Public Report

FRC Financial Reporting Council

February 2015

Crowe Clark Whitehill LLP

Audit Quality Inspection

The FRC is responsible for promoting high quality corporate governance and reporting to foster investment. We set the UK Corporate Governance and Stewardship Codes as well as UK standards for accounting, auditing and actuarial work. We represent UK interests in international standard-setting. We also monitor and take action to promote the quality of corporate reporting and auditing. We operate independent disciplinary arrangements for accountants and actuaries; and oversee the regulatory activities of the accountancy and actuarial professional bodies.

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1. Background information and key messages

1.1. Introduction

This report sets out the principal findings arising from the 2014/15 inspection of Crowe Clark Whitehill LLP ("CCW" or "the firm") carried out by the Audit Quality Review team of the Financial Reporting Council ("the FRC"). This inspection was conducted in the period from March 2014 to July 2014 (referred to as "the time of our inspection"). We inspect CCW every three years; our previous inspection report was published on 10 May 2012. The objectives of our work are set out in Appendix A.

Our inspection comprised reviews of individual audit engagements and a review of the firm's policies and procedures supporting audit quality.

We reviewed five audit engagements undertaken by the firm, none of which were reviewed in our last inspection, selected on a risk basis utilising a risk model. These related to two AIM quoted companies, two large pension schemes and one large charity, with financial year ends between 31 March 2013 and 30 September 2013. Each review covered only selected aspects of the relevant audit.

Our responsibility is to monitor and assess the quality of the audit work performed by the UK firm. Accordingly, our reviews of group audits covered the planning and control of the audit by the group engagement team, including their evaluation of the adequacy of the work performed by component auditors, and selected aspects of other work performed by the UK firm at group and/or component level. Our reviews did not cover audit work relating to components undertaken by other firms within or outside the firm's international network.

Our review of the firm's policies and procedures supporting audit quality covered the following areas:

- Tone at the top and internal communications
- Transparency report
- Independence and ethics
- Performance evaluation and other human resource matters
- Audit methodology, training and guidance
- Client risk assessment and acceptance/continuance
- Consultation and review
- Audit quality monitoring
- Other firm-wide matters

We exercise judgment in determining which findings to include in our public report on each inspection, taking into account their relative significance in relation to audit quality, both in the context of the individual inspection and in relation to any areas of particular focus in our overall inspection programme for the relevant year. Where appropriate, we have commented on themes arising or issues of a similar nature identified across more than one audit.

Further information on the scope of our work and the basis on which we report is set out in Appendix A.

All findings requiring action set out in this report, together with the firm's proposed action plan to address them, have been discussed with the firm. Appropriate action may have already been taken by the date of this report. The adequacy of the actions taken and planned will be reviewed during our next inspection.

The firm was invited to provide a response to this report for publication. The firm's response is set out in Appendix B.

We acknowledge the co-operation and assistance received from the partners and staff of Crowe Clark Whitehill in the conduct of our inspection.

1.2. Background information on the firm

Crowe Clark Whitehill LLP is a limited liability partnership which operates from eight offices in England. The UK firm does not have offices or branches in the Crown Dependencies, being Jersey, Guernsey and the Isle of Man. The firm is a member of Crowe Horwath International. In the UK, Crowe Clark Whitehill LLP is the founding member of HCWA, an association of independent firms providing technical training and proactive support to its members. HCWA is not a network within the meaning of Ethical Standards for Auditors.

For the year ended 31 March 2014, the firm's turnover was £55 million, of which £24 million related to audit work and other assurance services. There were a total of 70 partners, of whom 40 were authorised to sign audit reports, and one audit director who was authorised to sign audit reports[1].

We estimate that the firm audited 25 UK entities within the scope of independent inspection as at 31 December 2013. Of these entities, our records show that one had securities listed on the main market of the London Stock Exchange.

The UK firm audits one entity incorporated in the Isle of Man whose securities are traded on a regulated market in the European Economic Area. Such entities are inspected by us under separate arrangements agreed with the relevant regulatory bodies in those jurisdictions and, if selected for review, the results of these reviews are included in this report.

[1] As disclosed in the annual return to the ICAEW as at September 2014.

