

haysmacintyre

# Transparency Report

For the year-ended 31 March 2021



# WELCOME

There is no question that the last 12 months has thrown up unprecedented challenges and circumstances which have needed us to respond effectively and quickly, whilst maintaining our core values, purpose and continuing with our strategic objectives.

I have been overwhelmed with the response of our people. It is difficult for any of us to appreciate fully the challenges faced by our colleagues, including our trainees working in difficult environments with limited face to face support, parents with young children and home schooling challenges and those with carer responsibilities. Their adaptability and dedication to ensure that our clients continue to receive a high quality effective service has been first class.

It was crucial that as a firm we continued with our audit quality improvement plan despite the practical challenges resulting from the pandemic.

A key part of audit quality improvement has been the implementation of our new training plan and our improved process around graduate recruitment. Recruiting and training high calibre individuals is crucial to delivering a high quality audit service and remains a key priority for us. We have also continued to make senior hires. We currently have 34 RIs compared to 31 a year ago.

Specific audit issues resulting from the pandemic have also led to more technical reviews being carried out to ensure that our audit work was robust around key areas such as going concern.

The white paper "Restoring trust in audit and corporate governance" has featured high on our agenda and we await with interest further developments now that the consultation period has closed. We engaged in various discussions with key stakeholders including BEIS, the FRC and the ICAEW, as well as a number of other challenger firms about how we widen the audit marketplace and improve audit quality. We look forward to embracing the changes that will arise from the recent consultation. During the year we also worked with the ICAEW on their "what does good look like" project, the first part of which focused on going concern.

The continual improvement in quality across all our work remains a top priority for the partners and the Management Board and it is my responsibility as Managing Partner to ensure that we continue with all our initiatives in this area. Our plans are reviewed each month by the Management Board and updates are provided to partners at our quarterly meetings. We continue to make good progress without, in any way, becoming complacent.

On behalf of the Management Board, I confirm that we have considered the internal quality control processes that the firm has in place in respect of audit work and that we are satisfied that they are appropriate and effective.



**Jeremy Beard**, Managing Partner, for and on behalf of Haysmacintyre LLP

This report was prepared in accordance with EU Audit Regulation 537/2014 Article 13.

29 July 2021

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# THE FIRM

Haysmacintyre LLP (haysmacintyre) is a firm of chartered accountants and tax advisors located in Central London. We provide sector-focused advice to business leaders, owner-managed businesses, private clients, public interest entities (PIEs), charities and other not for profit organisations, across the UK and internationally.

We help our clients grasp opportunities, achieve their goals, and work with them to solve problems and address their challenges. We are approachable, responsive, and knowledgeable across our sectors and broad range of services.

All our services are provided by specialist teams who have an in-depth knowledge of their sectors. This means each client

benefits from the support of helpful experts who understand their specific challenges and can provide added value technical advice. We spend time getting to know our clients and we tailor our services to meet their needs.

Our corporate and not for profit sectors are led by the following partners:

## Corporate sector teams



**Creative, Media and Technology**  
Jon Dawson  
jdawson@haysmacintyre.com



**Financial Services**  
Bernadette King  
bking@haysmacintyre.com



**Financial Services**  
Melanie Pittas  
mpittas@haysmacintyre.com



**Hospitality**  
Andrew Ball  
aball@haysmacintyre.com



**Property**  
Ian Daniels  
idaniels@haysmacintyre.com

## Not for profit sector teams



**Charities**  
Murtaza Jessa  
mjessa@haysmacintyre.com



**Charities**  
Adam Halsey  
ahalsey@haysmacintyre.com



**Education**  
Tracey Young  
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**Professional Institutes and Membership Bodies**  
Kathryn Burton  
kburton@haysmacintyre.com

# LEGAL STRUCTURE AND OWNERSHIP

Haysmacintyre LLP is a limited liability partnership with the trading name of haysmacintyre.

At the date of this report there are 38 members (referred to as partners) of which 26 have Responsible Individual (RI) status. In addition, the firm has eight director RIs.

Haysmacintyre LLP is registered to carry out audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales (ICAEW) and is a member of the ICAEW Practice Assurance Scheme.

In addition to the limited liability partnership, a wholly owned subsidiary provides corporate finance services.

The firm is structured along service lines, being:

- External audit
- Business support
- Corporate Finance
- Corporate tax
- Employment tax
- Private Client and Trust
- Tax disputes and resolution
- VAT
- Internal audit
- Company secretarial



# INTERNATIONAL

haysmacintyre is a co-founder and co-owner of MSI Global Alliance (MSI), a multi-disciplinary association comprising over 250 independent legal and accounting firms operating locally in countries around the world. Collectively member firms represent nearly 13,000 lawyers and accountants in over 100 countries.

MSI shares a common goal to provide partner-led, personal, value-for-money solutions to the cross-border challenges faced by businesses, private clients, and not for profit organisations.

haysmacintyre founded MSI over thirty years ago and it is now the eighth largest accountancy alliance and international association. We have three partners on the board of MSI to provide guidance on its strategy.

In 2021, the London Secretariat of MSI moved to haysmacintyre's offices at 10 Queen Street Place, London. The move enhances our ability to conduct business successfully across international borders and to support

business activities on a global scale through a central contact in the UK. MSI member firms are among the most respected, English-speaking, full service professional services firms in their local marketplaces.

Our alliance's global connectivity and deep relationships are authentic and built on the international flow of work between member firms collaborating on the same clients. Member firms have a common ethos and culture; we understand the importance of having an accessible partner-led team and take a genuine interest in wanting to help our clients succeed. Prospective and current members undergo robust scrutiny to ensure they are expert, experienced, of excellent reputation, and share similar values.



# GOVERNANCE AND MANAGEMENT

The partners are responsible for considering various matters at quarterly meetings as specified in the LLP Deed, including strategy proposals as developed from time to time by the Management Board. Partner seminars are also held at least twice a year which encourage feedback from all partners on the firm's strategy.

The firm's constitution is contained in the LLP Deed, which includes the process for the election of the Managing Partner and Supervisory Board, as well as the appointment of the Management Board.

The Managing Partner and Supervisory Board members are elected for three-year terms, with the Managing Partner's tenure limited to a maximum of two terms. Management Board members are appointed by the Managing Partner and shall hold office for the Managing Partner's tenure.

The day-to-day management of the firm is delegated to those individuals appointed to undertake the various operational roles identified in the partnership organisational

structure. The Management Board oversees the day-to-day strategic and operational management of the business across services, sectors, and operational divisions of the firm. The Supervisory Board has a proactive oversight responsibility to consider the effectiveness of the overall management of the firm, and the application of values and behaviours, together with themes and issues raised by partners. The Supervisory Board operates as an audit committee, discharging its duties in line with Company Law.

