



BDO IRELAND  
TRANSPARENCY REPORT 2021

BDO Ireland is a key member of the BDO global network of audit, tax and advisory Firms. The Firms have representation in 167 territories, with over 91,054 people working from 1,658 offices. The fee income of the member Firms in the BDO network, including the members of their exclusive alliances, was \$10.3 billion as of 30 September 2020. Being a member of the BDO global network allows us to meet the needs of clients who are growing and trading internationally.

**167**

COUNTRIES AND TERRITORIES

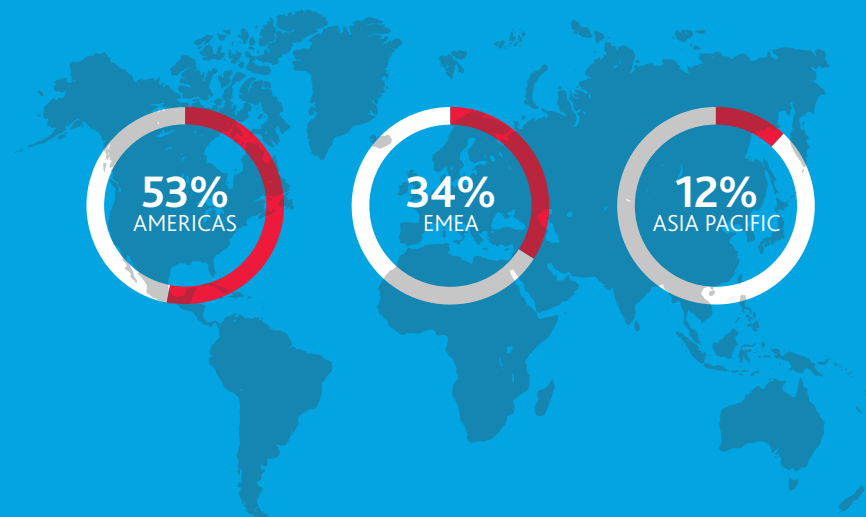
**7.8%**

INCREASE IN GLOBAL REVENUE

**\$10.3BN**

TOTAL REVENUES

REGIONAL SPLIT



**91,054** 2020  
**88,120** 2019

INCREASE YEAR ON YEAR

NUMBER OF

**OFFICES**  
**1,658**

GLOBAL AVERAGE  
PROFESSIONAL STAFF TO

**PARTNER**

RATIO OF 9 TO 1





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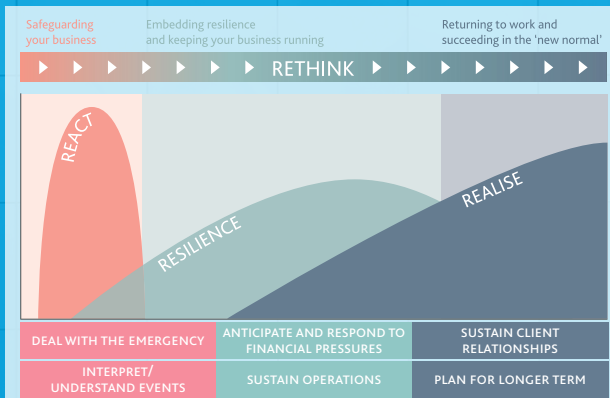
# INTRODUCTION FROM THE MANAGING PARTNER

Welcome to BDO's Transparency Report.

Over a year has passed since we found ourselves in the midst of the Covid-19 crisis and its subsequent lockdowns. Many businesses, including our own Firm, have faced unprecedented challenges that have changed the way we operate. As we continue to work through these difficult times, the rollout of the vaccination programmes, the gradual re-opening of society show signs that there is light at the end of the tunnel.



In last year's Transparency Report, I highlighted that as a Firm, we took steps to protect our people and to continue to deliver for our clients at such a critical time. Our "Rethink" model, backed by insights and research from BDO across the globe, has helped us and our clients navigate through this crisis and put ourselves in a strong position for recovery. The pandemic has presented opportunities to learn and improve – by focusing our strategy on sustainable growth and to succeed in the new normal, we can stay resilient and look forward to thriving in an evolved business environment.



We adjusted our targets to reflect the current environment and I am proud to share that we continued to perform at a high level despite the downturn in some areas of the economy. Since the beginning of the pandemic, our Firm was quick to adapt and provide guidance for businesses that were impacted. Our core purpose of achieving success for our clients meant that we were able to reaffirm our own growth and success.

In addition to adopting new technologies and embracing innovation, 2020 was also a significant year for placing more emphasis on the personal wellbeing of our people and being proactive in looking out for each other. We have carried out a range of wellness initiatives to maintain our connection with colleagues while working remotely and we have developed a greater appreciation for flexibility in the workplace.

Our audit department continues to grow and is as a key service area of our business. We prioritise

delivering high quality audits and we do our best to go above and beyond standards. With this in mind, we also accept that our recent IAASA review outlined some shortcomings. We have taken steps to identify the root cause of these issues so that we can refine and improve the way we carry out audits for our clients.

As a professional services Firm with decades of experience behind us, we take great responsibility in ensuring that individual and collective ethical standards are upheld in our work. We believe in playing a sustainable role that is beneficial to the public interest. In order to live up to that role, we are placing more importance on contributing to the development of the professional services industry, and progressing with new business models and technology.

  
**Michael Costello**  
 Managing Partner



# REPORT FROM THE HEAD OF AUDIT

Delivering on Audit Quality remains at the core of what we do within Audit at BDO Ireland.



The audit industry has been through crucial changes over the years. In line with our drive to deliver audit services at the highest standards, we have welcomed these reforms and continue to progress with society's increasing expectations for greater transparency.

In the financial year ending 28 February 2021, we cooperated on the annual review carried out by IAASA as part of their report on Audit Firms. Their publication this year reported that one of our files required significant improvement. BDO fully acknowledges and accepts the findings and recommendations from IAASA. The report is in reference to one audit file and acknowledges that the result of this one file inspection is not representative. While this is disappointing, we have taken the necessary steps to identify the root causes of the shortcomings identified, to improve our documentation, and implement the recommendations arising from

IAASA's inspection. Our firm is focussed on continuously improving the quality of audit services we deliver to our clients and we are confident that we have partners and staff to deliver high-quality audits.

The industry standards for a high calibre audit offering are rising. We are seeing a greater emphasis placed on corporate sustainability and stakeholders requiring new metrics to measure a company's performance. As an audit firm we are closely monitoring these developments in order to support our clients and play an active role in an evolving market.

As the audit profession grows, auditors must continue working towards the highest standards of remaining impartial, asking important questions and ensuring quality.

Investing in our people and our systems remains a top priority in accomplishing objectives for our stakeholders. We regularly assess our technology and processes to keep up to date with regulatory requirements and facilitate the needs of our clients.

Along with these assessments it is critical that we also provide support for our people to enhance their skills and build up their expertise.

The surge of the Covid-19 pandemic has had an impact on every aspect of our lives and the auditing profession was no exception. As affected businesses try to navigate an uncertain environment, it is vital that auditors strive to keep delivering a robust and objective audit opinion. The same demanding standards of auditing apply no matter what the situation is.

It is certain that the audit profession will be faced with more challenges in the future as new requirements continue to evolve. At BDO, we are taking a proactive approach in anticipating new changes and developments to ensure we can move forward with the industry.

A handwritten signature in black ink that reads "Teresa Morahan".

**Teresa Morahan**  
Head of Audit



# LEGAL STRUCTURE AND OWNERSHIP

The Irish Firm of BDO (“the Firm”) is an Irish registered partnership formed under the Partnership Act 1890 which is wholly owned by the partners in the Firm. At 4 March 2021 there were 33 partners.

BDO employs over 500 staff and operates from offices in Dublin, Limerick and Cork. The principal services provided by the Firm are Audit, Tax, Advisory and Consulting. These business streams have dedicated teams of partners and professional staff nationwide tailoring high quality business solutions for their clients.

### The Firm has the following wholly owned subsidiaries:

- BDO Customs and International Trade Services Limited is a Company of International Trade and Customs advisors focusing on International and European Customs and Trade Law, Import/ Export Taxes (Customs, Anti-Dumping Duties, etc.), Excise Duties (both EU Directive and National implementation), Audits and Disclosures, Appeals (both national and to EU level), Export Licensing, AEO, together with project management for Set-Ups.
- BDO Eaton Square Limited provide management and technology consultancy services, demonstrating expertise in organisational design, strategy development & execution, and system integration with a specialism in HR system implementation.
- BDO Secretariat Limited provide Corporate Secretarial Services through every stage of a company's formation and winding up, ensuring companies fulfil their statutory obligations.
- BDO Talent Management Limited provide flexible staffing solutions from their pool of candidates qualified for roles in Finance, Accounting, Payroll, Technology, Project Management and HR. They also provide consultancy services to businesses' HR functions.
- BDO Serpentine Limited BDO provides ongoing Project Management and Advisory Services to a group of individuals who are in the process of disposing their investment asset.

### The Firm also has the following joint venture entities:

- BES Management DAC which is a joint venture with Davy Stockbrokers and is regulated by the Central Bank of Ireland under the Investment Intermediaries Act 1995 as a manager of a designated investment fund within the meaning of the Designated Investment Funds Act, 1985.
- Declaron, a joint venture between BDO and Fexco, is an online customs clearance solution to help businesses manage customs declarations.
- Development & Growth Funding DACT/A Development Capital, which is registered as an Alternative Investment Fund Manager under Regulation 4 of the European Union (Alternative Investment Fund Managers) Regulations 2013, is owned 40% by BDO and 60% by Andrew Bourg and Sinead Heaney..





# NETWORK

BDO Ireland is a Member Firm of BDO International Limited.

The BDO network is an international network of independent public accounting, tax and advisory Firms which are members of BDO International Limited and perform professional services under the name and style of BDO (hereafter: "BDO Member Firms"). BDO is the brand name for the BDO network and all BDO Member Firms.

## LEGAL AND STRUCTURAL ARRANGEMENTS IN THE NETWORK

Each BDO Member Firm is a member of BDO International Limited, a UK company limited by guarantee, as either a voting member (one per country) or a non-voting member. BDO International Limited is the governing entity of the BDO network and sets the membership obligations of the BDO Member Firms in the Regulations.

## GOVERNANCE OF THE NETWORK

The BDO network is governed by the Council, the Global Board and the Global Leadership Team of BDO International Limited.

The Council comprises one representative from each voting member and comprises the members of BDO International Limited in general meetings. The Council approves the network's central budget, appoints the Global Board and approves any changes in the Articles and Regulations of BDO International Limited.



The Global Board, which is the Board of Directors of BDO International Limited, comprises a representative of the BDO Network's seven largest member Firms, whose appointment, each for a three year term, is approved by the Council. The Global Board sets priorities for the BDO network and oversees the work of the Global Leadership Team. The Global Board meets at least four times a year.

The Global Leadership Team is tasked with coordinating the activities of the BDO network. It is headed by the CEO and comprises the COO (currently also acting as Global Head of Advisory), Global Heads of Audit & Assurance, Tax, HR & Development, Business Development & Marketing, IT, Transformation, the CEO EMEA, the CEO Americas, the CEO Asia Pacific and the International Secretary.

The Global Leadership Team is supported by the Global Office at Brussels Worldwide Services BVBA. Brussels Worldwide Services BVBA, a Belgian limited liability company, provides services to assist in the coordination of the BDO network.

BDO International Limited and Brussels Worldwide Services BVBA do not provide any professional services to clients. This is the sole preserve of the BDO Member Firms.

