plans for all business-critical IT services and applications
- single point of failure review undertaken on remote working infrastructure
- information systems change and release management processes
- ongoing activities with our people to promote awareness of cyber and data security, including e-learning and more regular communications about threats
- regular engagement and relationship management with technology suppliers
- use of Security Operations Centre and threat intelligence services
- collaborative approach with GTIL and major GTIL member firms to ongoing IT infrastructure development and strategy
- Digital Leadership Group responsible for driving and implementing the firm's digital strategy. Provides central point for digital development capability and an optimised design process.

Third Parties

Risks arising from increased collaboration with and reliance upon third parties as the way we operate and deliver services is changing. These include:

- failure to manage our approach to supplier relationships, including contractual arrangements creates financial, regulatory and reputational risk
- complete failure or over reliance on a key third party service provider to deliver services as per contractual obligations
- third parties do not meet our security standards putting our data at risk
- increased reliance on contractors as part of our agile talent delivery model leading to increased risks around quality, compliance and security

- supplier due diligence checks to ensure financial and ethical health and mandatory relationship checking and financial crime risk due diligence for new third party arrangements
- enhanced procurement strategy under development
- supplier management approach part of our ISO20000 certified Information Systems Service management system
- new initiative process ensures all third party risks emanating from innovation are identified and managed appropriately
- Contracts Legal Team oversee contractual arrangements in conjunction with Service Line Risk professionals
- central contractor management team support onboarding and monitoring of all contractors. Mandatory briefing modules for all contractors

Risk

Working Internationally

The increased importance of international work to the firm's growth plans brings with it enhanced risks relating to:

- loss or failure of GTIL /significant member firm in the network
- inconsistent depth of expertise in offerings across the network preventing us serving our international clients and winning global projects
- lack of oversight of risk and control environment in our overseas investments
- cross-border liabilities as a result of engaging with non-domestic clients/contracting outside jurisdiction
- failure to protect our people wherever they are working

Mitigation

- members of GTIL network have shared vision and strategy and strong member firm collaboration
- significant UK involvement and influence in GTIL strategy and governance – global leadership roles and committee membership
- firm's international strategy aligned with GTIL's newly created 2025 strategy which has a stronger focus on bringing the network together and increasing collaboration and shared global vision
- overseas clients are subject to rigorous take on processes
- GTIL risk policies and protocols (including cross border engagements) and rigorous global quality assurance programme
- direct equity investment in other jurisdictions and cooperation with member firms to establish overseas practices
- firm-wide policies and procedures including risk assessment and use of central travel provider for all overseas travel
- International Business Centre and dedicated international business groups support our people and clients with international expertise

Appendix C

Leadership and Governance – attendance at meetings and length of service

Meeting attendance during 2020

Shown below are the membership and attendance (available to attend and did attend) at the various governance groups including changes in the year. Also detailed is the length of the individuals membership of the group as at 31 December 2020.

Strategic Leadership team – including attendance at other meetings

		Length of service	Could attend	Did attend	Attendance at other meetings			
					PGB	PIC	RAC	Remco
David Dunkley	CEO and chair	2 years 8 months	12	12	5	2	2	3
Fiona Baldwin	Head of Audit	1 years 6 months	12	12	2	3	2	-
Andrew Howie ¹		6 months	5	5	2	2	3	-
Darren Bear		1 year 4 months	12	12	1	-	-	-
Dave Munton		2 years 8 months	12	11	2	-	2	-
Jonathan Riley ²		-	7	5	-	2	-	-
Karen Campbell-Williams		1 year 4 months	12	12	-	-	-	-
Malcolm Gomersall		2 years 8 months	12	12	5	-	7	-
Mark Byers		5 years 6 months	12	12	1	-	-	-
Perry Burton ¹		6 months	5	5	1	1	-	-
Robert Hannah		2 years 1 month	12	11	-	-	-	-

¹ Appointed 1/7/20

² Ceased 30/6/20

Partnership Governance Board (called Partnership Oversight Board during the year)

		Length of service	Could attend	Did attend
Ed Warner	INE and chair	10 years 3 months	6	6
Deena Mattar	INE	4 years 9 months	6	6
Imogen Joss	INE	3 years 6 months	6	6
Dan Hartland		1 year 2 months	6	6
Dana Ward ¹		6 months	3	3
Eddie Best ²		-	1	1
Helen Dale ³		-	3	3
Hemal Shah ¹		6 months	3	3
Michael Frankish ¹		6 months	3	3
Norman Armstrong		2 year 6 months	6	6
Paul Naylor		1 year 2 months	6	6
Philip Secrett		4 years 2 months	6	6
Sean Croston		1 year 6 months	6	6
Simon Bevan		5 years 6 months	6	5
Wendy Hart		2 years 6 months	6	6

² Ceased 28/2/20

³ Ceased 30/6/20

Keys

INE Independent
Non-Executive
* Ex officio
Observer

Public Interest Committee

		Could attend	Did attend
Ed Warner	INE and chair	3	3
Deena Mattar	INE	3	3
Imogen Joss	INE	3	3

RAC and RemCo

		RAC		RemCo	
		Could attend	Did attend	Could attend	Did attend
Deena Mattar	INE and chair of RAC	8	8	n/a	n/a
Imogen Joss	INE and chair of Remco	n/a	n/a	3	3
Ed Warner	INE	n/a	n/a	3	3
Dan Hartland		n/a	n/a	3	2
Norman Armstrong		8	8	3	3
Paul Naylor		8	8	n/a	n/a
Philip Secrett		8	7	3	3
Sean Croston		8	8	n/a	n/a
Simon Bevan		n/a	n/a	3	3