1.3. Overview

We focus in this report on matters where we believe improvements are required to safeguard and enhance audit quality. We set out our key messages to the firm in this regard in section 1.4. While this report is not intended to provide a balanced scorecard, we highlight certain matters which we believe contribute to audit quality, including the actions taken by the firm to address findings arising from our prior inspection.

The firm places considerable emphasis on its overall systems of quality control and, in most areas, has appropriate policies and procedures in place for its size and the nature of its client base. Nevertheless, we have identified certain areas where improvements are required to those policies and procedures. These are set out in this report.

Our findings relating to reviews of individual audits, as set out in section 2, largely relate to the application of the firm's procedures by audit personnel, whose work and judgments ultimately determine the quality of individual audits.

The firm has responded promptly and positively to all the findings in our 2010/12 report. While not all measures taken have proved completely successful, good progress has been made in a number of areas, as set out in section 2.2.

1.4. Key messages

The firm should pay particular attention to the following areas in order to enhance audit quality and safeguard auditor independence:

- Take action to improve the audit of financial statement disclosures.
- Improve evidence of the nature, timing and extent of the work performed by Engagement Quality Control Reviewers.
- Ensure that the firm has adequate resource to complete all planned quality assurance reviews on a timely basis.
- Require audit quality objectives to be set for all audit partners and staff to further embed a quality culture, and ensure that the partner remuneration model explicitly reflects audit quality indicators.
- Emphasise to partners and staff the importance of identifying and assessing potential threats to the firm's independence and consulting with the Ethics Partner, where appropriate, on a timely basis.

2. Principal findings

The comments below are based on our reviews of individual audits and the firm's policies and procedures supporting audit quality.

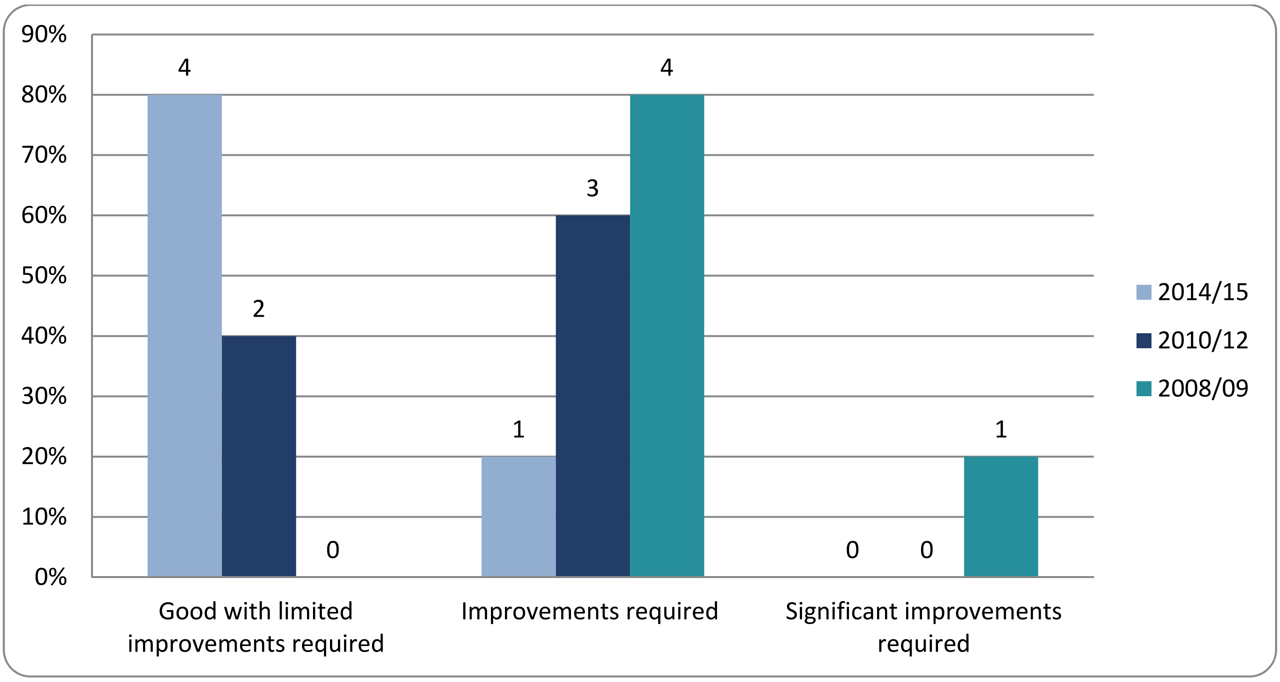
2.1. Reviews of individual audits

We reviewed and assessed the quality of selected aspects of five audits (2010/12: five audits), none of which were reviewed in our last inspection.

