



Transparency report for BDO Gibraltar

For the year ended 31 December 2013



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Transparency Report for the year ended 31 December 2013

Introduction

Following the enactment of the Financial Services (Auditors) Act 2009 (“the Act”) in May 2009, audit firms that carry out statutory audits of public interest entities are required to possess a website and publish on it within three months of the end of each financial year an annual transparency report that sets out certain minimum information about the firm, systems of quality control, independence procedures and practices.

The following pages contain information in respect of these requirements for BDO Limited.

BDO Limited

Approved by the Board on 31 March 2014.

1. Legal structure and ownership

BDO Limited (“the Firm”) is a limited company incorporated in Gibraltar on 22 July 1994 with registered number 52200. Before incorporation, the business in Gibraltar traded as a partnership. At 31 December 2013 the Firm had two shareholders, who are also directors of the company.

Business structure

The Firm operates from a single office in Gibraltar at Regal House, Queensway, and its principal services are audit, accounting and tax.

2. Network

The Firm is the Gibraltar Member Firm of BDO International. The BDO network is the world’s fifth largest accountancy network, with annual revenues of over \$6.5bn for the year ended 30 September 2013. The network currently employs over 56,000 people across 1,264 offices in 144 countries.

BDO International is governed by the BDO Council, the Global Board and the Executive (or Global Leadership Team) of BDO International Limited. Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium with its statutory seat in Brussels. 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.



BDO International Limited, Brussels Worldwide Services BVBA and the Member Firms of the BDO network, are separate legal entities and have 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 member firms of the BDO network.

Each BDO Member Firm is an independent legal entity and profits are not shared between Member Firms. All BDO Member Firm client engagements - whether for domestic work, referred work from other firms in the network, or international work sourced from non-BDO sources - are conducted in the name of the local BDO Member Firm. Membership of the network confers certain rights on BDO Member Firms, as well as certain obligations. Rights include the use of the BDO brand, including the network name and logo, the ability to refer work to and from other BDO Member Firms and a wide range of resources. Obligations include the capability to offer the minimum core services, including accounting and auditing, taxation and specialist advisory services, and a high standard of professionalism and ethics. An International Liaison Partner in each Member Firm facilitates international referrals and the smooth running of projects and relationships to ensure clients receive an integrated service.

3. Governance

BDO International

The BDO Council comprises one representative from each voting member and includes the members of BDO International Limited in general meeting. The Council approves budgets, 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, currently comprises a representative of the network's six largest member firms, whose appointment, each for a three year term, is approved by the Council. The Global Board sets policies and priorities for the network and oversees the work of the Global Leadership Team. The Global Board meets at least four times a year and more if required. The Global Leadership Team is tasked with coordinating the activities of the network on a day to day basis. It is headed by the CEO and comprises the Global Heads of Audit & Accounting, Tax, People, Client Service, Network Development and the International Secretary.

BDO Gibraltar

The Board of Directors provides strategic and operational leadership to the Firm, and meets on a frequent basis. The Board retains overall responsibility for the functioning of the audit service line as well the other services that the Firm provides to its clients. The Board is also responsible for the monitoring of risk within the Firm.

4. Internal quality control system

The Firm adheres to the guidance and quality control requirements set out by BDO International, as well as the requirements set out in the IAASB's International Standard on Quality Control 1.

According to ISQC1, the elements of a quality control system are the following:

- Leadership responsibilities for quality within the firm
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Human resources
- Engagement performance
- Monitoring

Further details in relation to how the Firm complies with the requirements set out above are detailed below:

Leadership responsibilities for quality within the firm: The Board of Directors assumes overall responsibility for quality within the Firm, and at least one of the directors will have an active involvement in every client engagement of the Firm. Focus on quality of work is communicated at all levels through formal communications to staff or informal audit team meetings.

The Board also ensures that:

- Audit work is carried out in accordance with relevant BDO audit methodology and international standards on auditing.
- Staff receive appropriate technical training.
- Technical queries are researched and resolved in a satisfactory manner.

Quality also forms a component of the annual appraisal process of staff.

Relevant ethical requirements: The Firm's Board of Directors is responsible for providing guidance and support to staff in relation to the application of International Ethical Standards. Any potential issues with regard to the requirements are discussed amongst the audit team and Board when the issue is first raised. All partners and staff also sign an annual declaration confirming compliance with the relevant ethical requirements.