Audit Quality Board (commenced February 2020)

		Could attend	Did attend
Philip Johnson	Independent chair	10	10
David Dunckley*	CEO	10	9
Fiona Baldwin	Head of Audit	10	10
Becky Eagle ¹		4	4
Chris Smith		10	10
Joanne Brown ^{2#}		5	4
Marc Summers ^{2#}		5	4
Mark Bishop ^{2#}		5	2
Pete Dawson		10	8
Rhian Owens ^{2#}		5	3

1 until 1 June 2020

2 from 16 June 2020

Keys

INE Independent
Non-Executive
* Ex officio
Observer

Ethics Board (commenced July 2020)

		Could attend	Did attend
Deena Mattar	INE and chair	5	5
David Dunckley*	CEO	5	5
Fiona Baldwin [#]	Head of Audit	5	5
Andy Wood [#]	Ethics Partner	5	5
Cherryl Cooper		5	5
Kevin Gale		5	5
Mike Radcliffe		5	4
Mo Merali		5	4
Paul Naylor		5	5

Appendix D

The following are the members and permanent observers of the firm's leadership and governance groups as at 31 December 2020.

The primary governance group to which the individual is a member is shown in brackets.



Andrew Howie (SLT)
Head of International

Andrew is Head of International for the UK firm, ensuring that we have the right capability in the UK and overseas to help our clients achieve their international ambitions. He is also the Managing Partner of the Scottish practice.

Andrew is an experienced auditor working predominately with large privately held companies in Scotland who have grown both domestically and across borders. Andrew has also been the Business Leader for Scotland, Northern Ireland and the North of England.



Andy Wood (EB)
Ethics Partner

Andy was appointed as the Firm's Ethics Partner on 1 July 2020 following the retirement of Adrian Richards. He works closely alongside the Head of Audit, Fiona Baldwin, and the Chair of Ethics Board, Deena Mattar. He is also the Managing Partner of our Yorkshire region. Previously he has held a variety of leadership roles across the firm's regional practice.

Andy is an experienced audit partner of nearly 20 years and during his career has worked with a broad range of businesses in the Yorkshire region – listed, private equity backed and entrepreneurial groups – and brings a blend of relevant insight and perspective into the Board room.



Cherryl Cooper (EB)
Director

Cherryl is a Solicitor in the firm's Legal Department. She deals with contentious matters as well as the firm's insurances and has a wealth of experience in working on risk management and training projects for service lines across the business. Cherryl is the legal representative on the firm's Ethics Board and the Ethnicity Convener on the firm's Inclusion and Diversity agenda.



Chris Smith (AQB)

Head of NAS, Partner

Chris is an experienced audit partner and has over 20 years specialising in listed and large corporate audits, both in the UK and internationally. Chris also oversees our audit and accounting technical function NAS which is an integral part of improving quality throughout our audit practice.



Dan Hartland (PGB)

Partner

Dan has been with Grant Thornton for 20 years and is the firm's national head of 'Grant Thornton Private', a tax advisory service helping entrepreneurs' in creating, transforming and protecting their private wealth. Dan advises a portfolio of high-net-worth entrepreneurs and their families on a range of matters from business structuring and disposals through to estate and succession planning. In addition, Dan is a member of the firm's Partnership Governance Board.



Dana Ward (PGB)

Partner

Dana has been a partner for 14 years and has led the creation and development of our Financial Services Tax Practice. She is responsible for the provision of tax services to Banks, Insurance Companies and Asset Managers. In addition to her client facing role, she has been a member of the Financial Services Group Board since 2015.



Darren Bear (SLT)

Heads of Deals and Business Consulting

Darren has focused on Corporate Finance Advisory for over 20 years and has been a partner for nine years. He was appointed to the SLT as Head of Deals and Business Consulting in September 2019. Deals and Business Consulting focuses on transactionally minded businesses operating within the mid-market, Darren also maintains a client facing role focused on Corporate Finance Advisory.



David Duncley (SLT)

Chief Executive Officer

David has been a partner for over 20 years and 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). David is a licensed Insolvency Practitioner, with an interest in the automotive and professional practices sectors.

David is a member of the Board of Governors for GTIL the umbrella organisation for Grant Thornton network.



Dave Munton (SLT)

Head of UK Markets and Clients

As Head of UK Markets and Clients, Dave's focus is on supporting the Client Journey and building the Firm's presence in its chosen markets. The role includes leadership of the Marketing and Business Development, Client on Boarding, Quality Operations and Client Intelligence teams. Prior to his current role, Dave has held several leadership roles throughout the firm and has been an audit partner for 18 years. Through working with a variety of businesses domestically and internationally, he has considerable experience of auditing and advising clients with an interest across PE, automotive and support services.



Deena Mattar (PGB)

Independent non-executive

Deena is an experienced FTSE 250 Finance Director and Fellow of the ICAEW. She has excellent plc board experience and knowledge of the City. She has strong relationships with institutional shareholders and buy and sell side analysts. Deena brings her extensive experience in restructuring, refinancing and strategic planning as well as 10 years as a non-executive director on a number of listed and unlisted boards.



Ed Warner, OBE (PGB)

Chair and Independent non-executive

Ed has a background as an investment banker, with senior positions at several investment banks. He is currently the chair of HarbourVest Global Private Equity, Blackrock Energy and Resources Income Trust, derivatives exchange LMAX and an aviation services business Air Partner PLC.