Both Boards meet separately monthly and jointly quarterly. The Managing Partner attends part of each Supervisory Board meeting to ensure effective collaboration between the two Boards.

## Managing Partner



**Jeremy Beard**  
Managing Partner. Non-Executive  
Director of MSI Global Alliance  
jbeard@haysmacintyre.com

## Management Board members



**Anna Bennett**  
Head of Operations and Finance,  
Partner  
abennett@haysmacintyre.com



**Andrew Broome**  
Head of Services, Partner  
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**Natasha Frangos**  
Head of Corporate, Partner  
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**Richard Weaver**  
Head of Charities and Not for Profit,  
Partner  
rweaver@haysmacintyre.com



**Simon Wilks**  
Partner  
swilks@haysmacintyre.com

## Supervisory Board members



**George Crowther**  
Chairman, Partner. Non-Executive  
Director of MSI Global Alliance  
gcrowther@haysmacintyre.com



**Andrew Ball**  
Head of Hospitality, Partner  
aball@haysmacintyre.com



**Murtaza Jessa**  
Co-Head of Charities, Partner  
mjessa@haysmacintyre.com

# AUDIT QUALITY

The culture, policies, and procedures adopted by the firm are designed to provide efficient, effective, high quality audits and to foster a continual process of quality improvement through all service lines. Audit is a key service line for our firm, and indeed we are one of the few medium-sized firms that audit PIEs and, as such, it continues to be a priority investment area. The Financial Reporting Council (FRC) supervise all firms that audit PIEs and they have developed three tiers of supervision. The seven largest PIE Audit Firms are Tier 1 and we have been placed in Tier 2. Policies and procedures are documented in our internal procedure manuals and the culture is embedded in the firm's values and reinforced through regular staff communications, training, and our staff and partner appraisal processes.

The overarching priority for the firm's strategy is audit quality and continual improvement to reflect the outcomes of our quality monitoring, changes to audit regulation, the wider audit industry, and the needs and expectations of the users of financial statements and other stakeholders.

As discussed in more detail in the 'quality monitoring' section, the results of both internal monitoring and external reviews by our regulators are showing improvements in our audit quality. The improvement, however, is more modest than our targets and, while the results may reflect the challenges of audit teams adapting to our new methodologies and procedures and the impact of COVID-19 restrictions on our work, we need to continue our process of audit quality improvement and are committed to do so.

## Culture

The culture of the firm is derived from the leadership and commitment of all partners and is encapsulated in our firm values (see page 14). Behaviours and principles which contribute to audit quality are inherent in our values and audit quality is valued, invested in, and rewarded; we also dedicate time and appropriate resources to provide a quality audit service.

During the year to 31 March 2021, we invested significant amounts of time and resource in further strengthening our audit methodologies and procedures with the aim of improving our audit quality, reflecting its overarching priority in the firm's strategy. The aim of improving our audit quality includes both internal factors, such as the results of compliance reviews of audit files, and external factors, including the ongoing changes to the audit industry, audit regulation, and meeting the needs and expectations of the users of financial statements and other stakeholders.

While the principle of 'integrity' has long been a key element of our firm values and culture, such significant and rapid change in our procedures and methodologies has required renewed focus on maintaining and refining a culture within our audit teams which supports the pursuit of improving audit quality through the challenge of management and professional scepticism. For instance, across our training,

technical guidance, and internal communications during the year to 31 March 2021, we have constantly emphasised the need for our audit teams to act with a sceptical and questioning attitude throughout their work. We have also sought to further develop our technical, ethical, and audit guidance advisory procedures to enable deeper and more extensive collaboration between audit teams and technical specialists to provide timely technical guidance and advice, and to further empower audit teams to be able to challenge and question audit clients.

In accordance with the International Standard on Quality Control (UK) 1 paragraphs 18 and 19, the Management Board has ultimate responsibility for audit quality and the firm's system of quality control. Day-to-day responsibility has been delegated to the Audit Compliance Partner who reports to the Management Board. The Audit Compliance Partner and the Audit Quality Team (AQT) oversee the development of our audit quality policies and procedures.

## Audit methodologies and procedures

The firm has established policies and procedures to comply with the International Standard on Quality Control (UK) 1 issued by the FRC.

We have our own audit software, eAudit, and accompanying methodologies which provide a structure for the planning and completion of our audit work to ensure compliance with the International Standards on Auditing (ISAs) and other applicable regulations. The functionality of eAudit provides inbuilt controls to ensure compliance with ISAs. Within this framework and common methodologies, our audit approach is tailored to each client with each individual eAudit file specifically designed, planned, and tailored to reflect the nature and characteristics of our audit clients with the aim of maximising the efficiency and effectiveness of our audit work. Partners and managers are involved at all stages of the audit and their expertise and knowledge, particularly of their specialist sectors and industries, is incorporated into our audits and included throughout the audit file.

Our audit software operates wholly in the cloud. This allows audit partners and managers to be able to review audit documentation remotely, and to collaborate, and supervise audit teams in real time while addressing problem areas or judgemental issues on a timely basis. This collaboration empowers audit teams to complete their work with the necessary knowledge and support from all members of the audit team and technical specialists where necessary.

Our methodologies and detailed guidance are established and updated by our AQT, who, also along with external expertise, provide training to the department. As detailed in the 'professional skills and training' section, we have redesigned our training plans to ensure the provision of sufficient and appropriate training to support our investment in processes, technology, and resourcing.

## Audit quality improvement plan

Through 2020/21 we continued with the introduction of a number of significant new procedures, policies, and supporting guidance to our methodologies as part of both our audit quality improvement plan and our response to changes in audit standards and regulation. The new procedures also incorporated feedback and findings from the firm's internal quality control reviews and external regulators.

Our audit quality improvement plan is based on the structure set out in the FRC's letter to the Heads of Audit, and those areas which audit firms should focus to achieve high quality audits consistently. The following diagram illustrates the elements of audit quality that our plan seeks to identify, monitor, and improve, which are explained more fully on the following pages.



## Risk assessment on client acceptance and continuance

We have reviewed and improved our client acceptance and continuance procedures to better identify possible or potential risks to audit quality on new and continuing engagements.

In 2020, we introduced enhanced client acceptance and reacceptance procedures for all existing and prospective audits of PIEs. In 2021, our procedures for all audit engagements were refined and we started to review all of our existing audit engagements to consider inherent risks of each engagement, both to better allocate appropriate and sufficient resources, and to ensure that these risks do not compromise audit quality. Where such risks were identified, we considered what mitigating actions should be taken, and in certain cases we have and will disengage from audit engagements.

Our risk assessment procedures include reviews of audit fees for existing clients to consider the risk that fees are insufficient to complete a quality audit. Where fees are too low, appropriate actions are taken to ensure audit quality is not impacted. Further to which we have disengaged from audit engagements where we have assessed that we are unable to devote sufficient time to perform a quality audit.