Acceptance and continuance of client relationships and specific engagements: The Firm's client acceptance procedures are undertaken both on new engagements as well as continuing ones. These ensure that the Firm has the ability to serve the client, assesses its independence as well as any potential conflicts of interest that may arise, and considers information with regard to the character and reputation of the client, including clearance from previous auditors.

Human resources: Human resources plays a key role in the Firm in ensuring that it can perform engagements in accordance with professional standards and applicable legal and regulatory requirements, as well as ensuring that reports issued are appropriate in the circumstances. In accordance with ISQC1, the Firm's human resources policies are made up of the following components:

- Recruitment
- Performance evaluation
- Capabilities and competence
- Career development and promotion
- Compensation
- Estimation of personnel needs

Engagement performance: Engagement performance is made up of three components, which are set out below:

Common methodology: The Firm's policies and procedures are designed to ensure that the Firm complies with all relevant professional standards and regulatory requirements, and that the Firm issues audit reports that are appropriate in the circumstances. The Firm also ensures that its audit methodology is compliant with the audit methodology set out by BDO International, which is in common use by all BDO Member Firms. In addition, the BDO network rolled out a new audit methodology and tool which is compliant with the new international standards on auditing, which are applicable to year ends commencing on or after 15 December 2009.

Supervision and review: All professional work carried out by staff is subject to review by staff who have appropriate knowledge and experience. A concurring partner review is also performed for listed entities or those engagements which are deemed to be high risk.

Consultation: Given the nature and size of the Firm, there is free and regular communication between all staff members on any areas that may be of a contentious nature. Such decisions are documented where necessary.

Monitoring: The quality of the level of the professional work carried out by the Firm is evaluated through BDO's Quality Assurance Review Process. The review process aims to provide assurance that all member firms of the network are adhering both to applicable professional standards as well as to BDO's international standards. The reviews are carried out by a team of dedicated reviewers and cover the major services supplied by each member firm, as well as its overall quality and risk management framework.

Every member firm is also subject to an accreditation process, which has the overall objective of enhancing the network's focus on quality as well as supporting its strategic aims.

5. Monitoring of quality control

The Financial Services Commission, as the appointed Competent Authority for the purposes of the Act, is responsible under section 29 of the Act for ensuring that all audit firms and statutory auditors are subject to a system of quality assurance controls. The Financial Services Commission has conducted quality assurance reviews through focussed visits concentrating on high risk areas. It last conducted an on-site review on the Firm in June 2013.

The audit and tax departments of the Firm were last subject to a quality assurance review by the BDO network in November 2011. Such reviews are undertaken on each Member Firm of the BDO network at least every three years.

6. Public interest entities

A list of public interest entities for which the Firm has carried out statutory audits during the preceding financial year are set out below:

Audit clients listed on a regulated EU market

888 Holdings plc

bwin.party digital entertainment plc

Audit clients that are not-listed but still meet the criteria as currently set out in section 2 of the Act

Carraig Insurance Company Limited
Southern Rock Insurance Company Limited
Victory Insurance Limited

7. Independence

The Firm adheres to the independence requirements set out in the IFAC Code of Ethics for Professional Accountants, which are the ethical standards that are applicable to Gibraltar audit firms, as set out in regulation four of the Financial Services (Auditors) Regulations 2010.

Independence practices are subject to a continuous process of internal review as part of a series of monitoring and review activities, including:

- an annual declaration undertaken by all partners and staff;
- audit file quality control reviews examining a selection of audit files covering all Responsible Individuals on an annual basis; and
- other monitoring activities targeting specific aspects of audit independence.

All of these monitoring and review activities were operational during the past financial year.

8. Continuing professional education

The Firm is committed to developing and maintaining the highest possible standards of technical competence through our own development programmes.

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 staff members are personally responsible for keeping up to date with the knowledge and skills which they need to successfully carry out the roles to which they are assigned.

As part of an individual's performance appraisal, professional development needs are assessed and courses or other training opportunities are identified. The Firm requires participation in appropriate continuing professional development programmes and monitors the fulfilment of programme obligations.

9. Financial information

Turnover by income stream	Unaudited 2013 £ 000s	Audited 2012 £ 000s
Audit	604	638
Tax	9	14
Other	166	184
Total	779	836

10. Partner remuneration

The Firm's two shareholders are paid a fixed salary for their duties as directors during the year. The level of these salaries is reviewed on an annual basis. The profits of the Firm in any financial year, after all expenses (including directors' salaries), are attributable but not distributed to the shareholders, in proportion to their shareholding in the Firm.



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BDO Limited, a Gibraltar limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