Ed is also an experienced sports leader, currently chairing both GB Wheelchair Rugby and the Palace for Life Foundation.



Fiona Baldwin (SLT)

Head of Audit

Fiona has nearly 30 years' experience as an accountant and auditor. She was appointed to the SLT as Head of Audit in 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, resources and culture to deliver continuously high audit quality.



Hemal Shah (PGB)

Partner

Hemal specialises in transaction advisory services and supports entrepreneurs, corporates, private equity and debt funders in executing successful transactions. Hemal has over 17 years' experience across buy-side, sell-side, refinancing and public market transactions in the UK and many overseas markets. He started his career with Grant Thornton Kenya in 1998 and moved to the UK firm in 1999. Hemal is focused on technology, media and telecoms (TMT) and consumer deals and is often recognised for his practical and commercial advice on issues that inevitably arise on transactions.



Imogen Joss (PGB)

Independent non-executive

Imogen brings her global experience to the firm with a strong commercial and client focused approach from her work in the fintech sector including her roles as Commercial Director of the London Stock Exchange and more recently President of two divisions of S&P Global. Imogen has a strong focus on talent and serves on the boards of a number of business in the advisory service and fintech sectors. Current roles include INE and chair of Remuneration committee for Euromoney Institutional Investor, Interswitch group, SimplyBiz group and IPSX commercial property exchange.



Joanne Brown (AQB observer)

Partner

Joanne Brown is an Audit Partner in our Public Sector Audit Team. Joanne leads our Scottish audit team and has 20 years' experience in working with Health, Local Government and Central Government clients delivering external audit and wider assurance services. Joanne joined the partnership in July 2019.



Karen Campbell-Williams (SLT)

Head of Tax

Karen is based in our Manchester office, has been a tax partner for 24 years. As well as leading the Grant Thornton tax business nationally she has a client-facing role working with a variety of organisations and their stakeholders to help them effectively meet their tax obligations at each stage of their business life cycle. Her clients include mid-market privately held and PE backed businesses, listed companies and not for profit organisations.



Kevin Gale (EB)

Partner

Kevin is based in our Milton Keynes office and has been a Tax Partner for 20 years. He works with private clients and family-owned businesses and his particular areas of interest include succession planning, business disposals and business structuring. As well as his client facing role, Kevin is also a member of the firm's Tax Risk Committee and is responsible for aspects of the firm's tax quality assurance processes. He is also member of the quality interview panel for Tax Director and Tax Partner promotions.



Malcolm Gomersall (SLT)

Chief Operating Officer

Malcolm is an auditor by training and was appointed to be the firm's full time COO on 1 September 2019. His focus has been on driving improvements in the operating model around Quality, Talent and Value to generate both short and long-term value for the firm's stakeholders.

Prior to his existing role he has served on the firm's SLT as the Head of Operations and before this Head of People and Client Experience. Malcolm also remains a key sponsor for Grant Thornton's work on social mobility and continues as a trustee on the profession-wide Access Accountancy Patron Group.



Marc Summers (AQB observer)

Partner

Marc is a Business Support Services, Consumer and Technology auditor and transaction specialist. During his 24 years within professional services, Marc has worked across the audit and advisory business. He has experience of auditing, floating and financing international businesses, having led the retail and more recently the Business Support Services sector teams.



Mark Bishop (AQB observer)

Partner

Mark is an experienced audit partner, who also leads the audit practice in Thames Valley and Southampton. Mark has a client focus for AIM listed and Private Equity backed companies and those that are fast-growing and entrepreneurial. He specialises in the technology and higher education sectors. He regularly works with businesses with international operations, particularly the US. Mark has recently been appointed the firm's Head of Audit Culture.



Mark Byers (SLT)

Head of Strategic Relationships

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 having responsibility for a number of our international investments. 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 our restructuring services on a global basis and works with major financial institutions and their regulators on supporting restructuring strategies designed to promote financial stability.



Michael Frankish (PGB)

Partner

Michael is an audit partner, has been with the firm for four years, and has over twenty years of experience since qualification. Michael is Head of Audit for our North West practice. He works with a range of clients across many sectors, including AIM listed PLCs, private companies, PE backed businesses and sixth form colleges. Michael has also held governance roles outside of his role with the firm.



Michael Radcliffe (EB)

Partner

Michael is a partner in our Forensic and Investigation Services team. He leads the Disputes Advisory practice in the UK. Michael has specialised in forensic accounting for over 17 years, with a particular focus on complex cross-border litigation and arbitration, often involving an investigative element. Michael's experience covers many sectors including the extractive industries, financial services, telecoms and real estate. Michael's work has seen him frequently working alongside other functional specialists and overseeing delivery by overseas teams.



Mo Merali (EB)

Partner

Mo is UK Head of our Transaction Advisory Services practice and Head of Private Equity. Mo has been a partner since 2001. He focuses on due diligence for buy-side and sell-side transactions for corporate acquirers and private equity houses and for equity capital market issuances. Mo is also chair of the ICAEW's Corporate Finance Faculty Board.

Mo focuses on vendor and sell-side transactions for corporate acquirers and private equity houses. Mo has provided advice on transactions to a variety of clients, including vendor due diligence and refinancing support.