Four of the audits we reviewed were performed to a good standard with limited improvements required and one audit required improvements. No audits required significant improvements. Our 2008/09 inspection identified an audit requiring significant improvements. Where similar matters arose on another audit in the current inspection, we noted that these matters had been appropriately dealt with, having taken into consideration our previous findings. As a consequence, there was an improvement in audit quality in respect of these similar matters raised previously.

An audit is assessed as requiring significant improvements if we have significant concerns in relation to the sufficiency or quality of audit evidence or the appropriateness of significant audit judgments in the areas reviewed of the implications of other matters are considered to be individually or collectively significant. This assessment does not necessarily imply that an inappropriate audit opinion was issued.

The bar chart below shows the results of our assessment of the quality of the audits we reviewed in 2014/15, with comparatives for 2010/12 and 2008/09. The number of audits within each category is shown at the top of each bar.



Changes to the proportion of audits falling within each category from year to year reflect a wide range of factors, which may include the size, complexity and risk of the individual audits selected for review and the scope of the individual reviews. For this reason, and given the sample sizes involved, changes one year to the next are not necessarily indicative of any overall change in audit quality at the firm.

Findings in relation to audit evidence and judgments

Our reviews focused on the audit evidence and related judgments for material areas of the financial statements and areas of significant risk. We draw attention to the following findings which the firm should ensure are addressed appropriately in future audits.

The significance of these findings in the context of an individual audit reviewed, and therefore the implications for our grading of that audit, will vary. However, whatever the implications for the specific audits reviewed, we nevertheless include the relevant findings in this report if we consider them important in the broader context of improving audit quality at the firm.

Sampling

The sample size for testing revenue in one audit was limited to 40 items as permitted by the firm's audit methodology. However, the audit team did not demonstrate that the conditions necessary for limiting the sample had been met. In particular, it was not clear whether all of the material items were included in the sample; the items tested were not selected at random; and there was inadequate evaluation as to whether the exceptions noted in the testing were errors and it was therefore necessary to extend the sample under the firm's procedures.

Impairments – evidence of exercise of professional scepticism

On two audits, we identified a need for some improvement in the level of professional scepticism and challenge of management applied in key audit areas as set out below.

In one audit, the entity held properties with a useful economic life in excess of 50 years for which, under accounting standards, an annual impairment review is required to be performed. Whilst the financial statements stated that the market values of the properties were greater than historical cost, the audit team did not request management to provide any evidence to support this statement. Further, during the year a small number of properties had been sold at a loss but the audit team did not consider whether this was an indicator that the remaining properties were impaired.

In another audit, the entity held a number of available for sale investments at fair value. These included an investment in a company whose shares were not traded on an active market; this was valued on the basis of a transaction planned 12 months earlier that had not actually taken place. The audit team's conclusions did not explain why, given that the entity's share of the company's net assets was significantly below the valuation, there was no indicator of impairment. There was a lack of evidence that this valuation was still appropriate or consideration of whether, as the market for the financial instrument was not active, fair value should be estimated by using a valuation technique instead.

In this second audit, intangible assets included some assessed as having an indefinite life. Management prepared an impairment paper using forecast revenues over a 17 year time horizon. These intangible assets had not yet generated revenue but were expected to do so in the following year. Accounting standards state that management may use cash flow projections based on forecasts over more than five years only in certain circumstances. Management's impairment paper did not explain the rationale for, or the reliability of, using forecasts over 17 years and this was not challenged by the audit team.