Each of BDO International Limited, Brussels Worldwide Services BVBA and the BDO Member Firms is a separate legal entity and has no liability for another such entity's acts or omissions.

Nothing in the arrangements or rules of BDO shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide services BVBA and/or the BDO Member Firms.

## SIZE OF THE NETWORK

The global aggregated turnover for BDO Member Firms (including their exclusive Alliances) in 167 countries for the year ended 30 September 2020 was in excess of \$10.3 billion. Partner and staff numbers at 30 September 2020 were just over 91,000 in more than 1,650 offices.

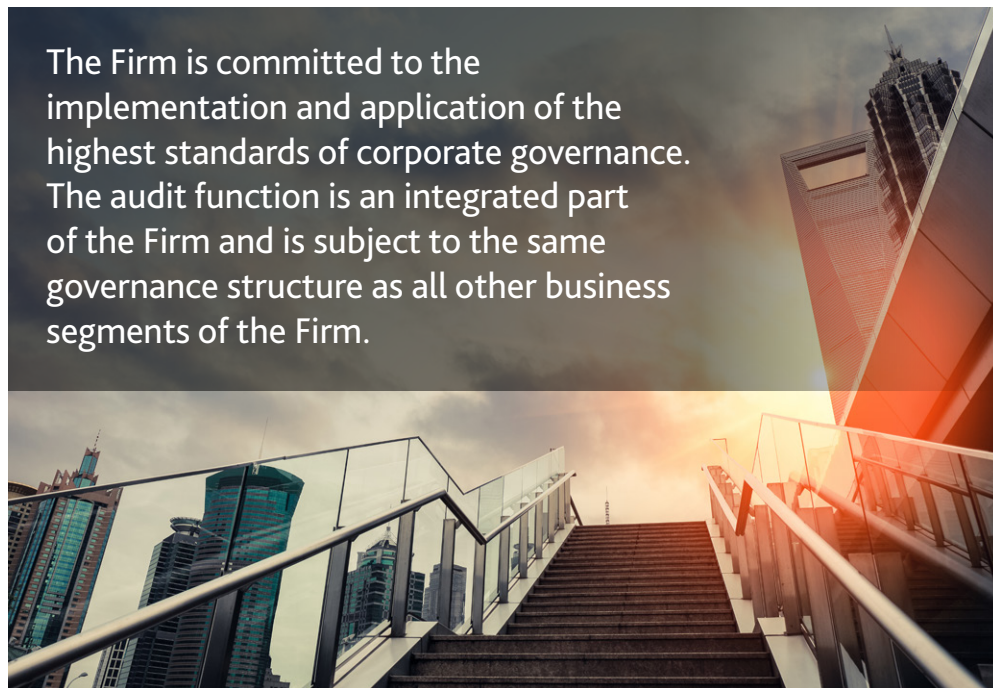
Appendix I of the Transparency Report discloses the list of (all EU/EEA) BDO Audit Member Firms together with the countries in which the above Member Firms are present.

The combined turnover from statutory audits of the BDO EU/EEA audit Firms is €784,884,996 (published 15 October 2020).



# THE GOVERNANCE STRUCTURE OF THE IRISH FIRM

The Firm is committed to the implementation and application of the highest standards of corporate governance. The audit function is an integrated part of the Firm and is subject to the same governance structure as all other business segments of the Firm.



## THE IRISH AUDIT FIRM GOVERNANCE CODE

The Irish Audit Firm Governance Code ("the Code") was issued by the Chartered Accountants Regulatory Board ("CARB") in January 2013. The Code is applicable to audit Firms that audit public interest entities which are defined in the Code as entities registered in the Republic of Ireland which are within the scope of SI 277 of 2007: Transparency (Directive 2004/109/EC) Regulations 2007, as amended.

The objective of the Code is to provide a template which boards and shareholders of public interest entities can use to assess a Firm's governance procedures. One of the key elements of the Code is the principle that audit Firms should appoint independent non-executives within their governance structures. This is consistent with best practice governance within many types of organisation and should in this instance provide a

basis for enhanced dialogue between stakeholders and audit Firms.

In compliance with the Code the Firm appointed Howard Millar, former Chief Financial Officer of Ryanair, as Non-Executive Chairman of the Firm from 16 March 2015 to 31 December 2020. As Chairman, Howard made a substantial contribution to the development of the Firm, and its quality and risk agenda.

The Firm is currently in the process of selecting and appointing a new Chairman to succeed Mr. Millar. The successful candidate will play an active role in overseeing the public interest aspects of the Firm's decision making, stakeholder dialogue and management of the reputational risks including those in the Firm's businesses that are not otherwise effectively addressed by regulation.

## FIRM GOVERNANCE STRUCTURE

The Firm is led by the Managing Partner who is elected by the partners and serves a three year term. The Managing Partner is responsible for developing and implementing the policies and strategies of the Firm and for its direction and management. He is responsible to the partners of the Firm and provides regular business updates on strategy and development to all partners at monthly meetings.

Along with the Managing Partner there are a number of other bodies which deal with key aspects of governance within the Firm which are:

- the Leadership Team
- the Partnership Committee
- the Evaluation Committee

- the Quality and Risk Management Committee
- the Audit Committee.

## LEADERSHIP TEAM

The Leadership Team is chosen by the Managing Partner and approved by the Partnership. It is currently comprised of;

- Michael Costello (Managing Partner)
- Teresa Morahan (Head of Audit)
- Ciaran Medlar (Head of Tax)
- Stewart Dunne (Head of Clients & Markets)
- Denis Herlihy (Limerick Managing Partner)

The function of the Leadership Team is to assist the Managing Partner in developing and implementing the policies and strategies of the Firm and meets on a monthly basis. It is responsible for day to day management of the Firm and for:

- Quality and Risk Management, compliance and internal quality assurance matters
- Primary responsibility for setting and monitoring adherence to the Firm's financial budgets
- Ongoing financial management including partners' earnings, drawing and capital funding
- HR policy and procedures
- Business development initiatives
- Support other operational matters including issues arising within the support teams covering finance, HR, marketing, IT and facilities.



# THE GOVERNANCE STRUCTURE OF THE IRISH FIRM

## PARTNERSHIP COMMITTEE

The Partnership Committee comprises six partners: the Partnership Secretary and five partners elected by the Partnership. The members serve for a three year period.

The Partnership Committee meets on an ad-hoc basis and is responsible for partnership matters including the appointment and removal of partners, development of new business areas and cessation of existing business streams including any potential mergers or business acquisitions, appointment of the Managing Partner and matters pertaining to the Partnership Agreement.

### Members of Partnership Committee:

- Peter Carroll
- Kevin Doyle
- Sinead Heaney
- Brian Hughes
- Ken Kilmartin
- David McCormick

## EVALUATION COMMITTEE

The Evaluation Committee comprises the Managing Partner together with four partners elected by the partnership and the members of this committee serve for a one year period.

The function of the Evaluation Committee is to review the partner's contribution to the Firm and against specific criteria including quality of client service, staff management and development and contributing towards the financial

success of the Firm. The Evaluation Committee is also responsible for recommending, subject to a vote of the overall Partnership, the distribution of the Profit of the Firm in accordance with the Partnership agreement.

## QUALITY AND RISK MANAGEMENT COMMITTEE

The Partnership has established a Quality and Risk Management Committee to ensure the development and implementation of the Firm's Quality and Risk Management Policy. The Committee is responsible for implementing appropriate procedures to identify, assess and manage risk from a strategic and operational perspective, monitoring the application of Quality and Risk Management procedures and reporting to the Partnership as necessary.

The membership of the Committee comprises four Partners and the Firm's Quality & Risk Management Director.

Ultimate responsibility for quality and risk management within the Firm rests with the individual partners. The Committee's role is one of oversight, recognising that the partners are responsible for executing the Firm's risk management and related policies. The Committee engages in appropriate communication with staff on risk, risk policy and controls and encourages a risk management culture throughout the Firm ensuring that attention to risk is embedded as part of the Firm's decision-making and operations.

All partners and staff are required to submit annual confirmations of regulatory compliance which include statements of independence.

## Members of Risk Committee:

- Paul Nestor (Chair)
- Brian Gartlan
- Brian Hughes
- Angela Fleming
- Phillip Glynn

## AUDIT COMMITTEE

In keeping with corporate governance best practice the Partnership requires that its annual financial statements should be subject to external scrutiny through a formal audit process. As part of this process the Partnership has established an Audit Committee responsible for the oversight of the financial reporting process, the audit process, the Firm's system of internal controls and compliance with laws and regulations.

The Audit Committee is appointed by the Partnership and comprises a minimum of three Partners with appropriate audit and financial reporting qualifications. Each member of the Committee will be appointed for an initial period of three years which may be extended thereafter.

The Audit Committee is responsible for the Firm's annual financial statements and is charged with the review, and challenge where necessary, of the actions and judgements of the Finance Partner and representatives from the finance function in relation to the annual financial statements. The Committee is also responsible for appointing the external auditor and monitoring the effectiveness of the audit process.

## Members of Audit Committee:

- Diarmuid Hendrick (Chair)
- Andrew Bourg
- Gavin Smyth

The Partnership Committee, the Evaluation Committee, the Quality and Risk Management Committee and the Audit Committee report their activities to the Leadership Team, the Partnership Secretary and, on an annual basis, directly to the Partnership.





## INTERNAL QUALITY CONTROL SYSTEM

The primary goal of BDO is to provide the highest quality of service in accordance with the standards of the public accounting profession. The Firm recognises that ultimately such a goal is wholly dependent on the calibre of our professional staff. Quality within the Firm is the responsibility of all personnel and the Firm strives to ensure that it recruits, develops and retains motivated professional staff and provides them with appropriate leadership and direction to ensure that the work carried out is of consistently high quality.

Our commitment to quality, independence and ethics is an essential part of our strategic framework. This means we acknowledge:

- that our responsibility is not exclusively to satisfy the needs of an individual client and that we satisfy our public interest responsibilities;
- that we are regulated by a significant number of regulators and the importance of ensuring we comply with all regulatory requirements;
- the independence requirements of Ethical Standards and that they apply to the whole firm, not just our audit practice; and
- the importance of the principles and living by the spirit of regulations.

The implementation of the Firm's quality control policies and procedures are vital to preserving the Firm's reputation, fulfilling its position of public trust and maintaining the high standard of our performance.

Having policies and procedures, which ensure the delivery of quality audits, is as important as monitoring the adherence to those policies and procedures. Our internal control framework is designed to provide reasonable assurance that the firm, its partners and staff comply with professional standards in addition to regulatory and legal requirements. In doing so we ensure that work is performed to a consistently high standard and that reports issued by the firm are appropriate.