Norman Armstrong (PGB)

Partner

Norman has worked in the profession for nearly 30 years and been an audit partner at Grant Thornton for the last 16. Norman leads our focus on Private Equity in audit and works across the South Region with a range of larger mid-market groups, many with international operations. Norman has formerly been an ICAEW District Society President (SOSCA), Practice Committee Member and been recognised for his work in governance roles outside the firm.



Paul Naylor (PGB)

Partner

Paul is an Audit partner based in the London office, having joined the firm in 1995. He focuses on the Technology, Media and Telecoms sector where he advises dynamic, fast-growing and entrepreneurial businesses, both private, PE backed and publicly listed. Prior to this, Paul was practice leader of our Cambridge office and has also spent three years working with Grant Thornton in Australia.



Perry Burton (SLT)

Head of People and Culture

Perry has 25 years of experience as an auditor and supporting corporate transactions through our corporate finance team. Perry has held a number of leadership roles before moving into his current role on the SLT.

He has worked with boards on leadership and cultural change. He is a qualified coach and is passionate about understanding behaviour and behavioural change.



Pete Dawson (AQB)

Audit COO

Pete is a partner, with over 30 years' experience in the profession, the majority of which has been spent as a Transaction Advisory specialist. Pete was appointed our Audit practice COO during the year. He brings a breadth of experience to the role having previously been the UK Transactions Services leader from 2010, Grant Thornton Global Transactions Leader in 2013 and Financial Advisory leader from 2015, roles he stepped down from in 2019.



Philip Johnson (AQB)

Chair of AQB – Independent non-executive

Philip was an audit partner at Deloitte for 30 years. He led the integration of Arthur Andersen UK into Deloitte LLP while, at the same time, leading Audit Quality and Risk Management for Deloitte in the UK. He specialised in providing advisory and assurance services to publicly listed entities private company audit clients and professional firms.

Since retirement, Philip has acted as a non-executive director for a number of entities and been a member and chair of a number of audit committees. He has also acted as an independent expert in relation to matters concerning accounting activities. He has represented the UK audit profession at Accountancy Europe, acting as President between 2010 and 2012, and has been a member of the IAASB Consultative Advisory Group. For six years until December 2019, he was a member of the Standing Advisory Group of the PCAOB in the United States.



Philip Secrett (PGB)

Partner

Philip is a corporate finance partner and is Head of Public Company Advisory. With 26 years in the firm, he has been advising on public company corporate finance transactions for over 23 years and his experience has included supporting growth companies access to UK equity markets and leading public company M&A transactions. Philip is chair 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.



Rhian Owen (AQB observer)

Partner

Rhian is an audit partner with responsibility for leading the audit practice in the Cardiff and Bristol office. Having been with the firm for 16 years, she has a wealth of experience helping dynamic businesses achieve their strategic goals and potential for growth. Her clients range from fast-growing, privately owned and PE-backed businesses to international and listed groups.



Robert Hannah (SLT)

Head of Large and complex

Robert was appointed into this role in December 2018. Robert is also Global Head of Strategic Growth Markets for 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.



Sean Croston (PGB)

Partner

Sean leads the Corporate simplification group in London and has been a licensed insolvency practitioner for more than 20 years. He has been 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 several overseas jurisdictions including Asia, Germany and the United States.



Simon Bevan (PGB)

Head of Partner Matters

Simon is London based, with a four-decade audit career focused on knowledge businesses and professional service firms. He leads the firm's China Britain Business Group. Simon joined as a partner in 2012 from another leading firm, where he had held leadership and governance positions. He chairs Partner Selection Panels.



Wendy Hart (PGB)

Partner

Wendy has worked with us for 32 years she 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. Wendy left the partnership during 2021.

Appendix E

Legal structure including GTIL

Grant Thornton UK LLP (OC 307742) is a limited liability partnership incorporated in England and Wales. It is part of Grant Thornton International Limited (GTIL or the network) which itself is a private company limited by guarantee, incorporated in England and Wales. GTIL provides the international umbrella entity and does not provide any services to clients.

Grant Thornton UK

The firm is a leading provider of financial and business advisory services.

The firm is entirely owned by its partners during the 12 months to 31 December 2020 the average number of partners was 188 (2019: 195). A full list of partners is available at our registered office at 30 Finsbury Square, London, EC2A 1AG. A full list of our office locations and services can found at grantthornton.co.uk

As at 30 June 2020 the GTIL network had more than 56,000 people in over 140 member firms across the globe with the latest reported revenue of USD5.80bn (2019: USD5.72bn).

UK structure

The firm operates client facing offices in 22 locations in the UK and two overseas (British Virgin Islands and Cayman Islands).

	At 31/12/20	At 31/12/19
Number of engagement leaders partners/directors in audit	43/73	43/71
Number of engagement leaders in audit to total number of people in audit	116/1,725	114/1,875
Ratio of engagement leaders to people	6.7%	6.1%



Audit

Delivery of statutory and voluntary statutory audits, non-statutory audits including compilation reports, outsourced accounting, financial reporting advice, public sector audit and assurance. We audit clients across many sectors. Our clients include FTSE 350, AIM listed, PE backed as well as privately owned businesses. We also audit a significant number of public sector and Not for Profit organisations/charities.



Tax

Provides services across the spectrum of taxes to corporates, individuals and partnerships, Not for Profit organisations/charities and certain public sector bodies. Services cover Corporate and International, Personal, Indirect and, Real Estate Tax. As well as Employer Solutions and Tax Dispute Resolution. We help to manage compliance obligations, tax risk and relief maximisation.