Group audit considerations

An entity had a significant subsidiary which was audited by a separate engagement partner and team based in a different office of the firm from the group engagement partner and team. There was insufficient evidence of the group audit team's involvement in the work performed by the subsidiary audit team. There was no formal reporting from the subsidiary auditor to the group auditor and the group audit file did not include copies of the signed subsidiary financial statements or the planning and audit findings reports to the Audit Committee.

There were a number of areas where the required communications between the group audit team and the subsidiary auditor were insufficient. For example, the subsidiary audit team did not communicate the materiality applied for the subsidiary balance sheet, which was inappropriately set at the same level as for the group; group related parties were not communicated to the subsidiary team; and there was no evidence that the group team had obtained an update of the subsidiary's post balance sheet events review.

Substantive analytical review procedures

In two audits inadequate expectations were used in the substantive analytical review procedures for revenue. In one audit insufficient audit procedures were performed to corroborate explanations obtained for significant variances in the valuation of investments.

Consideration of whether audit evidence is independent from the entity's records

In one audit the valuation of the pension scheme deficit was identified as a significant risk. The audit team performed audit procedures to assess the reasonableness of the assumptions used by the scheme's actuary to value the pension scheme liability. The pension scheme assets were agreed to investment statements provided by the scheme actuary. The actuary and the investment provider were from the same group of companies but there was no consideration of whether the investment statements constituted independent audit evidence or whether further audit procedures were required.

In another audit, reliance was placed on information provided by the scheme actuary who had calculated the valuation of a longevity swap for use in the financial statements. The audit team neither tested the inputs or assumptions used by the scheme actuary in the valuation to independent sources, nor obtained another valuation from an independent source.

Financial statement disclosures

We continue to see weaknesses in the audit of disclosures. In one audit insufficient audit evidence was obtained for certain financial statement disclosures; in two audits we identified certain disclosure inconsistencies, errors or omissions that had not been identified by the audit team; and in two audits fully referenced final financial statements were not included on the audit files.

On one audit the audit team consulted with the firm's National Accounting and Audit Technical team in relation to the accounting treatment and disclosure of a subsequent event. This consultation did not clearly set out all the pertinent factors that were relevant to the transaction, nor the rationale for the treatment adopted. As a consequence certain aspects of the transaction were not considered and the auditors did not identify that material disclosures, necessary to understand the transaction, had been omitted from the financial statements.

On one audit there was a lack of consideration of the completeness of the related party disclosures and whether particular transactions involved related parties for which disclosure was therefore required.

Journal testing

On one audit there was insufficient testing of journal entries. In particular, there was no evaluation of the completeness and accuracy of the extracted journal listing, no rationale for the small sample size used and no evidence that the journals had been selected for testing on the basis of any risk factors.

2.2. Review of the firm's policies and procedures

Strategy and leadership

The firm's three year strategy to 2016 is to maximise long term results through delivering quality and value driven services. The strategy is the responsibility of the firm's Chief Executive and was developed by the firm's Strategic Review Committee who will assist in its implementation. The firm has five strategic groups, which are pensions, not-for-profit (eg charities), professional practices (eg mostly LLPs), corporate (includes most clients reporting under IFRS) and private clients. Audit work is carried out in four of those sectors, the exception being private clients. There are audit partners and managers who specialise in each of the four sectors where audit work is carried out.

The firm's policies, procedures and audit methodology are developed in the UK. The firm's audit methodology has been applied to a commercially available software package. As part of its commitment to audit quality the firm has established new processes in response to the findings of our last inspection.

The Audit Firm Governance Code, published by the FRC and ICAEW in January 2010, does not apply to Crowe Clark Whitehill and the firm has no current plans to appoint any independent non-executives.

We were informed that the firm does not use off-shore centres to conduct any audit work.

Improvements made since our last inspection

Since our last inspection the firm has made good progress in a number of areas as set out below:

Ethical policies and procedures

The firm reviewed all its ethical policies and procedures, bringing them together into a single Ethics Manual and implementing an online ethics database where partners and staff are expected to log various ethical matters for Ethics Partner approval. Through this database the firm can identify and monitor its business relationships with audited entities.

The firm also increased its central compliance resource with specific responsibility to monitor the accuracy of the rotation database.