# INTERNAL QUALITY CONTROL SYSTEM

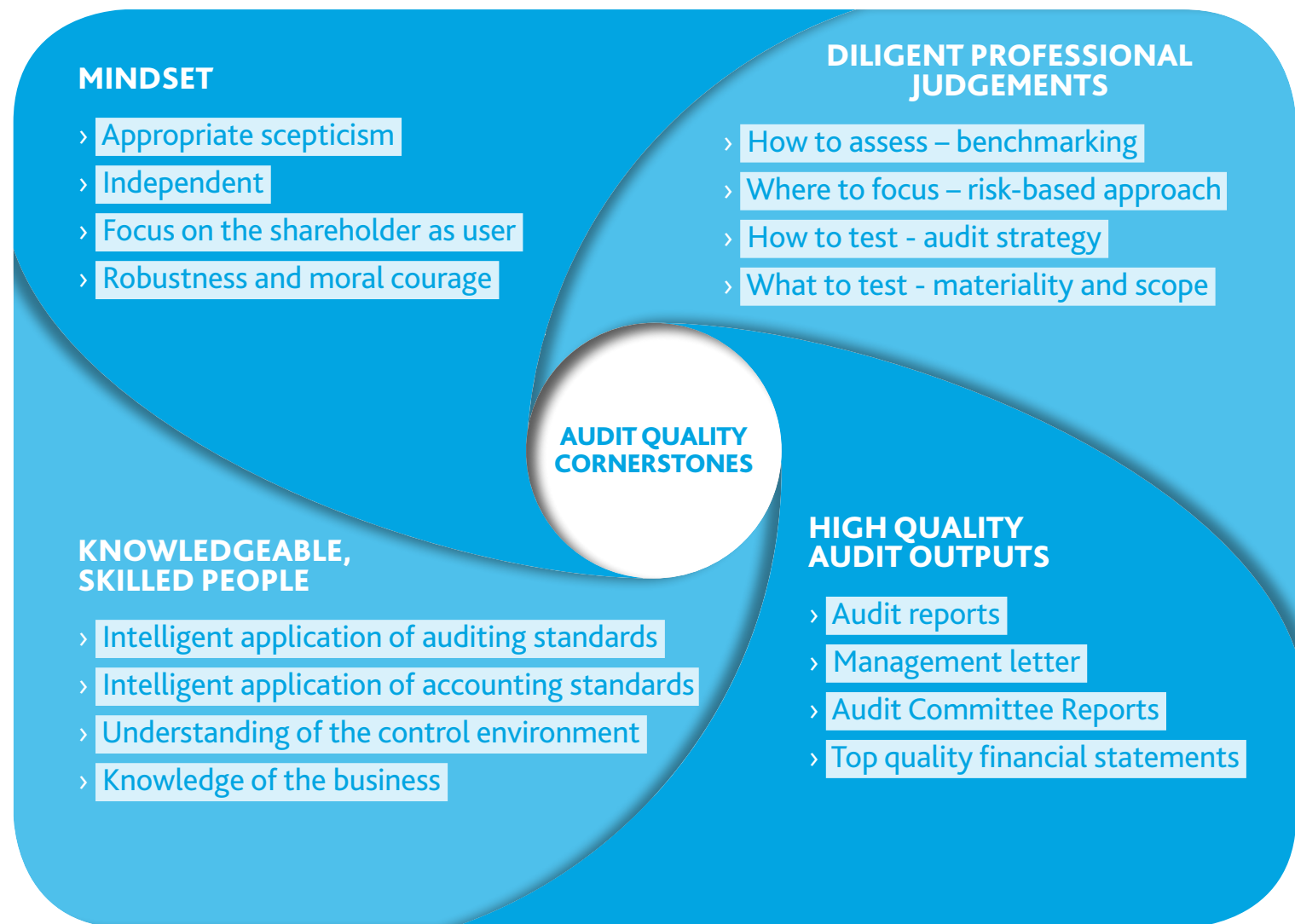
## AUDIT QUALITY CORNERSTONES

Hand in hand with the challenge of deploying new technology, we are taking the opportunity to upskill our people, to equip them to utilise tools to gain real insights into the business of our clients; revisit the application of professional standards to our audits, enhance our understanding and the value of the procedures adopted and support Audit Committees and Boards in their governance of the company.

## SYSTEM OF QUALITY CONTROL

The Firm's system of internal quality control can be split into the following elements:

- leadership responsibilities for quality within the Firm
- ethical requirements
- acceptance and continuance of client relationships and specific engagements
- human resources
- engagement performance
- monitoring.





# INTERNAL QUALITY CONTROL SYSTEM

## OUR CORE VALUES

As a business, we place a great importance in achieving a culture of quality, innovation and technical excellence to guide our people in their day-to-day work and long-term vision for the Firm. Our culture stems from the tone at the top and we invest in our people to commit to principles that represent what we stand for as a Firm. The core values which we uphold complement each other and are all equally prioritised.

- › Passionate
- › Empowering
- › Collaborative
- › Inclusive
- › Agile
- › Caring
- › Independent

We advise and challenge because we are passionate about your success.

## (A) LEADERSHIP RESPONSIBILITIES FOR QUALITY

Quality is dependent upon an organisational structure which is inherently sound and which clearly defines the responsibilities of the various levels of management.

The Managing Partner, the Leadership Team and the whole Firm are committed to quality work, the public interest and the exercise and implementation of sound professional judgement and values. As a professional services Firm it is important to us that our Leadership Team draw on the talents and strengths of our entire business. Only by focusing on quality in everything we do can we secure the long term viability of the Firm.

The Managing Partner has ultimate responsibility for the Firm's quality control systems across all disciplines within the Firm, including the quality of our audit work. He is assisted with this task by the Firm's Leadership Team who are committed to quality and have instilled within the Firm a culture based on integrity and professional and ethical values, where personnel are encouraged to raise concerns where they see behaviour which falls below or is inconsistent with our stated values of Passionate, Empowering, Collaborative, Inclusive, Agile, Caring, Independent.

The Firm has clearly established responsibilities for the Managing Partner, Senior Partners and other senior personnel. The Managing Partner and the Senior Partners are members of the Firm's

Leadership Team which devises and implements the Firm's business strategy and manages operational issues.

Along with the Firm's Leadership Team, the Head of Quality and Risk Management and the Head of Audit reinforce the appropriate 'tone at the top' through a commitment to independence training for professionals on Firm policy and professional standards together with actions taken in cases of non-compliance with such policies.

In November 2020, the firm appointed Stewart Dunne, Dublin audit partner, as Head of A&A\* Quality Management (HAAQM) with operational responsibility for the Firm's system of quality management (SOQM) to support the consistent performance of quality engagements and to provide reasonable assurance that professional standards and applicable legal and regulatory requirements are being met and that engagement reports issued are appropriate in the circumstances. The HAAQM is accountable to the Firm's Managing Partner who has ultimate responsibility and accountability for the Firm's system of quality management.

## (B) ETHICAL REQUIREMENTS

The integrity and professionalism of all personnel within the Firm is paramount to the protection of the Firm's reputation and is a major contributing factor to the continued success of the Firm.

The Firm has established policies and procedures together with periodic internal training to ensure that personnel at all organisational levels understand the ethical environment in which the Firm operates.

The Firm's initial guidance on ethical and independence matters is included in the Employee Handbook which is provided to all new staff members on joining the Firm. The Firm is bound by the ethical requirements of CAI, which incorporates guidance on Integrity, Objectivity and Independence, together with IAASA's Ethical Standard For Auditors (Ireland) and, where relevant, the Ethical Standards of overseas regulators.

IAASA is responsible for regulating the accounting profession and for adopting the auditing standards to be applied by statutory auditors and audit Firms in carrying out statutory audits. International Standards on Auditing (Ireland) together with the Ethical Standard for Auditors (Ireland) are the effective standards to be applied for the audits of financial statements in the Republic of Ireland. The Firm has in place policies and procedures to ensure compliance with these standards.

Annual declarations are made by all partners and

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\*A&A: Audit & Assurance

## INTERNAL QUALITY CONTROL SYSTEM

staff to confirm that they are familiar with the ethical environment and requirements to which the Firm is subject and to assist in monitoring compliance with these requirements.

The Firm's Managing Partner, Michael Costello, acts as the Firm's Ethics Partner and is responsible for providing guidance and support on the application of ethical standards to ensure that our professional objectivity and independence is maintained.

Further information in relation to the Firm's ethical requirements and procedures is set out in the Ethics and Independence section.

### (C) ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS AND SPECIFIC ENGAGEMENTS

Robust client and engagement acceptance procedures play a pivotal role in the Firm's ability to deliver a professional and quality service to clients. Our procedure also serves to protect the Firm and its reputation.

As a result, the Firm has established policies and procedures to determine whether to accept or retain a client and whether to undertake a specific assignment for that client. This enables the engagement partner with the assistance of the Head of Risk and Audit partners, as necessary, to undertake an evaluation of the prospective client.

This evaluation considers the risks related to the prospective client and engagement, including potential independence, conflicts of interest and resources available to the Firm, and whether these

risks are manageable by the Firm. The Firm strives to ensure that it only acts for clients where it is satisfied that it can provide the appropriate high level of service expected of the Firm and that the Firm does not accept clients with which it should not be associated.

Prior to accepting any new client and consideration of continuance with that current client certain procedures to assess the risks associated with that client must be carried out. These will include:

- consideration of the client's business including its geographical spread and the industry in which it operates;
- evaluation of information concerning the client, its management and its owners including obtaining evidence of the identity of the beneficial owners of the business;
- considering information regarding the character and reputation of the prospective client and key personnel;
- assessing the risks of money laundering or economic crime concerning the potential client;
- assessment of potential independence risks and potential conflicts of interest;
- if relevant, inquiry of the previous auditor regarding the reasons for the change in auditor and if there is any reason why we should not accept the appointment;
- assessment of our ability to serve the prospective client; and

- reviewing filings of the company, including prior year financial statements.

In accordance with professional standards and the Firm's policies, the Firm will decline to act for a potential client or engagement where conflict or independence issues are identified which cannot be resolved through the implementation of appropriate safeguards.

The acceptance of any entity or individual as a client of the Firm requires an approval process that is appropriate to the perceived risk. Where risks of accepting a prospective client are identified, the Quality and Risk Management Committee and/or the Ethics or Independence Partner, as appropriate, are consulted as to whether the prospective client should be accepted and if required, what safeguards should be put in place to minimise the threat of those risks.

All continuing relationships with clients are reviewed regularly and evaluated to identify those which may require additional evaluation procedures and to identify those instances where we should consider discontinuing our association with the client.





# INTERNAL QUALITY CONTROL SYSTEM

## (D) HUMAN RESOURCES AND DEVELOPMENT

As a professional services Firm the best investment we can make is in our people. The quality of our work is directly dependent on the quality of the individuals recruited and retained by the Firm ensuring that we have the right people with the appropriate skills and training, together with the appropriate resources, to deliver the required services to our clients.

Human resources is therefore a critical factor in our ability to provide professional services. In order to ensure that the Firm has sufficient personnel with the capabilities, competence and ethical standards necessary to provide quality audits in accordance with professional and legal requirements we have established clear policies and procedures addressing the following areas:

- Clear job description
- Recruitment
- Career development and progression
- Performance evaluation
- Capabilities and competence
- Forecasting of staff requirements.

### Clear job description

A good job description is the basis for most personnel matters: recruitment, selection, coaching and mentoring, career development and mobility and performance evaluation.

A job description is a structured, written record

of all facets of a position; it provides clarity on the tasks, scope of the function responsibilities and authorities, what we expect of the person and the standard of performance required. The job description contains the following information:

- Purpose of a role and function in the firm, reporting line, position in the structure, workflow
- Core tasks and specific activities
- Responsibilities / authority and scope
- Expectations
- Job requirements (knowledge, skills and behavioural competencies)
- Qualifications required for the role.

### Recruitment

The policies and procedures for recruitment are established to ensure that those employed possess the appropriate characteristics to enable them to deliver a high-quality service and perform their duties with professional competence. The Firm seeks people with high levels of intelligence, integrity and motivation to contribute to the continuing development of the Firm and the ongoing provision of high-quality service to our clients.

All candidates applying for professional positions are required to submit an application form and are subject to a variety of selection processes.