Large and Complex Advisory

Consists of the Financial Services Group, Public Sector Advisory, Insolvency and Asset Recovery, Forensic and Investigation Services and Business Risk Services. Our focus is primarily on servicing large, international, corporate clients and government bodies by providing consulting, advisory and assurance services to address their complex needs.



Deals and Business Consulting

Works with clients that are transactional in nature and undergo periods of change or uncertainty, helping them to sell, buy, change or restructure a business in order to add, realise or preserve value. These services include, Restructuring, Business Consulting, Corporate Finance, Transaction Advisory Services, Valuation and Modelling, Special Projects and Financial Reporting.

GTIL

The board of governors provides the principal and overriding authority for the network. The board consists of the chair of the board, the chief executive, managing partners from some member firms and independent directors.

The board has a number of responsibilities including:

- approving and overseeing the implementation of the global strategic direction and policies
- overseeing member firms including approving new member firms, suspending rights and expelling firms
- overseeing the financial health of GTIL, enterprise risk management, technology and innovation strategy and general governance.

There are number of standing committees to assist in the more efficient and effective discharge of the board's responsibilities.

Independent board members

There are three independent members whose role is to support the networks recognition of public interest responsibilities. The networks attitude towards quality, risk management and governance as well as assessing the networks effectiveness in executing its strategic goals and market position.

The independent board members are:

- Judith Sprieser – chair
- Martin Geh
- Aliza Knoz

Chief Executive Officer

The CEO is appointed for an initial five-year term with a potential extension of up to three years. Peter Bodin was appointed CEO from 1 January 2018, as CEO he is responsible for the:

- leadership of GTIL
- development and recommendation of strategy priorities for the board to ratify
- appointment of the global leadership whom he works closely to implement the strategy including monitoring global policies and procedures.

Global Leadership Team (GLT)

The GLT is a full-time management group that is chaired by the CEO and develops and drives the implementation of the global strategy. The members have global development, service lines, functional and regional responsibilities. The key role of the Global Leadership Team is to work with member firms to implement the global strategy.

Global strategy

Our ambition is to be known throughout the world as the leading adviser to dynamic organisations by 'unlocking the potential for growth' in our people, clients and communities and to become the next generation professional services network.

Further details of the network, including the members of the board of governors can be found in the GTIL transparency report which was issued in June 2020 and can be found on our global [website](#).

Legal entities

Set out below is a list of:

- Principal subsidiary undertakings of Grant Thornton UK LLP as of 31 December 2020 including details of their principal activity
- Grant Thornton European Union (EU) and European Economic area (EEA) network audit firms.

Grant Thornton UK LLP – Principal Subsidiaries

Name	Company number	Principal activities
Fulwood Insurances Limited	14085 (Guernsey)	Insurance Services
Grant Thornton ARF Limited	12352344	Asset Recovery services
Grant Thornton (British Virgin Islands) Limited	1039630 (BVI)	Insolvency and restructuring services
Grant Thornton Business Services Limited	1224178	Employment of personnel and other services to Grant Thornton UK LLP and trading subsidiaries
Grant Thornton Specialist Services (Cayman) Limited	183163 (Cayman)	Insolvency and restructuring

Grant Thornton UK LLP – Joint venture

Name	Company number	Principal activities
Grant Thornton Limited	2917818	Joint venture with Grant Thornton Singapore

Member firms for EU and EEA

Country	Member Firm	City
Austria	Grant Thornton Austria GmbH	Vienna
	Grant Thornton VERAX Wirtschaftsprüfungs- und Steuerberatungs Gesellschaft mbH	Vienna
Belgium	Grant Thornton Bedrijfsrevisoren	Antwerp
Bulgaria	Grant Thornton OOD	Cherni vruh, Sofia
Croatia	Grant Thornton revizija d.o.o.	Zagreb
Cyprus	Grant Thornton (Cyprus) Ltd	Nicosia
France	AEG Finances	Paris
	Cabine Didier Kling & Associates	Paris
	Carib Audit & Conseil	Paris
	Grant Thornton	Paris
	IGEC	Paris
	Tuillet Audit	Paris
Germany	ATS Allgemeine Treuhand GmbH Buchprüfungsgesellschaft Steuerberatungsgesellschaft	Dusseldorf
	Trinavis GmbH & Co. KG*	Stuttgart
	Warth & Klein Grant Thornton AG*	Dusseldorf
	Warth & Klein Grant Thornton GmbH & Co. KG*	Dusseldorf
	Warth & Klein Grant Thornton Revisionsunion GmbH*	Stuttgart
	WPG Wohnungswirtschaftliche Prüfungs- und Treuhand GmbH*	Berlin
Greece	Grant Thornton SA	Palaio Faliro, Athens
Hungary	Grant Thornton Audit Kft.	Budapest