## Resourcing

Audit assignments are planned to ensure that appropriate staff are selected to undertake each audit. We have appointed an external recruitment agency to manage and enhance our graduate and school leaver recruitment processes, while a more rigorous search and assessment process has been introduced for other hires. In 2021, we have seen the benefit of this approach as new senior audit managers have been recruited to strengthen and extend our resource at manager level.

Structuring our audit teams by sector specialisms has undoubtedly improved audit quality and the quality of service provided to clients. This starts with specific sector training for managers and supervisors early in their roles. Having staff specialise in sectors that they have chosen to work is a real positive for them and the clients they serve.

Our enhanced training plan includes more dedicated training for audit seniors within the firm, as it was identified that they would benefit from further dedicated training given the significance of their role in delivering an efficient quality audit. This training forms part of our drive to improve our audit quality as part of the establishment of a 'high performance' culture and a 'right the first time' approach designed to empower and upskill our staff to take greater responsibility for the areas of audits that they are assigned.

A full review of our new training plan is included in the 'professional skills and training' section of this report.

To better direct our resources, we are using our review of existing audit engagements to risk assess their specific risks and requirements. This will allow us to better allocate our resources to each audit client based on their risk. In particular, higher risk clients will have more senior and experienced staff, more focused auditing on areas of higher risk, increased technical and quality control reviews, and enhanced monitoring, which will be reflected in our time costs and fees.

We have also established a specialised PIE audit team of partners and managers in response to the additional requirements for PIE audits, recognising that these entities may be more complex. A list of all our PIE clients is included in the appendix.

The AQT provide technical consultations with audit teams, and perform quality control reviews on 'live' audits to mitigate the risks of errors in judgement or inappropriate application of audit and financial reporting standards. These technical consultations provide advice and guidance to audit teams throughout the audit process.

#### **Audit technology**

Through the year to 31 March 2021, we increased our use of data analytics software and by the final quarter of the year we saw a 440% increase in the number of engagements using the software compared to the comparative quarter of 2020. We plan to continue the deployment of data analytics in more audit engagements.

We plan to introduce new audit software in early 2022 to replace eAudit; we have been working with a leading audit software developer on a new platform. It is envisaged that this software will drive greater efficiency through standardisation and automation, enhance audit quality by increased use of data analytics throughout the audit process, and enhance client value by offering new insights and differentiating outputs.

A more automated and integrated solution will also further improve the scheduling of our audit work and the effectiveness of our supervision and review processes, while offering a holistic project management solution to the audit process from the pre-planning stage to completion and archiving. Feedback from our clients on the portal used has been very positive and will be utilised on all our audits going forward.

#### **Timing of audit work**

An element of our audit quality improvement plan has been to ensure that audit processes are efficient and managed on a timely basis. New audit technologies, including the use of cloud-based audit software and file sharing platforms, were introduced to facilitate earlier, and more effective, audit project management and planning.

We upgraded our audit system to operate wholly in the cloud, allowing us greater flexibility and enabling audit managers and partners to have more access to all stages of the audit process than before. This has enabled earlier and more in-depth review processes, and with Microsoft Teams

has significantly improved our ability to collaborate with each other and supervise audit teams working away from the office. This greater flexibility enabled us to work effectively on all our audits which were conducted remotely during the COVID-19 lockdown.

#### **Audit evidence and the challenge of management**

Our systems and methodologies, ensure that we are designing and performing audit procedures that sufficiently and appropriately respond to identified audit risks, and comply with ISAs, best practice, and other applicable regulation.

Significant enhancements have been made in our systems, methodologies, and procedures throughout 2020 and 2021. However, the improvement process is continuous, and we continue to identify areas for further improvement as we monitor and assess the effectiveness of the changes that we have already made.

As referred to earlier, the right culture of ensuring that our audit teams are sufficiently professionally sceptical, and challenge management where required, is vital to maintaining audit quality. Our audit training includes an emphasis on professional scepticism and empowering our staff to challenge management's judgements and estimates.

Professional scepticism and the aptitude to challenge management requires more than just classroom training, and so we have focused on strengthening the firm's audit culture to encourage an appropriate challenge of management and the exercise of professional scepticism.

#### **Reporting**

The quality and clarity of our audit reports, and communications with those charged with governance, represent the product of our work.

During the year, we have implemented new procedures to improve the consistency of the quality of our audit reports. These include new guidance to respond to the changes to audit reports following the introduction of the new ISA 570 and ISA 700, which increase the complexity of audit reporting. We also continued our review protocols for all modified audit reports to require an independent technical review to ensure that our conclusions and disclosures are appropriate.

#### **Continuous improvement**

Our aim is to ensure that the firm's culture supports and encourages continuous improvement in audit quality, with the principal aim of our strategy being to put the quality of our work first.

During 2020, we introduced new audit quality indicators (AQIs) which draw upon the FRC Thematic Review guidance. Our AQIs, include cold file reviews, Quality Assurance Department (QAD), and Audit Quality Review (AQR) grades. These AQIs are circulated internally quarterly and reported externally annually in this report (see 'quality monitoring' section) and are used to monitor how quality has improved and identify areas for further improvement.

#### **COVID-19 impacts**

The COVID-19 pandemic and the restrictions placed on travel, business, and society during the year to 31 March 2021 have created practical challenges for clients and auditors in preparing financial statements and performing audits.

These restrictions and consequent pressures on reporting timetables have increased audit quality risks. However, our investment in our audit software, data analytics, and file sharing platforms enabled us to quickly adapt to remote working and continue our audit work despite being distanced from our clients.

Similarly, recent investment in Microsoft Teams as part of a whole firm agile working project has allowed audit teams to work remotely while maintaining an appropriate level of supervision, oversight, and review by senior members of the audit team. This has helped us maintain audit quality during this difficult time.

The economic uncertainty created by COVID-19 has significantly increased the audit risks to going concern of some clients and other areas, including impairment and asset valuation. Recognising that the pandemic has created unprecedented complexities we introduced new review protocols to ensure that all high-risk audits were subject to additional independent technical team reviews of going concern work and other elevated risk areas.

Additional and specific training was introduced to ensure that audit teams were able to respond to specific COVID-19 audit challenges, such as increased going concern and impairment risks.

#### **Quality monitoring**

The firm's audit quality monitoring procedures are designed to promote improvements in audit quality. Audit quality monitoring reviews are carried out on 120 completed audits annually, representing approximately 10% of the total audits performed each year.

The firm's audit quality monitoring procedures comprise two types of review:

1. Audit Compliance Review (ACR)
2. Cold File Review (CFR)

ACRs are performed by the Audit Compliance Officer. The ACR process gives a high-level view of audit quality and monitors compliance with the firm's key policies and procedures, such as those on audit documentation and archiving.