The Firm's policies and procedures are communicated to new recruits upon joining the Firm and they are reminded throughout their time with the Firm of the Firm's commitment to

delivering consistent high quality service to our clients and of the Firm's culture and values.

The hiring policies and procedures are regularly reviewed by the Partner in Charge of the HR department to determine if they are appropriate and are operating effectively. Changes, if necessary, to the quality control system are made based on the results of such reviews.

### Career development and progression

The Firm is committed to providing individuals with the facilities to develop and maintain the highest possible standards of competence through its professional development program. Continuing professional education is the keystone of that effort and this commitment is carried out through a variety of formal training courses, emphasising appropriate policies and procedures, complemented by specialised training together with mentoring, on-the-job coaching and supervision.

Policies and procedures for the advancement of personnel are established to provide reasonable assurance that the individuals selected will have the qualifications, experience and technical competence necessary to fulfil the responsibilities they will be called on to assume.

Competency management concerns 'the right person, in the right place, at the right time'. But the influence goes further:

- It enables the 'matching' of a potential employee to the firm
- It strives to tie the individual's career needs and

aspirations to the needs of the firm

- It structures the HR processes and administration of new staff (recruitment and selection procedures), existing staff (remuneration, appraisals, training and development) and leaving staff (exit policy).

We provide a clear set of grades and levels with appropriate competencies explanation and timing guideline. Compensation matches the grade and the market benchmark. It is reviewed periodically to ensure market competitiveness. Generally, there is staff progression from a trainee level to director before a candidate will be considered for admission to partnership. Individuals are promoted to the next level only when they are prepared for the increased responsibilities that promotion entails.

### Performance evaluation

All staff members are subject to formal performance appraisal, review and counselling on a regular basis, in order to evaluate the level of competence, monitor training and to help them reach their full potential. Performance appraisal includes a review of each individual's contribution to the quality of service(s) provided by the Firm and the quality of their work.

The performance management process provides information on an individual's performance within the Firm and requires an annual evaluation of his/her prior year's performance and goal setting for future year's performance. A substantial part of the process is completed through self-evaluation, followed by a discussion with the appropriate

# INTERNAL QUALITY CONTROL SYSTEM

supervisor which will include a review of the progress made on achieving the goals set at the previous evaluation together with identifying specific goals for the coming period.

Evaluations are completed on an assignment-by-assignment basis at certain levels and also on an annual basis at all levels.

The core competencies evaluated (which may vary between levels) include technical expertise (including analytical and judgement skills), teamwork and co-operation, communication, client service, commercial and market focus and accountability for results.

Partners and managers involved in the appraisal process receive appropriate training and instruction to ensure that they are properly prepared to provide relevant guidance and direction to staff to assist them with their ongoing development within the Firm.

Our firm provides regular engagement surveys to monitor employee engagement to ensure the motivation to maximise the success of the Firm.

## Capabilities and competence

All professional staff are required to comply with the applicable professional rules and regulations relevant to their qualification and area of expertise.

The Firm's policies and procedures for assigning personnel to engagements are designed such that only those persons having adequate technical proficiency and competence will perform the work, taking into account its size, nature and complexity.

Knowledge of an individual's technical proficiency

and competency is obtained by personal knowledge of the relevant individual, reviewing evaluation forms completed by his/her superiors on previous engagements and, where necessary, discussions with his/her superiors in relation to his/her performance on previous engagements.

In staffing an engagement, consideration is given to ensure that partners and staff have the necessary technical knowledge and other skills appropriate to the size, complexity and nature of the planned work.

## Forecasting of staff requirements

We recognise that ultimately it is the ability and commitment of the partners and staff that really makes a difference and enables us to deliver a quality audit. Given this, our ability to attract the right number of high-quality people is of utmost importance. We predict our requirements so as to continue to service the Firm's clients and provide sufficient capacity to enable our partners and staff to develop the business.

Succession management enables the Firm to:

- protect the Firm's present strengths and build for its future, ensuring sustainability and continuous strong leadership
- reduce the risk of having leadership gaps for critical positions (either because of lack of talent or unprepared key successors)
- engage the leadership in supporting the development of high-potential leaders and, in return, motivate, retain and engage key talents
- anticipate and align resources with future needs

and strategies and create a flexible business by responding faster to new leadership needs

- counter the increasing difficulty and costs of recruiting employees externally.

For the employee, this means they:

- get opportunities to grow and develop skills necessary for future roles and meet career development expectations
- remain committed, motivated and engaged
- stay with the firm.

## Development plan and training policy

Our learning and development strategy ensures the Firm's ability to remain competitive and to motivate our staff. It includes both the technical expertise and skills to meet the needs of the higher demands of the market; that is business advisers, financial analysts, communicators, negotiators and managers. At the same time, integrity, objectivity, professional scepticism, and willingness to take a firm stand are essential attributes of professionals.

Our ultimate aim is to *(a) drive business performance in line with the Firm's growth strategy* and *(b) to make our Firm truly a learning organisation.*

We provide our individuals a clear career path and complementary development plan.

Our staff's integrity, honesty and moral character must be above reproach. While attributes of individual applicants may differ because of technical specification and years of experience, there are four basic attributes that all our staff possess:

- Technical competence in a chosen field of expertise;
- Strong sense of what it means to act in the public interest;
- Pride in self, the firm and the profession; and
- Strong personal skills in managing and engaging staff and in leading engagements.

This is a mandatory requirement for partnership.

We partner with our stakeholders in the Firm to build the skills, capabilities and effectiveness of our people on a consistent basis across all offices. We do this by creating relevant training content internally, connecting with reputable external providers, ensuring skills transfer among our people, and drawing on the BDO International resources.

Our training programme aims to bring alive key technical challenges and their application in practice including the practical impact of COVID-19 to reporting and the challenges that arise in the course of auditing entities. We continue to make use of both BDO International's and our internal social media platform, Yammer, for knowledge sharing and hints and tips to get the most out of our technology and audit approach.

As result of COVID-19 all training has been converted to online platforms enabling those delivering our training to interact with the attendees and engage them in high-quality training. Feedback received from partners and staff has been positive in respect of the new platforms, especially in that it provided greater flexibility.



# INTERNAL QUALITY CONTROL SYSTEM

## (E) ENGAGEMENT PERFORMANCE IN THE AUDIT STREAM

### Common approach

At BDO it is essential that we operate a global audit process, compliant with international and local regulation. Our clients should be assured of the quality of our work across their group. To achieve this all member Firms sign up to one audit methodology and one quality review standard.

Notwithstanding our global approach we are conscious that retaining our local knowledge and expertise is essential to delivering the best service for our clients.

The network's audit and assurance software, APT, encapsulates the key aspects of the methodology and is used worldwide to ensure consistent and scalable audit performance. Its many benefits include teamwork on a real-time basis and timely efficient multi-location and cross border audits. APT is regularly enhanced to ensure that it remains at the forefront of technological innovation and incorporates new and emerging audit practices.

Our policies and procedures are designed to ensure that the audits we perform meet all applicable professional standards, regulatory requirements and that the Firm issues reports that are appropriate in the circumstances. To achieve these objectives and to promote consistency with the BDO network's approach to auditing and application of professional scepticism, BDO International has developed the common BDO



Audit Methodology, related software tools and other standard forms of documentation. This methodology is fully compliant with International Standards on Auditing.

APT, BDO International's in-house state of the art audit software, remains the single largest global project of its kind and its evolution continues. By designing APT to take advantage of recent technological advances, we will be able to:

- safeguard the structural integrity of the tool for the future;

- provide us with a fully-integrated tool that reflects the latest interpretations of the auditing standards; and
- enable teams to work efficiently on both large and small engagements.

In addition, the Firm's policies and procedures require all professionals to refer to the Firm's literature, authoritative literature or other sources and consult, on a timely basis, with individuals within or outside of the Firm, when appropriate (for example, when dealing with complex or

unusual accounting or auditing issues).

### Supervision and review

The Firm's policies require all professional work to be supervised by staff members who have appropriate knowledge and experience. The personnel responsible for audit quality consist of the engagement partner and the engagement manager who are assigned responsibilities commensurate with their experience and expertise. It is the responsibility of the relevant partner to ensure that related risks are identified and that decisions are taken by those with an appropriate level of authority. The relevant partner must also ensure that professional work is carried out efficiently, with appropriate scepticism, and that it meets the Firm's standards in all respects.

Our review procedures are designed to ensure effective control of the audit as it progresses. These policies are designed to ensure that:

- the work is performed in accordance with applicable standards and regulations;
- significant matters have been raised for further consideration and appropriately addressed;
- appropriate consultations have taken place;
- the planned work has where necessary been reviewed and that the objective of all planned work has been achieved;
- the work performed and evidence obtained supports the conclusions reached; and

## INTERNAL QUALITY CONTROL SYSTEM

- the documentation present on the audit file enables an experienced auditor to understand the significant matters arising on the audit as well as the nature, timing and extent of the procedures undertaken, the results of those procedures and the evidence obtained.

The engagement partner is responsible for finalising and signing the auditors' report on behalf of the Firm and for applying the Firm's quality control policies and processes to individual audit engagements in an appropriate manner. The responsibilities of the engagement partner would include:

- Evaluating the acceptance and retention of client(s)
- Leading the performance of audit work and its documentation ensuring that it has been carried out in accordance with the Firm's policies and procedures and the terms of engagement including being satisfied that risks have been appropriately assessed and responded to
- Resolving technical accounting and auditing matters and identifying potential problems involving unusual risks for the Firm undertaking appropriate consultation on such matters where necessary
- Ensuring compliance with the Firm's quality control procedures including being satisfied that the review and supervision procedures in place are adequate and effective

- Overall responsibility for ensuring that the work performed and evidence obtained supports the conclusions reached and that the documentation present on the audit file enables an experienced auditor to understand the significant matters arising on the audit as well as the nature, timing and extent of the procedures undertaken, the results of those procedures and the evidence obtained approving the form and content of the audit report
- Ensuring continuous quality improvement through challenging individuals to be proactive in their approach to the audit and applying an appropriate level of professional scepticism, and
- Assisting with staff development through mentoring and coaching of individuals.

The engagement manager works closely with the engagement partner on all major matters concerning the audit. The engagement manager works with the engagement partner to ensure that work is planned, executed and reviewed in accordance with the Firm's policies and procedures and that matters or issues which might impact on the audit opinion to be given on a set of financial statements are appropriately identified and resolved. The engagement manager should support the engagement partner by promoting a culture of ongoing mentoring and on-the-job coaching, contributing to improvements in audit quality and the development of personnel involved



on the audit.

### Engagement Quality Control Review

An Engagement Quality Control Review is performed for audits of Public Interest Entities (PIE) as defined by the Audit Governance Code, which are identified as being higher risk.

The engagement quality control reviewer ("EQCR") will be familiar with the auditing and reporting practices used during the engagement, and knowledgeable and familiar with the client's industry, but is not a part of the audit engagement team. They will be an experienced audit partner not likely to be unduly influenced by the views of a particular engagement partner. The engagement quality control reviewer will not be actively

involved in making ongoing decisions relating to the engagement and will not be involved in performing the engagement. Engagement quality control reviewers are selected from a list of approved reviewers, as determined by the Head of Audit.

### Consultation and support

Consultation is a key element of quality control and our culture encourages consultation with experienced partners and other specialists where appropriate. The Firm has a process in place for audit partners and teams to follow when consulting and seeking a 'firm' opinion, support on a client issue, judgement or risk.