Country	Member Firm	City
Iceland	Grant Thornton endurskoðun ehf	Reykjavik
Ireland	Grant Thornton	Dublin
	Grant Thornton Business Advisory Services Ltd	Dublin
	Grant Thornton (NI) LLP	Belfast
Italy	Ria Grant Thornton S.p.A.	Milan
Latvia	Grant Thornton Baltic SIA	Riga
Liechtenstein	Grant Thornton AG, Schaan	Liechtenstein
Lithuania	Grant Thornton Baltic UAB	Vilnius
	Grant Thornton Baltic UAB Kauno filialas	Kaunas
	Grant Thornton Baltic UAB Klaipėdos filialas	Klaipėda
Luxembourg	Compliance & Control S.A.	Luxembourg
	Grant Thornton Audit & Assurance	Luxembourg
	Team Audit S.A.	Luxembourg
Malta	Grant Thornton	Birkirkara
Netherlands	Grant Thornton Accountants en Adviseurs BV	Alphen aan den Rijn
Norway	Grant Thornton Revisjon AS	Oslo
Poland	Grant Thornton Frąckowiak Sp. z o.o sp.k.	Poznan
	Grant Thornton Polska Sp. z o.o. Sp.k	Poznan
Portugal	Grant Thornton & Associados, SROC, Lda.	Alges, Lisbon
Romania	Grant Thornton Audit SRL	Bucharest
Slovak Republic	Grant Thornton Audit, s.r.o.	Bratislava
Slovenia	Grant Thornton Audit d.o.o.	Ljubljana
Spain	Cruces Y Asociados Auditores, S.L.P.	Madrid
	Grant Thornton Andalucía, S.L.P.	Malaga
	Grant Thornton S.L.P.	Malaga
Sweden	Grant Thornton Sweden AB	Stockholm

* Entities are designated "Wirtschaftsprüfungsgesellschaft" or "audit firm"

Appendix F

Financial information and partner details

Revenue

Detailed below is the analysis of the firm's turnover for the year ended 31 December 2020 showing the relative importance of statutory audit work and the split of our other services between audit and non-audit clients.

Name	Year ended 31 December 2020		18 month period ending 31 December 2019	
	£ million	%	£ million	%
Public interest entities	4.9	1	10.6	1
Other entities	125.6	25	176.9	24
Statutory audit and related fees	130.5	26	187.5	25
Non-audit work to audit clients	48.7	10	88.3	12
Sub-total audit clients	179.2	36	275.8	37
Non-audit work to non-audit clients	317.2	64	467.6	63
Total	496.4	100	743.4	100

Profitability

The Consultative Committee of Accountancy Bodies (CCAB) issued a Voluntary Code of Practice on Disclosures of Audit Profitability (the Audit Profitability Code) in March 2009. This sets out recommended disclosures in respect of the profitability of statutory audits and directly related services. Under the code, revenue, direct costs, and overheads for the reportable segment are recognised and measured on a basis consistent with the firm's consolidated financial statements.

Revenue from 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) along with other work that 'fits naturally' with the auditor's statutory responsibilities.

Operating profit has been calculated after direct costs for example, employment costs and allocating other overheads for example, property, technology central overhead. Overheads are deducted based on pro rata headcount or turnover attributable to audit.

Partners' remuneration has not been charged in arriving at operating profit, this is consistent with the treatment in the financial statements.

The amounts disclosed are derived from the financial statements and use the same accounting policies and estimates.

	Year ended 31 December 2020	18-month period ending 31 December 2019
	£ million	£ million
Revenue	130.5	187.5
Operating profit	11.3	1.0

Partner Drawings

The primary distribution on profits is in accordance with partners' profit-sharing units, these are allocated depending on the role and a previous track record of performance. A further percentage of the profit pool each year is allocated based on a balanced assessment of behavioural and operational metrics in the year. The aim of this is to link performance to the three areas of the firm's strategy ie Quality, Talent and Value, as well as the achievement of its long-term goals. This assessment has a particular focus on ensuring quality is at the heart of everything we do.

Any behaviours inconsistent with the firm's values and expected standards of behaviour as set out in the Code of Conduct result in a reduction of profit shares.

CEO and SLT remuneration

As noted on page 15, the Remuneration Committee, a subcommittee of the PGB, 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

Managers and above in Audit receive an annual quality rating. In respect of Partners and Directors who sign audit opinions this is based on the complexity, risk and quality of the work for which they are responsible. This grading considers several other quality focused criteria including the results of both internal and external monitoring, attendance at mandatory training; ethics matters and other moderated feedback on any technical roles that they perform on behalf of the firm. The quality rating that is awarded because of these assessments contributes towards the level of remuneration received by each audit partner and director. People in the audit practice, including audit partners are not remunerated by reference to sales of non-audit services to their audit clients.

INE remuneration

Our INEs are remunerated based on their roles:

Chair of	12 months to 31 December 2020	18 months to 31 December 2019
	£	£
PGB	135,250	204,377
RAC	75,250	106,715
RemCo	65,250	91,187
AQB	101,083	n/a
EB	–	–

Appendix G

Public Interest Entities

Below is a list of EU public interest entities (as defined in EU Directive 2014/56/EU) for which we signed an audit report during the year ended 31 December 2020. It therefore does not include all EU public interest entities for which we are appointed the statutory auditor.

Entity Name	Company No
Accent Capital Plc	12007129
Allianz Technology Trust Plc	3117355
Aptitude Software Group Plc	1602662
Aurora Investment Trust Plc	3300814
Bristol City Council	n/a
Ediston Property Investment Company Plc	9090446
Fuller, Smith & Turner PLC	241882
Grifonas Finance No. 1 Plc	5655257
Henderson Alternative Strategies Trust Plc	SC015905
Henderson International Income Trust Plc	7549407
HgCapital Trust Plc	1525583
Invesco Perpetual Select Trust Plc	5916642
JD Wetherspoon Plc	1709784
JPMorgan Japan Smaller Companies Trust Plc	3916716
JPMorgan US Smaller Companies Investment Trust Plc	552775
Kirklees Metropolitan Council	n/a
Mears Group Plc	3232863
Medica Group Plc	8497963
Mothercare Plc	1950509
National Exhibition Centre (Developments) Plc	3301940
Quarto Group, Inc (The)	FC013814
SB Holdco Plc	11436854
Schroder UK Public Private Trust Plc (formerly Woodford Patient Capital Trust Plc)	9405653
Simplyhealth Access	183035
Swan Housing Capital Plc	9362244
The Wrekin Housing Group Limited	CCBS 8067
Wilmington plc	3015847
Witan Investment Trust Plc	101625
Yorkshire Housing Finance Plc	9227343

Appendix H

Major Local Audits

Below is a list of Major Local Audits (as defined The Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014) for which we signed an audit report during the year ended 31 December 2020. It is therefore does not include all Major Local Audits for which we are appointed the statutory auditor.