Client acceptance and continuance

The firm introduced an Acceptance Committee procedure to approve the acceptance of new audit appointments considered to be higher profile or higher risk and the continuance decision for audited entities where the audit risk had increased significantly since initial acceptance.

Mandatory training

A change in responsibilities for monitoring attendance at the firm's mandatory training courses has led to improvements in the tone at the top, resulting in improved attendance and a new process to capture non-attendance in the appraisal process. The process for monitoring non-attendance and agreeing appropriate follow-up has also been improved.

Quality Assurance Reviews

The firm's Quality Assurance Reviews are now performed, in the main, by two individuals to ensure there is greater consistency in the extent and nature of the reviews and the support for the grades awarded.

Prior inspection findings not adequately addressed

The following prior inspection findings had not been adequately addressed by the firm.

Professional scepticism

The consideration of professional scepticism has continued to be an explicit topic within the firm's communications and mandatory training. The results of our reviews suggest, however, that further improvement can be made in the challenge of management by audit teams in relation to the audit of valuations, impairments, subsequent events and financial statement disclosures.

Consideration of audit quality in partner appraisals and remuneration

The firm increased the weighting for quality and risk within the appraisal system to have a more appropriate impact on partner appraisals and remuneration. The partner remuneration model rounds partnership points to the nearest whole point. However, there were two cases where movements in points resulting from failing or exceeding quality and risk objectives had no impact once the rounding process was applied and hence poor or good quality may not have been appropriately recognised by the remuneration model. Additional explanations were provided by the firm as to how poor and good audit quality had been reflected in an audit partner's remuneration. However, the firm's partner remuneration system does not provide an explicit linkage between audit quality and partner remuneration due to the impact of rounding on partnership points.

Acceptance and continuance procedures

The continuance section of the audit file does not remind audit teams that the Acceptance Committee is required to approve continuance where the audit risk has increased. As the firm has not maintained a central register of Acceptance Committee decisions, it has not been possible to assess whether continuance decisions, where the audit risk has increased, have been considered by the Acceptance Committee.

Current inspection findings

We identified certain further areas where improvements to the firm's policies and procedures are required, as set out below.

Evaluation of the threats to independence arising from non-audit services provided or agreed prior to audit services commencing

The firm was engaged to provide accounting and tax services to an entity from November 2013. The firm also accepted appointment as auditor for the period to 31 July 2013. During the audit, the audit team consulted with the Ethics Partner when they became aware of the significant non-audit fees that had been agreed. The Ethics Partner concluded that there was no self-review threat for the 2013 audit but the firm could not continue as auditors for the following year as the self-review threat, combined with the self-interest threat arising from the significant non-audit fees, could not be mitigated through the application of safeguards. The extent of the non-audit fees already agreed and the self-interest threat arising should have been identified and considered prior to acceptance of the 2013 audit engagement.

Partners' indirect financial interests in the firm's audited entities

A tax partner held a trustee interest in an audited entity and this was notified to the firm in early January 2014 through the annual compliance declaration process. The trust's only investment was in the entity audited by the firm. This was referred to the Ethics Partner in February 2014, following which the partner resigned as sole trustee in March 2014. Once this matter was reported in the annual compliance declaration, it should have been dealt with in a more timely manner.

Annual compliance declarations

The Audit Compliance Principal requested the Ethics Partner to provide clearance in respect of certain matters arising from the 2013 annual compliance declarations. A number of these matters should have been submitted for approval via the ethics consultation database at an earlier stage.

Evaluation of whether there have been breaches of ethical standards

The firm notified us that there had been no breaches of ethical standards. As noted above, a tax partner's trustee interest in an audited entity was a breach of ethical standards. The Ethics Partner should ensure that, where matters are notified to him, there is a clear evaluation of whether a breach has already occurred, followed by decisions about the actions required to remedy the breach. During our inspection the firm added a facility to its ethics database to require the Ethics Partner to evaluate on every consultation whether a breach of ethical standards has occurred.

Evidence of extent and timing of review by the Engagement Quality Control Reviewer

The firm's electronic workpapers only allow for a preparer and a reviewer to record the date of their review. Therefore, other than by the final sign off at the planning and final completion stages of the audit, the electronic workpapers, which would normally have already been reviewed by the manager or partner, are unable to record the nature, timing and extent of the involvement of the Engagement Quality Control Reviewer ("EQCR") in the audit.