Ten completed files are selected at random each month and a checklist of key requirements is used to monitor whether core audit documentation has been obtained, specific procedures have been carried out, and key policies have been complied with. An ACR does not conclude on the overall quality of a specific audit.

CFRs are performed quarterly to assess the quality of audit work on completed files. Ten audit files are selected for review each quarter; two files are reviewed by an external consultant and the remaining eight files are reviewed by members of the firm's AQT. Each review includes consideration of the quality of the Strategic Report and/or the Directors' Report (or their equivalents), and the financial statements, the quality of the planning and completion work, and the quality of audit documentation and conclusions in respect of key audit areas. Each file selected for a CFR will also be subject to an ACR, which may highlight additional areas of focus for the CFR reviewer to address.

The firm's CFR cycle has been reduced from 18 months to 12 months to ensure that every RI will have a grade from at least one recently reviewed audit file to inform their annual appraisal. The majority of the 40 files selected annually for CFR are cyclical selections, with the remainder being selected to address audit quality risks, including low grades from previous CFRs or regulatory inspections. In addition to shortening the CFR cycle, we have revised our CFR grading criteria to be focused on a qualitative assessment of the overall quality of an audit file, whereas previously our grading system rested on numerical scores for each file. The new criteria are intended to ensure that the weighting of individual findings is properly reflected in the overall grade awarded to a file.

At the conclusion of each CFR, the findings are explained and discussed with the engagement team and their responses to the points raised by the reviewer are included in the final report. Each completed review is then graded on the following scale:

- 1: Good
- 2A: Generally acceptable
- 2B: Requires improvement
- 3: Unsatisfactory

A quarterly summary of the CFR grades and significant findings is circulated to all audit staff and partners and the overall results of the firm's CFRs are presented to audit staff and partners on an annual basis. Trends in significant findings are monitored by the AQT and inform training priorities at all levels of the firm. Key matters arising from each quarterly round of CFRs are the subject of quarterly training for audit partners, managers, and qualified staff.

With effect from June 2021, the AQT publishes anonymised copies of each CFR report on the firm's intranet so that all audit staff can access and learn from the findings of our quality monitoring process.

The firm's CFR grades for the 12 months to 31 March 2021 are summarised below:

Grade	Q/E 30 June 2020	Q/E 30 September 2020	Q/E 31 December 2020	Q/E 31 March 2021	Total
1	1	0	0	2	3
2A	3	5	6	2	16
2B	5	4	4	4	17
3	1	1	0	2	4
<b>Total</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>40</b>

We have seen an overall improving trend in CFR grades over the 12 months to 31 March 2021, with the proportion of files graded either 1 or 2A increasing from 40% in the first quarter's reviews, to 60% in the third quarter. The March 2021 grades show a slight reverse to this trend in that the number of files graded 2B or 3 has increased, although it is encouraging to note that two files received the highest grade in the final quarter.

### Regulatory inspections

The firm is subject to regulatory inspections by the FRC's AQR team, for our PIE audits, and by the ICAEW's QAD for our other audits. The firm's most recent AQR review was performed in 2021 which included a 'whole firm procedures' review. This review focused on our progress in implementing the action plan agreed following the AQR's previous review in 2019. The AQR acknowledged that we have made progress in implementing improvements through our audit quality improvement plan and we have agreed a plan to continue with certain enhancements in the coming year.

The actions agreed following the 2021 AQR review included:

- Improving our independence and ethics consultation process
- Mandatory partner rotation policies
- Improving and formalising the moderation process of our internal quality monitoring
- Recording and reporting quality indicators for each audit partner
- Individual audit quality objectives to be set for all audit staff and partners
- Enhanced guidance and training on the firm's sampling methodology
- Enhanced guidance and training on group audits
- The development of real-life case studies on 'what good looks like' and we have been working with the ICAEW on their "what good looks like" project, the first part of which focused on going concern.

As reported in our 2020 transparency report, the FRC commenced an investigation during 2019 into a 2018 audit, under the Audit Enforcement Procedure. We also reported that the matters which give rise to this investigation were included in our action plan agreed with the AQR in May 2019. The investigation was concluded in March 2021 and we accepted the findings which had previously been identified in our root cause analysis. The FRC subsequently published their decision notice in May 2021.

The AQR completed one file review during the year to 31 March 2021 and the audit was assessed as 2 - limited improvements required (this is equivalent to a 2A under the previous grading system). The AQR reported no key findings but did identify two good practice areas in relation to going concern assessment and loan book testing.

The most recent completed review by the QAD took place in 2020. This review looked at nine audit files, of which one was a follow-up selection from a previous review. The results from the last two QAD reviews are set out below:

Grade	2018	2020
1 – Good	1	1
2A – Acceptable	3	5
2B – Improvements required	3	2
3 – Significant Improvements Required	1	1
<b>Total</b>	<b>8</b>	<b>9</b>

Our objective is that at least 75% of all audits are graded as good or acceptable and therefore we are currently falling short of that target. We are pleased to note, however, that our results improved from 50% in 2018 to 67% in 2020 against that metric. We also note that the files selected for review in 2020 ranged in reporting periods from December 2018 to December 2019, so the full impact of our audit improvement programme is not reflected in these results.

### Internal quality control

The firm's system of internal quality control includes three tiers of additional review that are applied where applicable to individual engagements to ensure audit quality. All of these procedures are 'hot' review procedures undertaken on audits in progress, prior to the issuing of the audit opinion, to ensure that sufficient appropriate audit evidence has been obtained to support our audit opinion.

#### 1. Engagement quality control review (EQCR)

EQCR represents the highest tier of review and applies to the audits of PIEs and other listed entities, as defined in the FRC's Ethical Standard. EQCRs are carried out in line with the requirements of ISA (UK) 220 by: an audit partner who is independent of the engagement team; has appropriate skills and experience to challenge the work of the engagement team; and has the ability to provide an independent assessment of the quality of the audit work performed, and of the audit evidence obtained, by the engagement team.

#### 2. Independent Partner Review (IPR)

IPR is the second tier of review and is applied under a range of circumstances, which include the following:

- Higher-risk audits which are outside the scope of EQCR
- Audits where the engagement partner has been in post for more than ten years
- As a safeguard in response to other threats to the independence and objectivity of the engagement team

IPRs are performed by a RI (an audit partner or director) who is independent of the engagement team and has appropriate sector experience. 186 IPRs were undertaken in the year to 31 March 2021.

With effect from 1 April 2021, our EQCRs and IPRs are performed to the same standard and use the same questionnaires at the planning and completion stage to ensure a consistently high standard for all of our in-progress quality reviews.

EQCRs and IPRs are carried out by a team of partners and directors who receive regular training to ensure that best practice is maintained.