# INTERNAL QUALITY CONTROL SYSTEM

## (F) MONITORING OF THE AUDIT STREAM

### Internal Monitoring

Quality monitoring is an integral part of the Firm's systems and procedures and is designed to give the Firm reasonable assurance that the Firm's internal quality control system is operating effectively and being complied with in practice.

Such ongoing monitoring is essential as the Firm seeks to continually improve its policies, procedures and the quality of its work. Instances of failure to meet required performance standards are treated seriously and appropriate corrective action is taken including necessary training as appropriate for the individuals concerned.

### Quality Control Review Program

Our quality control system includes an annual internal quality control review of the Firm's assurance practice by appropriately qualified senior individuals within the Firm with relevant knowledge and experience reporting directly to the Quality & Risk Committee, Managing Partner and the Head of Audit.

The aim of these reviews is to monitor compliance with the Firm's policies, procedures and standards and to ensure that the audit work carried out to arrive at an opinion, is thoroughly documented and of high quality. Corrective action is taken to address any deficiencies encountered and,

as part of the Firm's continuing drive towards excellence in performance, recommendations for improvements are identified and implemented.

The review consists of assessing, on a sample basis, the work papers and reports of selected assurance engagements and documentation of compliance with our quality control policies and procedures in other areas. The sample is selected to ensure that at least one audit carried out by each audit partner (or the individual responsible for the audit), is selected for review each year.

Independence of the reviewers is ensured through having each partner reviewed by a team from an Office/Team other than the partner's own.

Where required, appropriate internal specialists are involved in the review and instructions are issued to the reviewers in advance of the review setting out the objectives of the process, detailed procedures and tests to be performed, appropriate guidance and reporting templates. A conclusion is drawn on each audit reviewed as to whether the audit work was "Satisfactory", "Acceptable but with some areas to improve", "Major areas to improve" or "Unsatisfactory".

At the conclusion of the annual program the results are discussed with the Head of Audit, the Quality & Risk Committee and Managing Partner. Detailed action plans are developed to address the findings from our internal and external reviews. Key findings and learnings are anonymised and played back to the audit management. This now

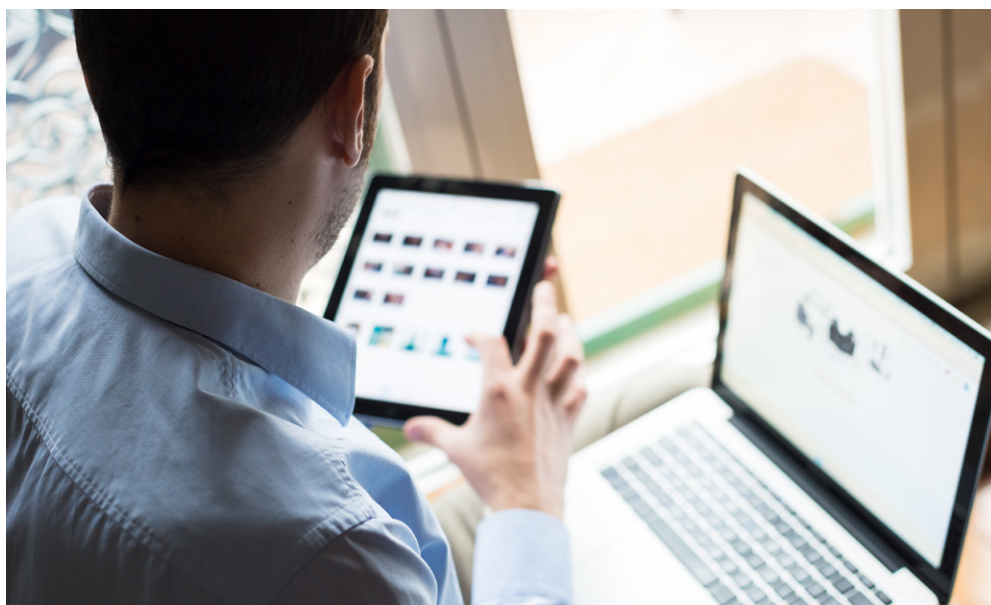
includes good practice findings from the AQR so reinforcing good behaviour. We continue with our programme of Root Cause Analysis (RCA), which we believe makes a valuable contribution to our drive to improve audit quality. We also note emerging themes and these are regularly fed back to the audit management.

### Complaints and allegations

The Firm has established a channel for Firm personnel to raise any concerns that the work performed by the Firm fails to comply with professional standards and applicable legal and regulatory requirements or non-compliance with the Firm's system of quality control. The Firm has a "Protected Disclosure" policy in place and employees are encouraged to come forward with concerns they may have and report such matters directly to senior management within the Firm. The policy has been designed to ensure that our people deal responsibly and in the interest of all concerned in the event of any malpractice.

By disclosing any information, our people will not be treated any differently. We will make every effort to ensure that there is no victimisation or harassment as a result of any disclosure and any appropriate disciplinary action may be taken against another individual in breach of this.

Wherever possible, we will discuss in confidence the disclosure of information and protect the identity of anyone disclosing information and, wherever appropriate, investigate the matter thoroughly.



## INTERNAL QUALITY CONTROL SYSTEM

Any action taken as a result of whistleblowing will be dependent on the nature of the concern, and dealt with as we deem appropriate.

We would wish to deal with any disclosure internally by following our internal procedures. If, however, an individual remains concerned about an internal investigation, and reasonably believes that the appropriate action has not been taken, then he/she should report the matter to the proper authority.

The Head of Audit and the Quality and Risk Management Partner are responsible for monitoring and documenting the implementation of, and compliance with, any corrective actions. The Head of Audit and the Quality and Risk Management Partner are also responsible for ensuring appropriate documentation of the operation of each element of the Firm's quality control system.

Clients are made aware of our complaints procedure through the Firm's General Terms of Business. We at all times seek to provide consistently excellent services to our clients. However, where we fall short of this goal, we provide our clients with an opportunity to raise their concerns or complaints directly with the Firm's Managing Partner.

As part of our continuous efforts to improve the quality of our services to clients, client concerns or complaints are taken seriously, and where required, appropriate corrective action is taken and improvements made to the Firm's systems and procedures.

### Leadership Team statement on effectiveness of functioning

These policies, procedures and monitoring activities have provided the Firm's Leadership Team with reasonable assurance that the Firm, its partners and staff have materially complied with applicable professional, regulatory and legal requirements, that work has been performed to a consistently high standard and that appropriate reports have been issued. The firm's Leadership Team have inter alia considered the results of the annual internal regulatory inspections and the regulatory inspections by the Firm's regulatory bodies (i.e. IAASA and Chartered Accountants Ireland) in reaching this opinion.

### BDO International Quality Assurance Review

BDO International operates a monitoring program of member Firms with every member Firm being subject to a Quality Assurance Review ("QAR") at least every three years. The primary objective of the QARs is to evaluate the quality of the policies and procedures of member Firms as well as the quality of the local and referred professional work carried out by them. The quality of work of all member Firms is continually assessed and improved to increase the quality threshold across the network.

The QAR is designed to assess compliance with BDO standards and requirements for its engagements, share best practice and experience and provide practical advice and ideas to the member Firm. This would include possible improvements to its practice, in the areas of quality assurance procedures and efficiency and

to ascertain the overall quality of judgements and opinions exercised by the member Firm.

The Firm was subject to a BDO International QAR in 2018.

A report on the results of the reviews is made to the Head of Audit with formal reporting to the Firm's Leadership Team and the Quality and Risk Management Partner. The Head of Audit is responsible for monitoring and documenting the implementation of and compliance with any corrective actions identified for audit.

### IAASA Quality Assurance Review

The Irish Auditing and Accounting Supervisory Authority ('IAASA' or 'the Authority') is designated as the competent authority in Ireland responsible for quality assurance reviews of statutory auditors and audit firms that carry out statutory audits of public-interest entities (audits of PIEs).

### (G) EVALUATION OF EFFECTIVENESS OF QUALITY CONTROL SYSTEMS

The Firm's Leadership Team has evaluated the results of the internal and external monitoring, as detailed in this report, undertaken of the Firm's quality control systems in 2020. The result from the IAASA's review of our audit file is disappointing and is not in keeping with the Firm's quality standards and procedures. We recognised the need to learn from both these findings and the findings on other firms and to take appropriate action. At the very core of our strategy is the view that a BDO audit is a quality product and we have actioned changes designed to address the points raised in the review.





## EXTERNAL MONITORING OF QUALITY CONTROL

The Firm is registered as a statutory audit Firm with Chartered Accountants Ireland (CAI). CAI is subject to oversight by the Irish Auditing and Accounting Supervisory Authority ('IAASA' or 'the Authority') which is the independent body in Ireland responsible for the:

- Examination and enforcement of certain listed entities' periodic financial reporting
- Supervision of the regulatory functions of the Prescribed Accountancy Bodies ('PABs'), and
- The inspection and promotion of improvements in the quality of auditing of Public Interest Entities ('PIEs').

IAASA is designated as the competent authority in Ireland responsible for quality assurance reviews of statutory auditors and audit firms that carry out statutory audits of public-interest entities (audits of PIEs).

IAASA carries out an audit inspection regime in respect of audit firms that perform statutory audits of public-interest entities ('PIEs'), such as listed companies, and companies that operate in the banking and insurance sectors, under its role as set out in the EU Audit Regulation and EU Audit Directive as incorporated into the Companies Act 2014.

The purpose of a quality assurance review is to assess the effectiveness of the Firm's system of quality control. This involves an assessment of the design of the system of quality control,

performance of compliance testing around the implementation of the Firm's processes and procedures, together with inspection of a sample of audits of PIEs. The quality assurance review is not designed to identify all weaknesses which may exist in the Firm's policies and procedures or in the implementation of those policies and procedures.

The assessment of the Firm's system of quality control involves review of 13 areas over a three year period. The quality assurance review which took place in 2020 assessed the design of the system of quality control in the following four areas:

- ethics and independence
- acceptance and continuance
- documentation
- complaints and allegations.

For each of the four areas reviewed, the Authority assessed the Firm's policies and procedures and obtained evidence of the implementation of the Firm's policies.

In 2020, the Authority selected a sample of one audit of a PIE. For the audit selected, the Authority evaluated the quality of evidence across the following audit areas

- audit planning
- communications with those charged with governance
- completion areas.

For the audit selected, the Authority also evaluated the quality of audit evidence across additional audit areas. The additional audit areas were selected at the discretion of the Authority, taking into consideration the specific risks pertaining to the audit as well as other areas of focus for the Authority.

The quality assurance review identified one significant deficiency in the Firm's system of quality control. The quality assurance review also identified three matters requiring improvement and one minor deficiency in the Firm's system of quality control.

To the audit of one PIE audit selected by the Authority for review it assigned a grade of 4 (significant improvements required).

Whilst the sample selected was limited to one audit, the results from IAASA's review of BDO's audit is disappointing. We have met with IAASA during the review to discuss their findings and the results have been discussed internally with the Leadership Team and provided to the audit management team.

We take the results of internal and external QARs very seriously and are taken into account in the appraisals of the individual partners concerned. Whilst file grades are driven by specific issues, we need to learn from both these findings and the findings on other firms and take appropriate action. These actions include the preparation of a formal Action Plan to address the individual

findings and a focus on the themes emerging from these QARs in training.

At the very core of our strategy is the view that a BDO audit is a quality product and whilst AQR grades are only one measure of audit quality they are an important one and we need to work hard to ensure that our files and processes are a proper reflection of the quality of our work.