Audit file assembly

Whilst the firm's methodology requires audit files to be substantially complete at the time of signing the audit report, we observed that audit teams attached a number of audit evidence documents towards the end of the archiving period and there were certain key audit evidence documents that were not included on the audit file. This indicated that a higher than expected level of file assembly was completed after the audit opinion had been signed which is not in line with the firm's policies. For these work papers there was no evidence that they had been reviewed or that this was on a timely basis. The firm’s 2013 Quality Assurance Reviews also noted a number of instances where key matters had not been adequately recorded on the audit file.

Where audit evidence is not included within the audit file on a timely basis, there is an increased risk that key audit documents are omitted from the audit file and key parts of audit evidence are not reviewed by the engagement partner and/or the EQCR prior to the audit opinion being signed. There is also no evidence that the audit work was completed and reviewed prior to the date of the audit opinion. The firm should remind audit teams of the importance of ensuring that key audit working papers are included on the audit file at the time they are prepared or reviewed; this should be enforced by those members of the audit team responsible for reviewing audit working papers.

Quality Assurance Reviews

For the firm’s 2013 (“QAR”) process no pension scheme audits were reviewed, despite reviews having been planned in respect of two pensions accredited partners. As these are specialist audits, a partner from outside the QAR team was identified to carry out these reviews but was unable to complete the reviews within the timetable due to client commitments. These reviews were subsequently completed in early 2014 by a pensions accredited senior manager and were graded as acceptable. The 2013 QAR Plan noted that three reviews planned in 2012 were also deferred and completed in 2013, again due to a lack of available appropriate resource. One of the delayed reviews from 2012 was of a listed entity and this audit was assessed as requiring significant improvement.

Delays in completing the planned QAR reviews mean that the firm is not able to respond on a timely basis to any audit quality deficiencies identified. Where QAR reviews have been planned, the firm should ensure that it has adequate resource to complete all planned reviews within the review timetable.

One of the partners selected for review in 2013 was responsible for the QAR review process and the selected reviewer for this audit was the other member of the firm's QAR team. Another partner, independent of the QAR team, should have been identified to perform this review.

During 2013 the firm’s QAR process assessed two audits as requiring significant improvement (of which one related to a 2012 audit) but there was no formal assessment or conclusion as to whether the audit opinions were still appropriate and whether any further action was required.

Audit quality objectives for staff

Less than half of the audit staff appraisals reviewed included objectives in relation to audit quality. The firm have explained to us that there is no firm-wide guidance on setting audit quality objectives for staff. To encourage further a culture that supports audit quality, all audit staff should be required to agree on an annual basis an objective to achieve an acceptable standard of audit quality, commensurate with their role.

Audit partner and staff appraisals - selling of non-audit services to audited entities

In a number of appraisal forms reviewed, we noted references to the selling of non-audit services to clients. It was not clear from the appraisal forms whether the clients referred to were audited by the firm and the individuals concerned. There is therefore a potential risk that individuals may have been seeking recognition for the selling of non-audit services to entities for which they were responsible for or involved in the audit.

Other matters

Transparency report

We reviewed the firm's transparency report for the year to 31 March 2014, which was published on a voluntary basis in July 2014, to assess whether the information in the report was consistent with our understanding of the firm's quality control and independence procedures. We did not identify any inconsistencies with our understanding of the firm's quality control and independence procedures.

Andrew Jones

Director

Audit Quality Review

FRC Conduct Division

February 2015

Appendix A – Objectives, scope and basis of reporting

Scope and objectives

The overall objective of our work is to monitor and promote improvements in the quality of auditing. As part of our work, we monitor compliance with the regulatory framework for auditing, including the Auditing Standards, Ethical Standards and Quality Control Standards for auditors issued by the FRC and other requirements under the Audit Regulations issued by the relevant professional bodies. The standards referred to in this report are those effective at the time of our inspection or, in relation to our reviews of individual audits, those effective at the time the relevant audit was undertaken.