#### 3. Technical review

Technical review is the lowest tier of additional review and is applied to specific aspects of a particular engagement, which include:

- The proposed issuing of a non-standard audit report (eg modified opinion, emphasis of matter, material uncertainty relating to going concern)
- Going concern assessed as a significant risk
- Use of component auditors for a significant component of a group
- Referral by an IPR

Technical reviews are performed by a member of the AQT who is independent of the engagement team and has appropriate experience.

EQCRs and IPRs are carried out by a team of partners and directors who receive regular training to ensure that best practice is maintained.

Compliance with these requirements for additional review is monitored by the Audit Compliance Officer.

### Statement of the effectiveness of the internal quality control system

The Management Board are satisfied that the firm's internal quality control system is effective in all material respects.

# PROFESSIONAL SKILLS AND TRAINING

We are committed to developing and maintaining the highest possible standard of technical competence through our internal and external training courses and providing an environment where staff have opportunities to improve and widen their skills.

Improving and maintaining audit quality requires the provision of sufficient and appropriate training, in addition to our investment in processes, technology, and resourcing. It also requires a prevailing 'high performance culture' which challenges audit staff, but also readily provides support to enable them to do so. To this end, training focuses on the technical skills auditors need but also increasingly on the sceptical and questioning mindset and on influencing and teamworking skills which are essential to fulfil the role.

Our training program has been enhanced to incorporate more external training from market leading providers on the varied soft skills an auditor needs. We are also bringing in more external training providers with practical experience and expertise in complex areas, such as valuation and modelling. Our enhanced training plan took effect in early 2021 and includes more dedicated training for audit seniors within the firm, as it was identified that they would particularly benefit from further dedicated training given the significance of their role in delivering a successful audit.

Our training program includes:

- Training days for audit staff, tailored to their grade and stage of development
- Quarterly CPD sessions for all qualified staff presented by specialist external trainers
- Annual audit conference for all RIs and audit staff
- Quarterly technical training for the managers
- Quarterly audit quality training for the partners and other RIs
- Quarterly training for the PIE audit team
- Sector specific training for partners, managers, and supervisors
- Ethics training for all partners and staff
- Training on new methodologies and procedures adopted by the firm for all RIs and audit staff
- Training on the use of data analytics software

Training is provided on a regular basis for all relevant audit personnel and covers our sectors. Senior staff and partners have access to multiple sources of online resources designed to assist with the development of their professional skills and application of auditing and financial reporting standards.

Sector specific training is provided annually to all audit staff to cover current hot topics, common risk areas, and best practice guidance in advance of each audit season.

Individual specific training requirements are assessed and monitored at twice-yearly appraisal meetings. We actively promote from within and many of our partners and managers trained with the firm. We spend considerable time understanding our clients' businesses to improve the quality of our audits and the service to our clients. Our junior staff benefit from year-round mentoring by managers and 'on-the-job' training from seniors, managers, and supervisors.

Further training is provided based on any issues identified by the AQT – arising from cold file reviews, external reviews, and changes in auditing and accounting standards. The AQT regularly prepare staff guidance notes, best practice examples, and factsheets which are then issued to the department and accompanied by training sessions to ensure that staff understand the messages being given. Recent examples include sessions on ISA 540, professional scepticism, going concern, and revenue recognition.

We are increasingly looking to utilise online training which is recorded and collated as part of an online library so audit staff can easily refer to training on any subject of their choice. We have also begun to collect anonymous feedback from audit staff on what areas they believe they would benefit from further training, which is aggregated and then used to drive upcoming training sessions to ensure that development needs are being met.

The audit teams ensure that all staff develop their practical skills required whilst carrying out their audit work. This feedback is complemented by the further insights that our client care interview programme provides.

All of the firm's RI partners and directors attend quarterly audit quality training sessions, which focus on specific aspects of the firm's audit quality improvement plan, developments in audit best practice, and changes to the firm's audit methodology. Quarterly training is also provided for the PIE audit team.

The firm's annual audit conference brings the whole audit department (partners and staff) together to discuss developments in audit practice, ethical matters, financial reporting and other relevant issues, and to share and develop the firm's methodology through a combination of lectures and practical exercises.

# ETHICS AND INDEPENDENCE

Ethics is central to our culture. We are committed to acting with high standards of integrity and in accordance with the ICAEW's Code of Ethics and the FRC's Ethical Standard.

The firm maintains an Ethics Manual and a suite of internal policies and procedures to ensure that it remains independent from its clients and that potential threats to our objectivity are dealt with appropriately and on a timely basis.

We include ethics within our training programme for partners and staff to ensure they are up to date on ethical requirements and our policies and procedures.

Tracey Young, the firm's Ethics Partner, ensures that partners and staff achieve the objectives of relevant ethical codes and the firm's own procedures. Tracey is supported in this by a Technical Director and the Audit Compliance Officer, who assist with ensuring compliance with the firm's policies and in dealing with ethical queries which arise. As Ethics Partner, Tracey is responsible for reporting directly to the firm's Management Board.

An independence review is carried out annually on every audit both at planning and completion stages to ensure independence at all times. Matters considered include independence of the firm, partner, manager, and all staff involved on the audit.

All new partners and staff complete a statement of independence and confidentiality, which incorporates a fit and proper declaration on joining the firm. All our partners and staff are also required to complete an annual declaration and notify the Audit Compliance Partner of any actual or potential threats. These include details of any conflicts of

interest between themselves and clients or between clients of which they are aware, or confirmation that they are not aware of any such conflicts. The declarations also require staff to inform a partner as soon as they become aware of any conflicts of interest and remind them of the provisions against insider dealing and confidentiality in respect of client information.

In addition, at the planning and completion stages of every audit, the engagement team is required to determine whether there are any conflicts of interest which would have an impact on the team's or the firm's ability to accept the (re)appointment as auditors and to assess whether this impact can be mitigated by the implementation of suitable safeguards. This review includes a robust assessment of the impact of non-audit services and length of service.

Mandatory partner rotation every five years is required for the audits of listed clients and every fifteen years for other clients.

A register is maintained of all listed clients and partners and staff are prohibited from holding shares in any audit client.

Our independence procedures are reviewed internally as part of our cold file reviews and compliance reviews.





# VALUES

# ENVIRONMENTAL SUSTAINABILITY

Behaviours and principles which contribute to audit quality are inherent in our values.

A self-selected staff group, representative of all grades and disciplines, accepted the challenge of identifying our common values and formalising an approach to our work that will influence our growth and goals in the years to come.

Our values and their associated 'image clouds' created by staff can be seen below.