The Firm is subject to inspection by the Professional Standards Department of Chartered Accountants Ireland for non-PIE audits. The last quality review visit undertaken by CARB was finalised in 2019 and, whilst it was noted that audit work was generally of a good standard on the files reviewed, actions have been taken to address the small number of recommendations identified.

The Firm is also registered with the Public Company Accounting and Oversight Board ("PCAOB") in the US. To date the Firm has not been inspected by the PCAOB.

Further details regarding these supervisory authorities can be found at the following websites

- › CAI [www.charteredaccountants.ie](http://www.charteredaccountants.ie)
- › IAASA [www.iaasa.ie](http://www.iaasa.ie)
- › Professional Standards [www.charteredaccountants.ie/Professional-Standards/](http://www.charteredaccountants.ie/Professional-Standards/)
- › PCAOB [www.pcaobus.org](http://www.pcaobus.org)

## PUBLIC INTEREST ENTITIES

**A list of public interest entities as at 28 February 2021 is set out below.**

Aminex Public Limited Company  
DeCare Dental Insurance Ireland Designated Activity Company  
DVA Reinsurance Designated Activity Company  
Emerald Capital Designated Activity Company  
German Postal Pensions Securitisation plc  
German Postal Pensions Securitisation 2 plc  
Greenlight Reinsurance Ireland, Designated Activity Company  
Halcyon Loan Advisors European Funding 2016 Designated Activity Company  
Halcyon Loan Advisors European Funding 2017-1 Designated Activity Company  
Halcyon Loan Advisors European Funding 2017-2 Designated Activity Company  
Halcyon Loan Advisors European Funding 2018-1 Designated Activity Company  
Nautlius Indemnity (Europe) Designated Activity Company  
Newell Insurance Designated Activity Company  
Nokatus Insurance Company Designated Activity Company  
Saderea Designated Activity Company  
Shamrock Capital plc  
Shannon Capital plc  
The Baxendale Insurance Company Designated Activity Company  
The Standard Club Ireland Designated Activity Company  
Titanium Secured Obligations Designated Activity Company  
Tyre Reinsurance (Ireland) Designated Activity Company  
Woodlands International Insurance Company Designated Activity Company



# ETHICS AND INDEPENDENCE

Ethics and independence are of fundamental importance to our culture and success. Integrity, objectivity and independence are at the core of our culture and our business. Our policies and procedures are in line with, or exceed, regulatory requirements including those relating to local public sector audits.

BDO member Firms are required to follow independence standards of the International Ethics Standards Board of Accountants (IESBA) of the International Federation of Accountants. In addition to these rules the Firm is required to comply with national regulations as required including Ethical Standard for Auditors (Ireland) issued by IAASA. The relevant ethics and independence rules for each member Firm are posted on BDO International's internal intranet, which is accessible by all partners and professionals.

The Firm has established policies and procedures designed to meet these independence requirements and ensure that personnel at all organisational levels maintain independence in both fact and appearance according to professional standards, and perform their professional responsibilities with integrity and objectivity.

The Firm's initial guidance on independence is included in the Employee Handbook and is complemented by training programmes targeting the needs of the individual partners and staff.

Compliance with relevant independence, conflict of interest (COI) and ethics rules, regulations

and standards are a priority for BDO at the local and global levels. These rules, regulations and standards, which vary widely across the world, are complex and increasing in number.

The Firm has in place a disciplinary structure to determine the appropriate sanction for any professional that violates the independence rules and Firm policies.

## INTEGRITY, OBJECTIVITY AND INDEPENDENCE

Our partners and staff are not only required to apply the rules but also to adhere to our cultural values of integrity and honesty and the principles of ethics and independence. They are required to take into account the views of an objective, reasonable and informed third party in order to reach a judgement that meets the overarching requirement to behave ethically and with integrity.

Audit Engagement Partners are required to communicate to those charged with governance on a timely basis all significant facts and matters that bear upon the auditor's objectivity and independence. Internal guidance and templates are available detailing the matters which should be included in such communications. We monitor these communications with those charged with governance as part of our internal quality control reviews.

Our policies and procedures relating to ethical conduct and auditor independence are set out in detailed internal guidance pages on our intranet. These are complemented by extensive advice;

consultation and training programmes, designed to ensure compliance with International and Irish Ethical Standards. The Ethics Partner is responsible for providing guidance and support on the application of ethical standards to ensure that our professional objectivity and independence is maintained and our cultural values adhered to.

BDO International's social media group on Yammer, where the team engage with a mass audience and provide regular updates on a range of ethical and independence topics together with specific audit and assurance matters, has been very successful in ensuring that these topics are kept at the forefront of the minds of partners and staff and that timely guidance is provided regarding changes in these areas.

Our policies and procedures cover, inter alia, our relationships with audited entities, rotation of audit partners, fees and the provision of non-audit services to audited entities. They meet, and in some instances exceed, those that are promulgated by the International Ethics Standards Board of Accountants ("IESBA") Code of Ethics for Professional Accountants.

In addition to their own national code of ethics, all BDO Member Firms, as members of the Forum of Firms, are required to comply with, and annually report as to their compliance with, the IESBA Code of Ethics. Our BDO Global Independence team launched an Ethics Manual which was issued to every BDO Member Firm. This Manual will further promote consistent application of ethical policies and

procedures and enhance cross-border collaboration and communication between each firm.

As chartered accountants we are expected to demonstrate the highest standards of professionalism. Ethical behaviour plays a vital role in ensuring public trust and upholding the reputation of the accounting profession. The IAASA Code of Ethics assists us by providing relevant ethical guidance which forms a central part of our intake training programme whether that is through lateral hires or trainee recruitment.

## FINANCIAL, BUSINESS, EMPLOYMENT AND PERSONAL RELATIONSHIPS

Each individual is responsible for determining his/her compliance with the Firm's independence policies. In order to comply with relevant ethical standards, the policies which the Firm has in place prohibit partners, staff and persons closely associated with them holding a financial interest in an audit client or an affiliate of an audit client. Additionally, the firm, partners, staff and persons closely associated with them may only enter into business relationships with any of the firm's audited entities or their affiliates where they:

- Involve the purchase of goods and services from the client in the ordinary course of business and on an arm's-length basis and where the value involved is not material to either party.
- Are clearly inconsequential to both parties.

# ETHICS AND INDEPENDENCE

The Firm also has in place policies requiring individuals to report where any member of their immediate family or close family, or anyone with whom they have a personal relationship, has an involvement with an audit client which they consider might create a threat to the Firm's objectivity or a perceived loss of independence.

Employment relationships are rare and approval procedures are in place before any such situation can be established.

The Firm maintains a list of clients, mainly assurance clients, of which the Firm must be independent and this list may be accessed by all partners and staff. Similarly in order to perform effective enquiries to ensure that our independence on a global basis is not compromised BDO International maintains a worldwide register, accessible by all BDO professionals, of BDO's clients that are restricted entities.

We monitor adherence to our policies through the annual declaration process which seeks confirmation from partners and staff that our policies surrounding financial, business, employment and personal relationships have been complied with. All exceptions are reviewed and investigated by the Quality and Risk Committee.

Where our monitoring procedures identify breaches, these are rectified as soon as possible and the individual is subject to our sanctions policy. No instances where the firm's independence was judged to be compromised was identified this year.

## LONG ASSOCIATION WITH THE AUDIT ENGAGEMENT

Audit engagement leaders and key partners, including the Engagement Quality Control Reviewer, involved in the audit are subject to periodic rotation of their involvement with audit clients under the independence rules of the Ethical Standards. The rotation period for key audit partners responsible for carrying out a statutory audit of a public interest entity is 5 years from the date of their appointment.

The Firm's policies with respect to rotation of key audit partners and staff (i.e. those other than the engagement partner and EQCR, who are specifically covered by statute/regulation) in relation to public interest entities and other listed entities is principles-based, depending on the facts and circumstances of the engagement. Typically, such 'key audit partners and staff' include audit partners and senior managers / managers performing a significant portion of the work, as well as specialist partners and senior managers / managers (e.g. tax, valuation).

The engagement partner reviews the safeguards put in place to address the threats to the objectivity and independence of such persons involved in the engagement in senior positions for a continuous period longer than 7 years and shall discuss those situations with the engagement quality control reviewer.

For non-listed audit clients the audit partner will

normally rotate off the audit after 10 years. Where rotation is extended beyond 10 years, careful consideration is given as to whether it is probable that an objective, reasonable and informed third party would conclude the integrity, objectivity or independence of the Firm or engagement partner are compromised.

The Firm has established policies and procedures to monitor the length of time that audit engagement partners, key partners involved in the audit (including the Engagement Quality Control Reviewer) and partners and staff in senior positions, including those from other disciplines, serve as members of the engagement team for each audit.

## AUDIT FIRM ROTATION

In accordance with S.I. No. 312/2016 - European Union (Statutory Audits) (Directive 2006/43/EC, as amended by Directive 2014/56/EU, and Regulation (EU) No 537/2014) Regulations 2016, public interest entities (PIES) are required to appoint new auditors at a minimum every 10 years. We are monitoring our length of service with all PIES to ensure that we do not accept any appointment which is beyond the maximum period of 10 years.

## FEES, REMUNERATION AND EVALUATION POLICIES

It is recognised that where fees from an audit client represent a large proportion of the total fees of the Firm a self-interest or intimidation threat may arise.

The Firm's policies require that where it is expected that the total fees receivable from a public interest entity will regularly exceed 10% of the annual fee income of the Firm, the Firm will not act as the auditor of that entity and will either resign or not stand for reappointment, as appropriate.

The Firm's policies prohibit an audit being undertaken on a contingent fee basis.

The Firm's appraisal, promotion and remuneration processes for audit staff specifically exclude objectives related to selling non-audit services to audit clients.

## NON-AUDIT SERVICES PROVIDED TO AUDIT CLIENTS

The Firm has policies and procedures in place to restrict the scope of services that can be provided to audit clients which are consistent with the IESBA Code of Ethics and local applicable laws and standards. In respect of all non-audit services, the approval by the audit engagement partner is required before such services can be provided to ensure that the audit engagement partner is informed about any proposed engagement and has considered whether the relevant services are permitted and, if applicable, of the threats arising from the provision of the services and the safeguards to be implemented to address those threats.

## CONFIRMATIONS

All individuals within the Firm are required to confirm their compliance with the Firm's



## ETHICS AND INDEPENDENCE

independence policies on commencement with the Firm and annually thereafter. The confirmation is used to evidence the individual's understanding of the Firm's policies in relation to independence matters and that they have complied with these policies.

The responses to the annual declaration process are reviewed to identify possible conflicts or independence issues.

### MONITORING

The annual review of the Firm's quality control system, which is undertaken by appropriately qualified senior individuals within the Firm, includes:

- Review of the independence annual confirmations of selected individuals
- Review of compliance with the Firm's policies in relation to partner rotation
- Review of independence questionnaires completed on audit Engagements.

### CONFLICTS OF INTERESTS

Conflicts of Interest may preclude the Firm from accepting a client or an engagement. The relevant partner is responsible for the identification of possible conflicts, ensuring that any such conflicts can be properly managed before an engagement is accepted and being alert to potential conflicts which may arise throughout the engagement.

We have a designated Independence Champion who monitors compliance with the applicable independence policies and procedures, provides consultations regarding independence matters, and oversees independence training and maintenance of a restricted entity database.