Barnsley Metropolitan Borough Council	Islington Pension Fund
Barts and The London NHS Trust	Kent County Council
Brent London Borough Council	Kent County Council Superannuation Fund
Brent Pension Fund	Kirklees City Council
Brighton and Hove City Council	Leicester City Council
Bristol City Council	Leicestershire County Council
Buckinghamshire County Council	Leicestershire County Council Pension Fund
Buckinghamshire Pension Fund	Lewisham and Greenwich NHS Trust
Cheshire Pension Fund	London Borough of Brent
Cheshire West and Chester Council	London Borough of Islington Pension Fund
Chief Constable for Avon and Somerset Police	London Borough of Lewisham
Chief Constable for Merseyside Police	London Borough of Lewisham Pension Fund
Chief Constable for West Midlands Police	London North West Healthcare NHS Trust
Chief Constable for West Yorkshire Police	London Pensions Fund Authority
City of Westminster Council	Mayor's Office for Policing and Crime
City of Westminster Pension Fund	Maidstone and Tunbridge Wells NHS Trust
Commissioner of Police of the Metropolis	NHS Bedfordshire Clinical Commissioning Group
Cornwall Council	NHS Birmingham and Solihull Clinical Commissioning Group
Cornwall Pension Fund	NHS Bristol, North Somerset and South Gloucs CCG
Cumbria County Council	NHS Croydon Clinical Commissioning Group
Cumbria Local Government Pension Scheme	NHS Devon Clinical Commissioning Group
Cumbria Pension Fund	NHS Dorset Clinical Commissioning Group
Doncaster Metropolitan Borough Council	NHS East Lancashire Clinical Commissioning Group
Dudley Metropolitan Borough Council	NHS Gloucestershire Clinical Commissioning Group
East Lancashire Hospitals NHS Trust	NHS Kernow Clinical Commissioning Group
Gloucestershire County Council	NHS Leicester City Clinical Commissioning Group
Gloucestershire Local Government Pension Fund	NHS Liverpool Clinical Commissioning Group
Hull University Teaching Hospitals NHS Trust	NHS Manchester Clinical Commissioning Group
Islington London Borough Council	NHS Nene Clinical Commissioning Group

NHS North Cumbria Clinical Commissioning Group	Sandwell Metropolitan Borough Council
NHS Shropshire Clinical Commissioning Group	Shropshire Council
NHS Somerset Clinical Commissioning Group	Shropshire Pension Fund
NHS Walsall Clinical Commissioning Group	Solihull Metropolitan Borough Council
NHS Wandsworth Clinical Commissioning Group	Southwark Council
NHS West Hampshire Clinical Commissioning Group	Southwark Pension Fund
NHS Wiltshire Clinical Commissioning Group	Surrey County Council
NHS Wirral Clinical Commissioning Group	Surrey Pension Fund
North Bristol NHS Trust	Swindon Borough Council
Nottinghamshire County Council	The Royal Borough of Kensington and Chelsea
Nottinghamshire Pension Fund	The Royal Borough of Kensington and Chelsea Pension Fund
Pennine Acute Hospitals NHS Trust	University Hospital of North Midlands NHS Trust
Plymouth City Council	Walsall Metropolitan Borough Council
Police and Crime Commissioner for Avon and Somerset	Warwickshire County Council
Police and Crime Commissioner for Merseyside	Warwickshire Pension Fund
Police and Crime Commissioner for West Midlands	West Midlands Pension Fund
Police and Crime Commissioner for West Yorkshire	Wolverhampton City Council
Rotherham Metropolitan Borough Council	Worcestershire Acute Hospitals NHS Trust
Royal Borough of Greenwich	Worcestershire County Council
Royal Borough of Greenwich Pension Fund	Worcestershire Pension Fund
Sandwell and West Birmingham NHS Trust	

We are appointed auditors to a number of other Major Local audits but did not sign opinions in the year. During the year we have also issued two “Reports in the Public Interest” in relation to Nottingham City Council and the London Borough of Croydon.

Appendix I

Definitions and Contacts

Definitions

Advocacy threat

When the firm undertakes work that involves acting as an advocate for an entity relevant to an engagement and supporting a position taken by management in an adversarial or promotional context

AIP

Audit Investment Plan

AFMAS

Audit Firm Monitoring and Support – FRC programme

AQR

Audit Quality Review team of the FRC

Big 4

Deloitte, EY, KPMG and PwC

CEO

Chief Executive Officer

CIOT

Chartered Institute of Taxation

COO

Chief Operating Officer

Covered person*

A person in a position to influence the conduct or outcome of the engagement

CPAB

Canadian Public Accountability Board

CPD

Continuing Professional Development

EEA

European Economic Area

EIP

Ethics Implementation Plan

Engagement leader/Partner*

The partner or other person in the firm who is responsible for the engagement and its performance and for the report that is issued on behalf of the firm

EQCR

Engagement Quality Control Review*. A process designed to provide an objective evaluation, on or before the date of the report, of the significant judgments the engagement team made and the conclusions it reached in formulating the report.