Our key focus areas for our values are:

### Integrity

- We operate in a trustworthy and straightforward manner
- We are honest, objective, and sincere
- We comply with and uphold professional requirements and obligations
- We do 'the right thing' at all times

### Collaboration

- We respect everyone and value their contributions
- We act in an inclusive manner, sharing ideas, opportunities, successes, and experience
- We trust one another
- We are communicative, consultative, and accessible

### Empowerment

- We are confident in our expertise, delivery, and knowledge
- We understand that trust and responsibility go hand-in-hand
- We have the flexibility and freedom to perform and recognise that 'one-size' does not fit all
- We have the independence to achieve our full potential

### Dynamism

- We challenge the status quo and champion progress
- We search out and embrace new ideas and technology
- We are open to change and new solutions
- We learn from our experiences to improve

Our firmwide awards programme, the Haysmac awards, recognises those individuals best living our values, delivering exceptional work, and contributing to our success.



We are committed as a firm to reduce our impact on the environment and improve our sustainability. Our Environmental Sustainability policy outlines our specific initiatives under the four pillars of Carbon, Waste, Water, and Energy, and we detail our current activity and future objectives in these categories. Some examples of our current action in these areas are as follows:

- We offer incentives for staff to travel to work and client sites by bicycle or public transport through our cycle to work scheme, office facilities for showering and storage of bikes, and season ticket loans.
- Our office operates a 100% zero landfill policy – as well as providing recycling and food waste points, everything put in the 'bin' is sorted at a nearby plant with any recyclables removed; the remaining non-recyclable waste is processed at the plant to make 'RDF Flock' (refuse derived fuel) which is then used as a fossil fuel replacement for energy production.
- We started Project Paperless in 2020, an initiative to reduce our paper usage by 85% by the end of 2021. The move to online editing, fully cloud-based accounting, electronic signing and digital publications will save upwards of 250 trees annually. As our office returns to in-person collaboration, we aim to maintain the reduced levels of paper consumption.
- We have a paperless audit package and have utilised the collaboration tool within our cloud-based software to transmit data and information for audit purposes which has significantly reduced the use of paper during our audits. All audit files are saved electronically and supporting documentation attached to the audit file in PDF format.
- We clear and donate all old IT equipment to charitable causes or sell the equipment and donate the proceeds. Most recently we assisted community schools to provide students with laptops.
- We have partnered with our cleaning company, Cleanology, who are multi award-winning market leaders in environmental sustainability and use chemical-free cleaning and electrically powered vehicles.
- Our bathroom facilities use water efficient toilets, taps and showers.
- Our office uses motion-detecting, energy efficient lighting, and our IT equipment is programmed to prompt shut down after hours, ensuring that computers and monitors are not using energy overnight.

Through our achievements thus far and our goals moving forward, we aim to remain environmental sustainability leaders in the accountancy sector, and will continue to review and challenge what our firm can do to minimise impact and make positive contributions to the environment. To demonstrate our commitment to further reducing our environmental impact, we aim to achieve net carbon neutral status by March 2024.

# DIVERSITY AND INCLUSION

We value the difference a diverse workforce brings to the firm and our clients and we recognise that our people are our strength. We believe that race, gender, sexual orientation, religion, socio-demographic background, health and disability should not affect how people are treated and we recognise that having teams with a range of backgrounds and experience ultimately contributes to improving audit quality by providing diverse perspectives and skills. We are committed to creating a friendly, inclusive culture where every individual has the opportunity to develop and make a real difference to our firm and our clients.

Over the past year, we have held regular staff-led diversity forums where colleagues have shared experiences, interviewed guest speakers and discussed different areas of diversity and inclusion, including race, religion, gender and sexuality. Our Diversity and Inclusion Committee meets regularly to drive diversity and inclusion initiatives forward with an aim to continually review and improve our policies. Most recently, we have introduced firmwide, mandatory unconscious bias training and we are currently rolling out a training programme across the firm covering all areas of diversity.

We are currently preparing baseline data on the diversity of our current job applicants, as well as gathering diversity data on race, religion and socio economic background from existing staff, which will give us a foundation to measure progress and set goals. In the interests of transparency, we will be using the staff diversity data to publish our first ethnicity pay gap report, alongside our next gender pay gap report.

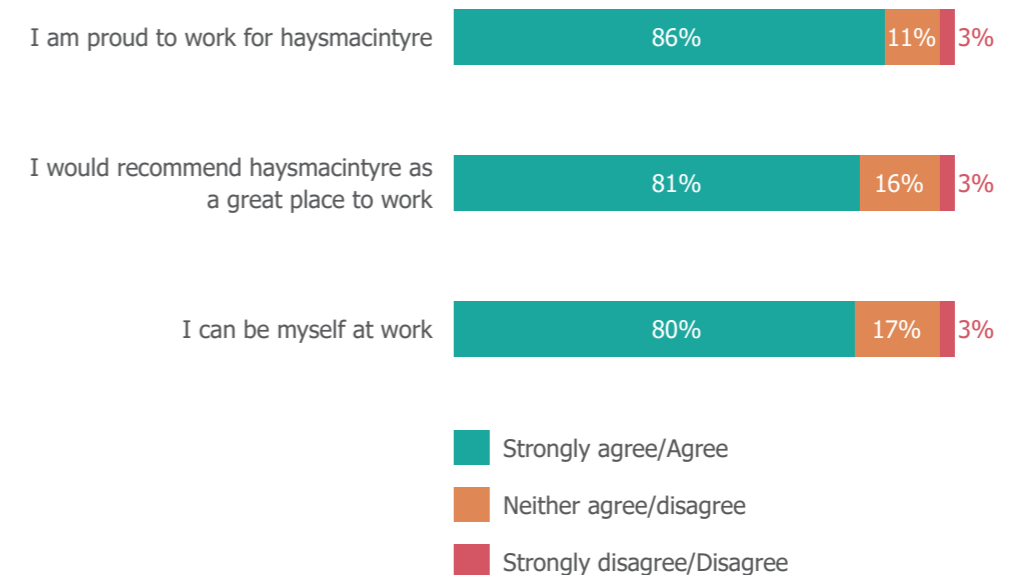
# WELLBEING

Since the beginning of the COVID-19 pandemic, we have increased our efforts to support the mental wellbeing of our people. From the outset we introduced regular communications to keep the firm connected through fortnightly virtual firm briefings, our weekly internal eNews and a new initiative called 'Reach out Roulette' to pair colleagues for a virtual cup of tea and a catch up. Early on, we set up our 'Wellbeing Hub' to detail the support we offer

in terms of mental health through our Employee Assistance Programme, 24-7 stress helpline, virtual GP appointments, and corporate subscriptions to various apps to promote wellbeing, such as Thrive and Headspace. During 'lockdown' we also established a series of virtual events to support staff wellbeing, including sessions on yoga, exercise classes and meditation.

# STAFF SURVEY RESULTS

A snapshot of the results to some of the questions in our latest staff survey in March 2021:



# GENDER PAY GAP

We value the difference a diverse workforce brings to the firm and to our clients.

