

### **The Firm – Legal structure and ownership**

French Duncan LLP was one of the very first LLPs registered in Scotland following the enactment of the Limited Liability Partnership Act 2000. The LLP acquired the business of French Duncan in 2005. There are currently 18 members, or partners.

The firm operates from five offices across central Scotland providing professional services in the principal areas of audit, accountancy, taxation, corporate finance, corporate recovery and insolvency.

The firm is owned by its members whose rights and responsibilities are set out in the Members Agreement.

### **Governance structure**

The management of the firm is carried out by the Managing Partner and the Management Board all of whom hold office for a three year period. The Managing Partner reports to members every three months at a meeting of all members and once a year makes a formal presentation to all employees on the firm's activities and progress. Departmental meetings between staff and their related partners take place throughout the year.

### **Network – HLB International**

The firm is a member of HLB International, a worldwide network of independent accounting firms and business advisers, each of which is a separate and independent legal entity and as such has no liability for the acts and omissions of any other member. HLB International Limited is an English company limited by guarantee which co-ordinates the international activities of the HLB International organisation but provides no professional services to clients. Accordingly, HLB International Limited has no liability for the acts and omissions of any member of the HLB International organisation, and vice versa.

### **Internal Quality Control Systems**

#### **Responsibility for quality - overall approach and culture**

Aside from the firm's Management Committee referred to above, the firm has established partners responsible for the quality of work in each of the principal areas of the practice.

The audit department is the responsibility of the Head of Audit and Audit Compliance partner who is responsible for ensuring the use of appropriate methodology and adherence to auditing standards, overseeing the provision of relevant continuing professional education and the maintenance of technical libraries, the provision of technical advice and assistance and generally ensuring that the firm continues to provide high quality audit work. The Audit Compliance partner evaluates the firm's quality control procedures on an annual basis, reviews the feedback on external quality reviews and ensures implementation of best practice as this develops.

#### **Ethical requirements**

The firm's ethical standards are contained in the firm's manual which is available to partners and staff via the firm's intranet. The Audit Compliance partner requires an annual declaration from all partners and staff that they are aware of the firm's ethical standards which includes confirmation of independence and that they are compliant therewith.

To further ensure the highest technical and ethical standards the firm has a Technical & Ethical Committee whose two permanent members are the Audit Compliance Partner and a senior partner with particular skills in professional ethics, supported by other partners as circumstances demand. Any partner or member of staff is entitled to make representation to the committee where they believe a technical or ethical issue requires independent review.

Ongoing ethical issues, including the provision of non-audit services to audit clients, are considered prior to commencement of each audit and the Ethics partner is consulted where relevant.

#### **Quality procedures and monitoring**

On an annual basis the firm employs external consultants to carry out a sample review of the firm's audit files and any recommendations arising therefrom are brought into practice. The review process ensures that every year all audit partners will have been subject to external review and particular emphasis is given to those partners whose work involves high risk or public interest clients. In addition the firm conducts regular internal reviews of files to ensure standards are maintained. The Management Board is confident that this review process is an effective method of ensuring the maintenance of audit quality.

#### **Monitoring of Performance**

French Duncan LLP is authorised by the Institute of Chartered Accountants of Scotland (ICAS) to carry out audit work in the UK and as such is subject to oversight by the Institute's Audit Monitoring Unit (AMU). Additionally the firm is also subject to inspection by the Financial Reporting Council ("FRC"). In the course of 2014 the firm was subject to inspection by both the AMU and the FRC. The FRC delegated its inspection to the AMU.

French Duncan LLP's insolvency partners are licensed by either ICAS or IPA. Accordingly, their work is subject to regulation and monitoring by their respective professional bodies.

Finally, all of the firm's professional work aside from audit and insolvency is subject to regular review by the Quality Review department of ICAS. Their last inspection visit was in 2016.

#### **Maintenance of skills**

Human resource matters are the responsibility of the Staff Partner supported by an HR Director. They are responsible for the development and maintenance of our HR procedures including those relating to recruitment, appraisals and training.

For many years the firm has had in place an ongoing training programme which is designed to be relevant to personnel at each stage of their professional career.

**Skills and personal qualities of audit partners and staff**

All audit staff and partners are required to attend a series of training courses spread across each year which are provided by the same external consultants who carry out the annual audit file reviews and by internal trainers. As well as ensuring that staff and partners are technically up to date, this approach is also intended to ensure that any weaknesses identified in the file review process are addressed at an early date by way of a training course.

In addition all professional staff and partners are encouraged to attend other training courses which are considered relevant to their line of work or specialism.

All staff are subject to a yearly appraisal process which further helps to identify professional development needs.

**Management statement on effectiveness of functioning**

The firm's Management Committee believes that the policies, regulations and procedures outlined above have ensured that in all material respects partners and staff have complied with relevant professional, regulatory and legal requirements. This compliance has ensured a consistently high quality of work across the practice.

**Public Interest Entities audited by the firm****UK listed audit clients:**

J. Smart & Co (Contractors) plc.

**Financial Information**

	2016	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Audit Income	1,525	1,450	1,395	1,342	1,319	1,244
Other Professional Income	8,690	8,647	7,888	6,893	6,700	6,576
	10,215	10,097	9,283	8,235	8,019	7,820
Reconciliation to Statutory Accounts						
Turnover per Accounts	9,801	9,650	8,840	7,745	7,534	7,349
Add Other Income	334	246	355	393	374	364
Add back Disbursements	80	201	88	97	111	107
	10,215	10,097	9,283	8,235	8,019	7,820

**Partners' Remuneration**

Profits are shared amongst the partners (who are Members of the LLP) based on remuneration levels set by the Tier 1 Partners. Remuneration levels for all partners are reviewed each year by the Tier 1 partners who consider a range of performance measures relevant to each individual partner. Remuneration levels are not based on performance in one individual financial year and audit partners are not remunerated on the basis of selling non-audit services to audit clients.

**Audit registration**

Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk), under reference number 3214.