Ethical standard

Revised Ethical Standard 2019 issued by the FRC

EU

European Union

Familiarity threat

When the firm or a covered person predisposed to accept, or is insufficiently questioning of, the point of view of an entity relevant to the engagement. Such threats may arise, for example, where close personal relationships are developed with such an entity's personnel through long association with the entity.

FCA

Financial Conduct Authority

FRC

Financial Reporting Council

GIS

Global Independence System

GDPR

EU General Data Protection Regulation

GLT

Global Leadership Team

GTIL

Grant Thornton International Limited

IAASB

International Auditing and Assurance Standards Board

ICAEW

Institute of Chartered Accountants in England and Wales

IESBA

International Ethics Standards Board for Accountants

IFIAR

International Forum of Independent Audit Regulators

IFRS

International Financial Reporting Standards

INE

Independent Non-Executive

Intimidation threat*

An intimidation threat arises when the conduct of the firm or a covered person is influenced by fear or threats.

IPA

Insolvency Practitioners Association

ISAs (UK)

International Standards on Auditing (UK) – Issued by the FRC

ISQC 1

International Standard on Quality Control (UK) 1: Quality control for firms that perform audits and reviews of historical financial information and other assurance and related engagements

ISQM 1

International Standard on Quality Monitoring No 1

KAPs

“Key Audit Partner” are the individuals registered with the ICAEW to sign audit reports for audits subject to the Local Audit and Accountability Act 2014

Key Audit Partner

The statutory auditor of a particular audit engagement who signs the audit report. The statutory auditor of the group and the statutory auditor designated at the level of material subsidiaries

KPI

Key Performance Indicator

Local auditor

Audit firm registered under the Local Audit and Accountability Act 2014

Major Local Audit

An entity where either:

- a the higher of the relevant authority’s total income (from all sources) for that financial year and its total expenditure (from all sources) for that financial year exceeds £500 million
- b the relevant authority is required to maintain a pension fund under regulations under section 1 of the Public Service Pensions Act 2013(8) as they relate to local government workers (within the meaning of that Act) and either:
 - i more than 20,000 members of a scheme established under those regulations, in relation to local government workers within the meaning of that Act, have rights relating to that fund, or
 - ii the fund has gross assets of £1,000 million or more

Management threat*

Where the firm provides non-audit / additional services and, based on that work, management are required to make judgments and take decisions. The persons conducting the service may become closely aligned with the views and interests of management and this may erode the distinction between the entity and the firm, in turn, impairing or calling into question the ability of the persons conducting an engagement to apply a proper degree of professional scepticism

Members

The Partners who legally own the firm.

NAR

National Audit Review

NAS

National Assurance Services

Other key partner

A partner, or other person in the engagement team (other than the engagement partner or engagement quality control reviewer) who either:

- a is involved at the group level and is responsible for key aspects of the engagement, including decisions or judgments on significant matters or risk factors that relate to the engagement for that entity
- b is primarily responsible for the engagement work in respect of a significant affiliate, division or function of the entity

Partners

Members of Grant Thornton UK LLP

PCAOB

Public Company Accounting Oversight Board (US regulator)

PIC

Public Interest Committee

PIE

Public interest entity – these are:

- a An issuer whose transferable securities are admitted to trading on a UK regulated market
- b A credit institution within the meaning of Article 4(1)(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council, which is a CRR firm within the meaning of Article 4(1)(2A) of that Regulation;
- c A person who would be an insurance undertaking as defined in Article 2(1) of Council Directive 91/674/EEC of 19 December 1991 of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertaking as that Article had effect immediately before exit day, were the United Kingdom a Member State.

PGB

Partnership Governance Board (from 1 January 2021)

POB

Partnership Oversight Board (until 1 January 2021)

PRG

Policy and Reputation Group. The PRG brings together representatives from the large UK audit firms to develop an understanding of evolving public interest issues. See www.theprg.uk

PSSC

Profit Sharing Committee

QAD

Quality Assurance Department of the ICAEW

QMA

Quality Management Approach

QME

Quality Management Evaluation

RAC

Risk and Audit Committee

RemCo

Remuneration Committee

RI

“Responsible Individual” an individual registered with the ICAEW to sign audit reports on behalf of the firm – except in the public sector see KAP.

SEC

Securities and Exchange Commission

SIP

Strategic Improvement Plan is the replacement for the Audit Investment Plan. The SIP is the audit wide plan for quality improvement

Self-interest threat

When any of the firm, its partners, staff or other covered persons, has financial or other interests which might cause the firm or any covered person to be, or perceived to be, reluctant to take actions in connection with the engagement that would be adverse to such interests of the firm or any such person

Self-review threat*

When the results of non-audit / additional services, or where the subject matter of such services, whether performed by the firm, the engagement team or others within the firm, are addressed in the engagement or reflected in the amounts included or disclosed in the financial statements or other subject matter information of the engagement

SLT

Strategic Leadership Team

“firm”

Refers to “Grant Thornton UK LLP” and certain subsidiary entities

“we”

Refers to “Grant Thornton UK LLP”

“our”

Refers to “Grant Thornton UK LLP”

Definitions denoted with an * have a more detailed definition in the FRC’s glossary of terms available at www.frc.org.uk

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