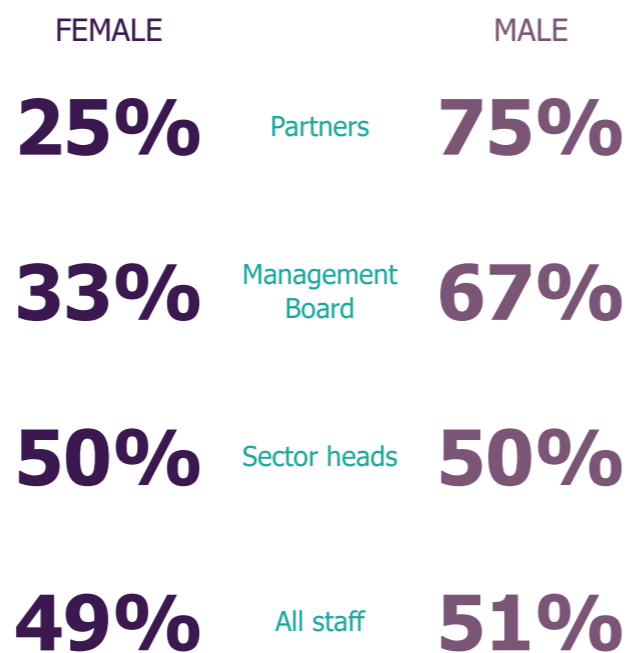
haysmacintyre is committed to treating individuals fairly and rewarding them based on their merits. We are an equal pay employer and do not pay men and women differently for the same or equivalent roles. Within this context we present our third gender pay gap report for the year ended 5 April 2020. This report has been prepared in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

For the first time, we have voluntarily included statistics on our partner pay gap in this report. We have done this in order to be transparent about the remuneration of all our people and to be open about where we are as a firm.

This year we have continued to prioritise work to make the firm an inclusive and welcoming place to all. Our latest annual survey found that over 80% of our people felt strongly that they are able to be themselves at work and 85% rated haysmacintyre as an inclusive place to work. We are pleased that people feel comfortable in our workplace and feel able to be honest and open with their managers. We are not, however, complacent that this will naturally continue and therefore we invest in initiatives to support our on-going development as a firm.

- During 2020 we set up a Diversity and Inclusion Committee, chaired by our Head of Operations and Finance, who sits on our Management Board.
- We have commissioned an external review of the inclusivity of our recruitment processes and we are committed to acting on the information received.
- We have reviewed and improved our parental leave pay and policies across the firm.
- We are currently undertaking a survey related to agile working practices with the aim of ensuring that our future practices provide the flexibility staff require to be efficient in their roles, to help them achieve balance in their lives, and to support and recognise our diverse workforce.
- We conduct an annual firmwide survey and are committed to listening to the outcomes and improving our environment where we can. We want to hear and learn from our people rather than impose ideas on them.
- In the next year, our Diversity and Inclusion Committee have prioritised an expansion of our training and development programme, continued improvement of our recruitment processes, introducing a mentoring programme for staff and partners, and analysing our data on diversity to understand more about where we are as a firm.
- We aim to include our ethnicity pay gap data in our 2021 gender pay gap report.

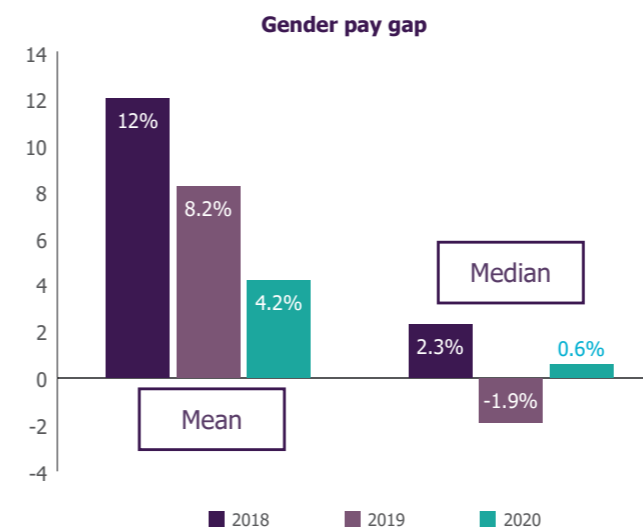
We are aware that we must not be complacent and need to encourage, through appraisals and training, all people to continue to feel that they have an equal opportunity to thrive and advance at haysmacintyre. The firm is transparent about how we treat all our people and we are committed to addressing inequality where it is identified.



	Female	Male
Lower quartile	35%	65%
Lower middle quartile	56%	44%
Upper middle quartile	49%	51%
Upper quartile	41%	59%

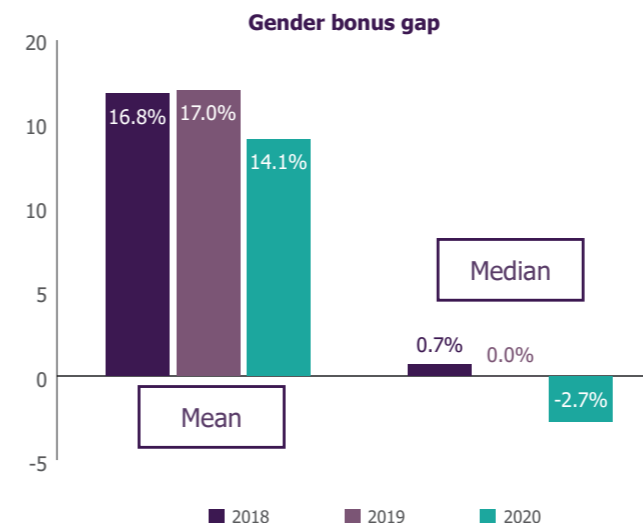
## Gender pay gap (staff)

We have made good progress throughout the last three years and during this period our mean gender pay gap has fallen, from 12% in 2018 to 4.2% in 2020, and our median gender pay gap has also fallen, from 2.3% to 0.6% in the same period.



## Gender bonus gap (staff)

Our mean gender bonus gap has also fallen, from 17.0% last year to 14.1% in 2020. Our median bonus gap has fallen, from 0.0% last year to -2.7%, meaning that the median female staff bonus was higher than the median male staff bonus.



### Definitions

**Mean gender pay/bonus gap** – the difference between the average hourly rate of pay/bonus pay of male employees and that of female employees calculated as a percentage of male pay/bonus pay.

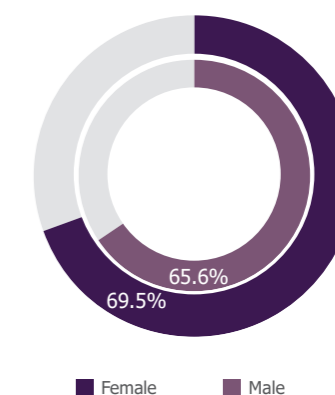
**Median gender pay/bonus gap** – the difference between the midpoint hourly rate of pay/bonus pay of male employees and that of female employees calculated as a percentage of male pay/bonus pay.