Our reviews of individual audit engagements and the firm's policies and procedures supporting audit quality cover, but are not restricted to, the firm's compliance with the requirements of relevant standards and other aspects of the regulatory framework. Our reviews place emphasis on the appropriateness of key audit judgments made in reaching the audit opinion together with the sufficiency and appropriateness of the audit evidence obtained. We also assess the extent to which the firm has addressed the findings arising from our previous inspection.

We seek to identify areas where improvements are, in our view, needed in order to safeguard audit quality and/or comply with regulatory requirements and to agree an action plan with the firm designed to achieve these improvements. Accordingly, our reports place greater emphasis on weaknesses identified which require action by the firm than areas of strength and are not intended to be a balanced scorecard or rating tool.

Our inspection was not designed to identify all weaknesses which may exist in the design and/or implementation of the firm's policies and procedures supporting audit quality or in relation to the performance of the individual audit engagements selected for review and cannot be relied upon for this purpose.

The professional accountancy bodies in the UK register firms to conduct audit work. Their monitoring units are responsible for monitoring the quality of audit engagements falling outside the scope of independent inspection but within the scope of audit regulation in the UK. Their work, which is overseen by the FRC, covers audits of UK incorporated companies and certain other entities which do not have any securities listed on the main market of the London Stock Exchange and whose financial condition is not otherwise considered to be of major public interest. All matters raised in this report are based solely on the work which we carried out for the purposes of our inspection.

Basis of reporting

We exercise judgment in determining those findings which it is appropriate to include in our public report on each inspection, taking into account their relative significance in relation to audit quality, in the context of both the individual inspection and any areas of particular focus in our overall inspection programme for the year. Where appropriate, we have commented on themes arising or issues of a similar nature identified across more than one audit.

While our public reports seek to provide useful information for interested parties, they do not provide a comprehensive basis for assessing the comparative merits of individual firms. The findings reported for each firm in any one year reflect a wide range of factors, including the number, size and complexity of the individual audits selected for review which, in turn, reflects the firm's client base. An issue reported in relation to a particular firm may therefore apply equally to other firms without having arisen in the course of our inspection fieldwork at those other firms in the relevant year. Also, only a small sample of audits is selected for review at each firm and the findings may therefore not be representative of the overall quality of each firm's audit work.

The fieldwork at each firm is completed at different times during the year and rigorous quality control procedures are applied. These procedures include a peer review process at staff level and a final review by independent non-executives who approve the issue of all reports. These processes are designed to ensure both a high quality of reporting and that a consistent approach is adopted across all inspections.

We also issue confidential reports on individual audits reviewed during an inspection. While these reports are addressed to the relevant audit engagement partner or director, they are copied to the chair of the relevant entity's audit committee (or equivalent body).

Purpose of this report

This report has been prepared for general information only. The information in this report does not constitute professional advice and should not be acted upon without obtaining specific professional advice.

To the full extent permitted by law, the FRC and its employees and agents accept no liability and disclaim all responsibility for the consequences of anyone acting or refraining from acting in reliance on the information contained in this report or for any decision based on it.

Appendix B – Firm's response

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28 January 2015

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Dear Mr Jones

Audit Quality Inspection on Crowe Clark Whitehill LLP - 2014/2015

We appreciate the opportunity to respond to the report arising from the above inspection.

A culture of quality and commitment to improvement are fundamental to our whole business of which audit is a significant part. This is imperative if there is to be a strong mid-tier of audit firms in the UK, to help provide choice and competition in the audit of public interest entities.

We are encouraged that the Audit Quality Review team noted both improvements in the firm's policies and procedures since the last report and the positive and prompt manner in which we responded to their recommendations. We are further encouraged that our actions over a period have contributed to an improvement in the grading of the individual audit files reviewed (shown in section 2.1 of the report).

Notwithstanding the improvements that have been noted, we are not complacent in the need to challenge constantly our audit methodology, policies, procedures and people to ensure that audit quality is maintained and enhanced. We have put in place an action plan to deal with the issues that the inspection has raised and the recommendations made in this report.

We would like to thank the staff of the AQRt who conducted the inspection for the professional manner in which they carried out their work and the insights they brought.

Yours sincerely

Steve Gale.

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