We also maintain a database of all our Firm's restricted entities, including listed companies and other public interest entities. This is available to all staff on our intranet and its objective is to prevent the performance of prohibited non-assurance services or investment in these entities. The database is continuously updated.

Prior to accepting any new client or assurance engagement, our engagement teams must perform specific procedures to identify potential conflicts of interest and threats to our independence. Procedures include a custom-made web-based tool to facilitate international conflict of interest and independence checks throughout the BDO network.

There is also an independence declaration per audit engagement signed by all partners and staff members that have been involved in the performance of the audit engagement.

### BDO GLOBAL INDEPENDENCE PRACTICES

BDO Member firms' independence and objectivity on assurance clients is achieved through policies and procedures designed to ensure compliance with the independence standards of the International Federation of Accountants (IFAC) Code of Ethics and the respective national



regulatory organisations. The relevant ethics and independence rules for each member firm are posted on BDO's global intranet, which is accessible by all BDO partners and professionals. As noted above, earlier in the year the BDO Global Independence Team launched an Ethics Manual which was issued to every BDO Member Firm. This manual will further promote consistent application of ethical policies and procedures and enhance cross-border collaboration and communication between each firm.

All member firms have a designated Independence Champion who monitors compliance with the applicable independence policies and procedures, provides consultations regarding independence matters, and oversees independence training. This monitoring process is supported by the Independence Steering Group who conduct their own monitoring procedures and follow up on non-adherence.

BDO also maintains a worldwide database of all our major firms' restricted entities, including listed companies and public interest entities. This is situated on the global intranet and its objective is to prevent the performance of prohibited non-assurance services or investment in restricted entities. The worldwide database is updated monthly and the Independence Champions must positively affirm each month that their member firm's listing of restricted entities is accurate and complete. They also annually confirm that their domestic independence rules comply with the IFAC Code of Ethics and are available on the global intranet. Prior to accepting any new client or assurance engagement, member firms must perform specific procedures to identify potential conflicts of interest and threats to their independence. Procedures include a custom-made web-based tool to facilitate international conflict of interest and independence checks throughout the BDO network.

## CONTINUING PROFESSIONAL DEVELOPMENT

The Firm has a policy of facilitating and encouraging continuing education as an important means of developing knowledge and maintaining and improving the quality of its services and of motivating and retaining its personnel.

For audit partners and professional staff, the Firm requires partners and staff members to participate in appropriate continuing professional development programmes and monitors the fulfilment of programme obligations.

The continuing education program is comprised of training sessions organised by the Firm specifically designed to meet its needs, with such training provided by the Firm as well as external training by relevant professional bodies or other training organisations that are accredited by the local professional body. Certain courses are mandatory and others are optional. The CPD requirements for professional auditors are also factored into the programme.

Extensive training is given to all new recruits on the BDO audit methodologies, tools and processes. More experienced personnel and partners are encouraged to update and deepen their technical knowledge.



Developing management and interpersonal skills are also very important for this group.

Continuing professional education is a factor taken into account for the yearly evaluation of audit staff and the assessment of their career potential within the Firm. We are committed to developing and maintaining the highest possible standards of technical competence through our own development programmes. As part of an individual's performance appraisal, professional development needs are assessed and courses or other training opportunities are identified.

We have developed a curriculum providing technical training for our professionals through- out their careers. For all new audit professionals, there is an orientation programme covering the Firm's audit approach and procedures and its organisational structure. All audit staff, including managers and partners, attend regular technical update courses. These courses are complemented by on the job coaching which provides a significant aspect of their professional development. All audit staff are personally responsible for keeping up to date with the requisite knowledge, skills and professional competence which they will need to successfully carry out the roles to which they are assigned.



## CORPORATE SOCIAL RESPONSIBILITY

At BDO we are committed to being a responsible business, both in how we work with our clients and in terms of how we contribute to the wider community and the world around us. It is important to our employees to work for a socially responsible organisation and our approach therefore reflects our people.

We recognise that our activities as a Firm have an impact on our communities. We are committed to not only managing that impact but also using the resources we have in making a real and sustainable difference.

Our commitment to Corporate Social Responsibility (CSR) focuses on the following pillars:

- > **Community** – We are actively involved in supporting and developing the local community to make a lasting positive impact.
- > **People** – We provide the tools to enable personal growth and fulfilment for individuals and for the Firm to work together to make a difference as a team.
- > **Environment** – We work hard to ensure that the negative impact our business has on the environment is minimised.
- > **Marketplace** – We ensure that we buy and sell responsibly helping drive positive change within industry.

During 2020 we supported our staff nominated charity, The Children's Medical & Research Foundation (CMRF Crumlin). CMRF Crumlin provides vital funding for CHI Crumlin (previously Our Lady's Children's Hospital, Crumlin) and The National Children's Research Centre. The three main aims of CMRF Crumlin are Saving Young Lives, Supporting Small Victories, and Creating Brighter Days. We are proud to work with CMRF Crumlin and its partners and donors to help fund initiatives, research, equipment and projects over the course of this partnership.

During 2020 and the ongoing Covid 19 pandemic, many of our CSR initiatives and events moved online, as we found ways to participate remotely.

Some of our initiatives for CMRF Crumlin include organising for our staff to take part in a virtual Formal Friday in April 2020. This was in aid of Together with our Heroes COVID-19 Appeal. Our staff was also delighted to raise funds during Pancake Tuesday February 2021 and the CMRF Christmas Jumper Appeal.

In addition, we organised a number of other events during the year including our virtual coffee morning on Daffodil Day in aid of Irish Cancer Society and helping Santa on his annual visit to St. Audeon's School. Many of our staff were delighted to participate in our Iron Man Challenge which raised funds for both CMRF and Pieta House. We continue to support Inner City Enterprise by hosting numerous workshops for their members on financial management and tax returns.

The organisation of all Firm-wide CSR events are led by staff members across the business, working in collaboration to deliver a successful initiative and support our local community.



## DIVERSITY & INCLUSION PROGRAMME

In 2020 we established our Diversity & Inclusion (D&I) Programme. This initiative is an extension of our core values and is central to the success of our Firm. Our mission is to ensure that D&I becomes embedded within our firm's culture and is evident in our day-to-day interactions both internally and externally in the market. As an employee-led initiative, the programme is built to reflect the insights of our own diversity within the firm.

Our key objective for our D&I programme is to ensure that BDO is an open, respectful and inclusive environment for everyone. This will ensure that our strategic objectives are also achieved which include:

- attracting, retaining and empowering diverse talent;
- building diverse and dynamic teams to optimise client delivery; and
- enhancing employer recruitment and retention.

The committee works across four key pillars including – Cultural, LGBTQ+, Gender Balance, and Abilities. Through the programme's various activities, the D&I committee aims to promote an environment that recognises, respects and values all of our differences that we each bring to work.

During 2020 we hosted a number of events and activities which focused on our four key pillars. Events included guest speakers for International Women's Day, a celebration of Pride Month by inviting staff on a virtual quiz night and making a donation to ShoutOut; a charity committed to improving life for people in the LGBTQ+ community. The committee also works closely with the various internal departments to ensure D&I is at the forefront of the Firm's policies and procedures and to drive and support initiatives across the Firm.

Diversity and inclusiveness are key priorities for our Firm and we recognise that our D&I strategy is a journey. We're proud of our progress but we still have much more we need and want to do to foster an even more diverse and inclusive workplace culture. We are committed to the journey and we are committed to achieving our objectives.





## SOCIAL WELLNESS ACTIVE GROUP

Our Social Wellness Active Group (SWAG), consisting of staff members from various departments throughout the organisation, was set up in 2016 with the aim of improving the social environment of the workplace and creating strong working relationships amongst employees. Now more than ever, nurturing connections between employees is essential to boosting morale and bringing our people together while working remotely.

At BDO, we are committed to promoting the wellbeing of our staff. Over the past years, the SWAG committee has built a track record of organising many successful events that brought a high level of engagement from staff of all levels. 2020 presented a unique challenge to the committee as we worked to find new ways of bringing social activities to our staff.

Last summer we established a virtual Triathlon Club for all employees to join regardless of their department or fitness level. This was a great initiative to keep active and form connections between staff that do not regularly work together.

SWAG also organised a virtual Murder Mystery Evening back in November. The event was very well-received by attendees and it was a fantastic opportunity to socialise with colleagues as well as meet new and familiar faces.

We are taking a proactive approach in gathering feedback from our staff and creating events that interest them. We look forward to the year ahead with optimism and plenty of creative ideas to bring our people together.

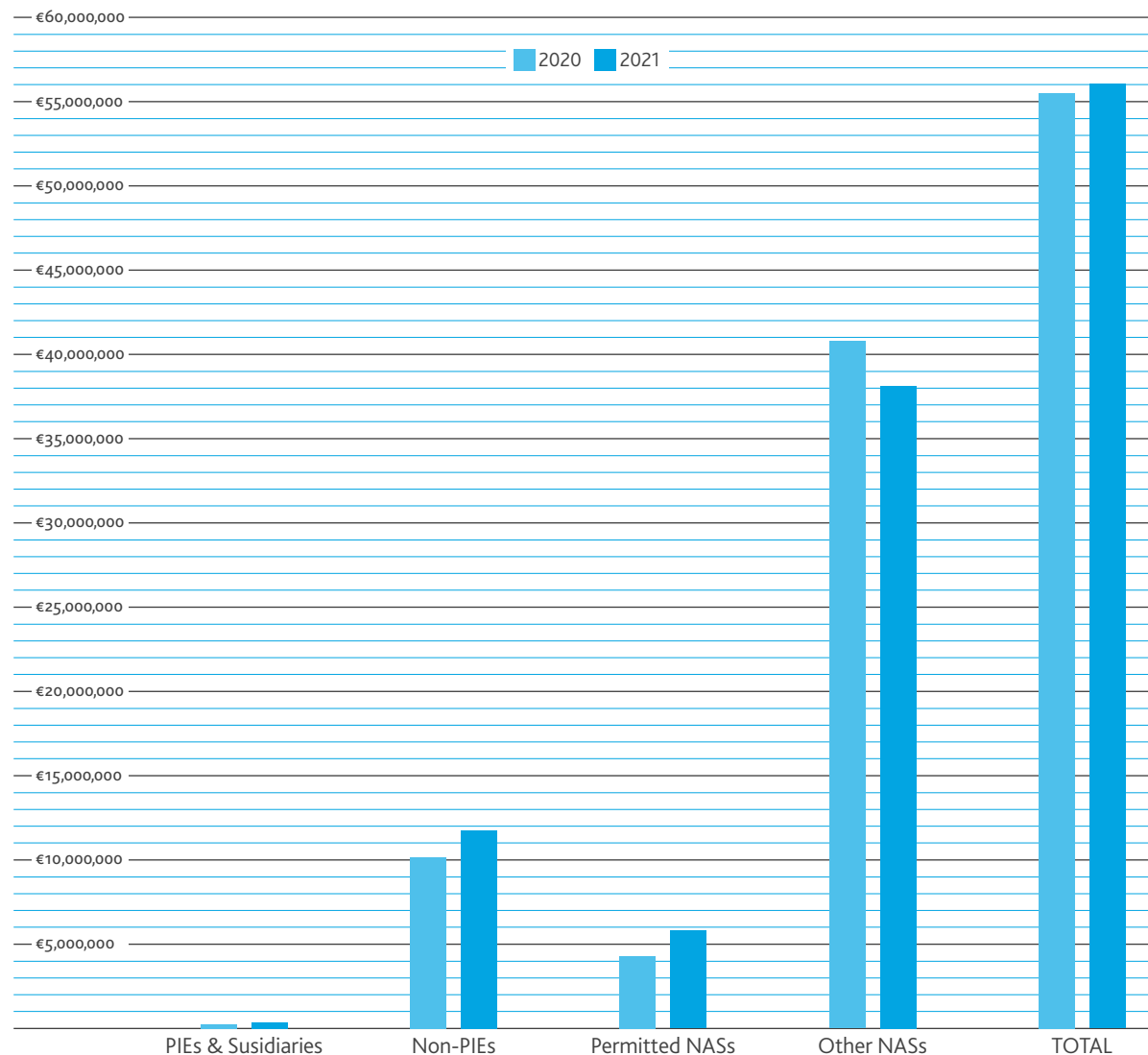


# FINANCIAL INFORMATION

The following turnover information, excluding Valued Added Tax, for the year ended 28 February 2020 has been extracted from the Firm's books and records:

REVENUE	2020	2021
Statutory Audit:		
PIEs and their Subsidiaries.	€255,000	€350,000
Entities other than PIEs.	€10,160,000	€11,750,000
Permitted NASs:		
Entities audited by the Firm.	€4,310,000	€5,800,000
NASs:		
Other entities.	€40,775,000	€38,150,000
<b>Total</b>	<b>€55,500,000</b>	<b>€56,050,000</b>

The combined turnover from statutory audits of the BDO EU/EEA audit Firms for the period as of 15 October 2020 is €784,884,996.