## Proportion of staff receiving a bonus

Our bonus system rewards all individuals. The statutory calculation of bonus pay gaps includes information relating to our bonus paid between April 2019 to April 2020, which mainly relates to our annual bonuses which were paid in May 2019 to all staff.

The figures show that not all employees received a bonus. This is because the data reflects employees in employment on 5 April 2020, some of whom are newer recruits who were not in employment in May 2019 when the bonus was paid.

### Proportion of staff receiving a bonus



## Partner gender pay gap

In accordance with the gender pay gap regulations, our partners are excluded from the reported figures as they are not employees of the firm. This year, in order to be transparent about our pay structures for all our people, we have made the decision to voluntarily include our partner gender pay statistics. This calculation uses the partner profit shares for the year to 31 March 2020.

Our partner mean gender pay gap is 3.7% and our partner median gender pay gap is -17.4%.

## PARTNERS' REMUNERATION

All partners receive a share of the firm's profit, approved by the equity partners, after taking into account recommendations made by the Management Board.

Audit partners' remuneration is based on various factors which include audit quality and an assessment against the eight pillars of performance listed below.

Each partner is subject to an annual performance review where all aspects of the partner's performance including audit quality are discussed.

The partners are appraised against the eight pillars of partner performance:

1. Financial and business performance
2. Professional standards and competence
3. People management, leadership, and team/skills development
4. Business development
5. Client relationship management
6. Contribution to the firm as an institution
7. Self-development and self-leadership
8. Living the firm's values

Audit Quality forms part of staff, managers, and partners appraisals.

## MODERN SLAVERY ACT

haysmacintyre does not operate in high risk areas and we do not consider any of our activities to be at high risk of slavery or human trafficking. However, we remain diligent to monitor and manage this risk and are committed to tackling modern slavery in our business activities and supply chains.

Before engaging suppliers, we seek to obtain their own Modern Slavery Statement and have developed an ethics questionnaire for our main suppliers to obtain their assurance that they are compliant with the Modern Slavery Act.

## CORPORATE SOCIAL RESPONSIBILITY

Our charity partnership programme is a firmwide initiative where staff nominate and elect a UK charity to be the recipient of our fundraising activities throughout the year.

As a positive contributor to the firm's commercial goals and culture, the charity partnership element of the CSR programme encourages leadership, internal communication and collaboration, project management work, and socialising across grades and departments. It also enables colleagues to learn about social enterprises and charities, try new activities, work in teams towards a common goal, and have fun together. Our current charity partner is Central London Samaritans, providing life-saving support to thousands annually. To date, we have raised over £25,000 for the charity in the first year of partnership and we look forward to another year of raising funds.

In addition to our charity partnership, the firm has a history of supporting the annual Jeans for Genes, Poppy Appeal, and Christmas Jumper Day fundraising campaigns, which we will continue to do. During lockdown, as a firm we successfully ran the distance from Lands End to John O'Groats to raise money for our local NHS Trust. Furthermore, the firm also supports individual members of staff in their own personal fundraising activities through financial donations.

We encourage staff to volunteer as trustees and governors. As well as supporting charities with their professional skills, this means that many of our partners and staff have first-hand experience of being on a trustee board, which helps them to better understand their clients' needs.

## LIVING WAGE

We are proud to be an accredited Living Wage Employer. All our staff and third-party contractors are paid at least the London Living Wage and we support the Living Wage Foundation's goal of ensuring that a hard day's work deserves a fair day's pay.

# APPENDIX

## Financial information

For the year-ended 31 March 2021, the firm's turnover was £38.4m (2020: £37.3m; 2019: £32.8m; 2018: £28.8m) of which £21.1m (2020: 19.7m; 2019: £17.1m; 2018: £15.3m) related to the provision of statutory audit services.

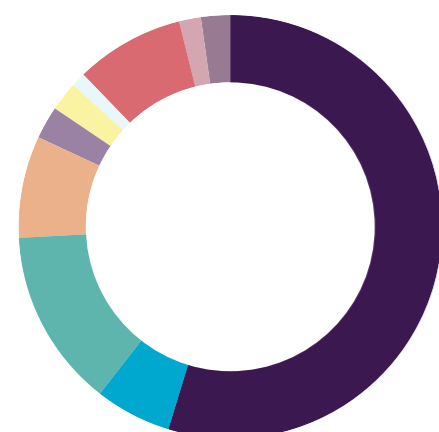


**£0.1m** Revenues from the statutory audit of public listed entities and entities belonging to a group of undertakings whose parent is a public interest entity

**£21.0m** Revenues from the statutory audit of other entities

**£5.9m** Revenues from non-audit services to entities that are audit clients

**£11.4m** Revenues from non-audit services to other entities



**Service lines and turnover split 2020-21:**

Audit	£21.1m
Accounts and other assurance	£2.2m
Corporate tax	£5.2m
Personal tax	£3.0m
Trust	£1.0m
VAT	£0.8m
Employment tax	£0.5m
Business support	£3.2m
Payroll	£0.6m
Company secretarial	£0.8m

## Public interest entities

During the year-ended 31 March 2021, audit reports were issued on the financial statements of the following entities:

Public interest entities as defined
Baskerville Capital plc (now called Oberon Investments Group plc)
Boston International Holdings plc
Jupiter UK Growth Investment Trust plc
Jupiter US Smaller Companies plc (now called Brown Advisory US Smaller Companies plc)
Nuformix plc

## Other UK listed companies

During the year-ended 31 March 2021, we also acted as auditors for the following UK listed companies:

Other UK listed companies
7 Digital Group plc
ADM Energy plc
All Active Asset Capital Limited
Asimilar Group plc
Audioboom Group plc
Be Heard Group plc
Bidstack Group plc
Bigblu Broadband plc
BiON plc
Catalyst Media Group plc
Digitalbox plc
Early Equity plc
Frenkel Topping Group plc
Immotion Group plc
Kromek Group plc
Quidnet REIT Ltd
Tasty plc
The City Pub Group plc
Touchstar plc

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Registered number: OC423459 Registered in England and Wales

Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales

A list of members' names is available for inspection at 10 Queen Street Place, London EC4R 1AG

A member of the ICAEW Practice Assurance Scheme

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Shortlisted 2019 National Firm of the Year



Shortlisted 2019 Tax Team of the Year



Highly Commended Partner of the Year



Winner: Audit Team of the Year



Top 15 auditor to quoted companies in Adviser Ranking Listing



An eprivateclient top accountancy firm 2020



Top adviser to the top 5,000 charities, Charity Financials' league table 2021