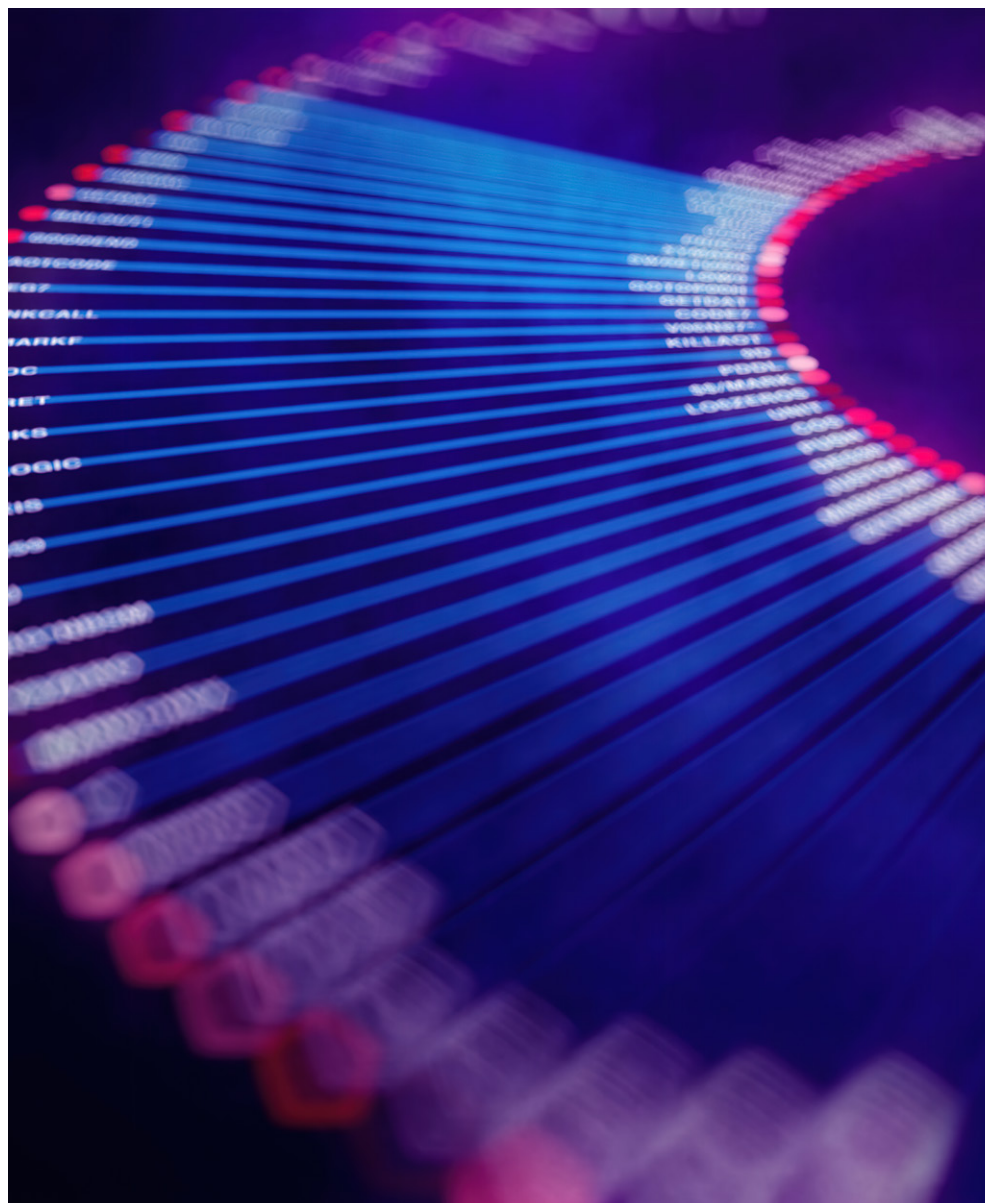
## PARTNER REMUNERATION

Partners are remunerated solely out of profits of the Firm in accordance with the partnership agreement. The determination of profits of the Firm is based on the results of the Firm as a whole and is not dependent on the performance of any particular line of business or function. The final allocation of profit is made after a partner's performance has been appraised by the Partner Evaluation Committee.

Partner compensation is reviewed regularly which includes consideration of the partner's role, and the quality of the work, but is not directly related to the individual's financial performance. The appraisal and compensation of partners includes consideration of the findings from internal and external inspections of audit engagements.

The Partner Evaluation Committee assesses each partner's performance based on a number of specific criteria including technical expertise (taking account of findings from internal and external inspections of audit engagements), independence, integrity, professionalism, and entrepreneurship. Depending on the outcome of the evaluation, their respective share in the Firm may increase or decrease.

There is provision to make payments for exceptional performance or severance payments. Audit partners are not remunerated by reference to the sale of non-audit services to audit clients



## ROTATION OF ROLES

The Firm's policies with respect to rotation of key audit partners and staff (i.e., those other than the engagement partner and EQCR, who are specifically covered by statute/regulation) is principles-based, depending on the facts and circumstances of the engagement.

Typically, such 'key audit partners and staff' include audit partners and senior managers/managers performing a significant portion of the work, as well as specialist partners and senior managers/managers (e.g., tax, valuation). The rotation period for these professionals is 10 years.

## APPENDIX I – EU/EEA BDO MEMBER FIRMS

COUNTRY	TERRITORY	AUDIT FIRM NAME
AUSTRIA	Austria	BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Steiermark GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Salzburg GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
	Austria	BDO Oberösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
BELGIUM	Belgium	BDO Bedrijfsrevisoren - Réviseurs d'Entreprises CVBA
BULGARIA	Bulgaria	BDO Bulgaria OOD
CROATIA	Croatia	BDO Croatia D.O.O.
	Albania	BDO ALBANIA LLC
	Kosovo	BDO KOSOVO
CYPRUS	Cyprus	BDO Limited
CZECH REPUBLIC	Czech Republic	BDO Audit s.r.o
	Czech Republic	BDO Group s.r.o.
	Czech Republic	BDO Czech Republic s.r.o.
DENMARK	Denmark	BDO Statsautoriseret revisionsaktieselskab
		BDO Holding V, Statsautoriseret Revisionsaktieselskab
ESTONIA	Estonia	BDO Eesti AS
FINLAND	Finland	BDO Oy
	Finland	BDO Auditor Oy
	Finland	Finnpartners BDO Oy

COUNTRY	TERRITORY	AUDIT FIRM NAME
FRANCE	France	BDO France
	France	BDO IDF
	France	BDO RHONE-ALPES
	France	BDO 2AS
	France	BDO LES HERBIERS
	France	BDO FONTENAY LE COMTE
	France	BDO ST GILLES CROIX DE VIE
	France	BDO NANTES
	France	BDO ARRAOU
	France	VINCENT RUSE CONSEIL
	France	BDO LES ULIS
	France	FIDENT AUDIT
	France	3APEXCO
	France	3A CORPORATE
France	BDO Paris Audit & Advisory	
France	BDO Méditerranée	
GERMANY	Germany	BDO AG Wirtschaftsprüfungsgesellschaft
	Germany	BDO Oldenburg GmbH & Co KG Wirtschaftsprüfungsgesellschaft
	Germany	BDO DPI AG Wirtschaftsprüfungsgesellschaft
	Germany	BDO Dr. Daiber Audit GmbH Wirtschaftsprüfungsgesellschaft



## APPENDIX I – EU/EEA BDO MEMBER FIRMS

COUNTRY	TERRITORY	AUDIT FIRM NAME
GIBRALTAR	Gibraltar	BDO Limited
GREECE	Greece	BDO CERTIFIED PUBLIC ACCOUNTANTS S.A.
HUNGARY	Hungary	BDO Hungary Audit Ltd
ICELAND	Iceland	BDO ehf.
IRELAND	Ireland	BDO
ITALY	Italy	"BDO Italia S.p.A."
LATVIA	Latvia	SIA BDO ASSURANCE
LIECHTENSTEIN	Liechtenstein	BDO (Liechtenstein) AG
LITHUANIA	Lithuania	BDO Auditas ir Apskaita, UAB
LUXEMBOURG	Luxembourg	BDO Audit
MALTA	Malta	BDO Malta CPAs
NETHERLANDS	Netherlands	BDO Audit & Assurance B.V.
NORWAY	Norway	BDO AS
POLAND	Poland	BDO Spółka z ograniczoną odpowiedzialnością Sp. K.
	Poland	BDO Legal Latala is Wspólnicy Sp.K. (non-voting Firm)
PORTUGAL	Portugal	BDO & Associados, SROC, Lda
ROMANIA	Romania	BDO Audit SRL
	Romania	BDO Auditors & Accountants SRL
	Romania	BDO Auditors and Business Advisors SRL
SLOVAK REPUBLIC	Slovak Republic	BDO Audit, spol. s r.o.
SLOVENIA	Slovenia	BDO Revizija d.o.o.

COUNTRY	TERRITORY	AUDIT FIRM NAME
SPAIN	Spain	BDO Auditores, S.L.P.
	Spain	BDO Audiberia Abogados y Asesores Tributarios, S.L.P.
SWEDEN	Sweden	BDO AB
	Sweden	BDO Göteborg AB
	Sweden	BDO Göteborg Intressenter AB
	Sweden	BDO Göteborg KB
	Sweden	BDO Mälardalen AB
	Sweden	BDO Mälardalen Intressenter AB
	Sweden	BDO Norr AB
	Sweden	BDO Norr Intressenter AB
	Sweden	BDO Stockholm AB
	Sweden	BDO Sweden AB
	Sweden	BDO Syd AB
SWEDEN	Sweden	BDO Syd Intressenter AB
	Sweden	BDO Syd KB
United Kingdom of Great Britain and Northern Ireland/ Isle of Man	United Kingdom	BDO LLP
	Northern Ireland	BDO Northern Ireland

### EUROPEAN NON-EU/EEA BDO MEMBER FIRMS

COUNTRY	TERRITORY	AUDIT FIRM NAME
SWITZERLAND	Switzerland	BDO Ltd/AG/SA

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