

IN THE MATTER OF

THE EXECUTIVE COUNSEL OF THE FINANCIAL REPORTING COUNCIL

-and-

(1) KPMG AUDIT PLC

(2) KPMG LLP

EXECUTIVE COUNSEL'S FINAL DECISION NOTICE

Pursuant to Rule 18 of the Audit Enforcement Procedure

This Final Decision Notice is a document prepared by Executive Counsel following an investigation relating to, and admissions made by, the Respondents. It does not make findings against any persons or entities other than the Respondents and it would not be fair to treat any part of this document as constituting or evidencing findings against any other persons or entities since they are not parties to the proceedings.

1. INTRODUCTION

- 1.1. The Financial Reporting Council (the “**FRC**”) is the competent authority for *Statutory Audit* in the United Kingdom and operates the Audit Enforcement Procedure (the “**AEP**”), effective 17 June 2016. The AEP sets out the rules and procedure for the investigation, prosecution and sanctioning of breaches of *Relevant Requirements*.
- 1.2. The AEP contains a number of defined terms and, for convenience, those defined terms are also used within this document. Where these defined terms are used, they appear in italics. This *Final Decision Notice* also uses the following additional definitions:
 - 1.2.1. “**Company**” means Foresight 4 VCT plc.
 - 1.2.2. “**FY2013**” means the financial year ended 31 March 2013, “**FY2013 financial statements**” means the Company’s consolidated financial statements for that

- period, and “**FY2013 Audit**” means the *Statutory Audit* of the FY2013 financial statements.
- 1.2.3. “**FY2014**” means the financial year ended 31 March 2014, “**FY2014 financial statements**” means the Company’s consolidated financial statements for that period, and “**FY2014 Audit**” means the *Statutory Audit* of the FY2014 financial statements.
- 1.2.4. “**FY2015**” means the financial year ended 31 March 2015, “**FY2015 financial statements**” means the Company’s consolidated financial statements for that period, and “**FY2015 Audit**” means the *Statutory Audit* of the FY2015 financial statements.
- 1.2.5. “**FY2016**” means the financial year ended 31 March 2016, “**FY2016 financial statements**” means the Company’s consolidated financial statements for that period, and “**FY2016 Audit**” means the *Statutory Audit* of the FY2016 financial statements.
- 1.2.6. “**FY2018**” means the financial year ended 31 March 2018, “**FY2018 financial statements**” means the Company’s consolidated financial statements for that period, and “**FY2018 Audit**” means the *Statutory Audit* of the FY2018 financial statements.
- 1.2.7. “**LSE**” means the London Stock Exchange.
- 1.2.8. “**Relevant Period**” means the period covering the FY2013, FY2014 and FY2015 Audits.
- 1.2.9. “**Respondent**” means, as the case may be, KPMG Audit Plc in relation to the FY2013 Audit and KPMG LLP in relation to the FY2014 and FY2015 Audits.
- 1.3. Pursuant to Rule 16(b) of the AEP, *Executive Counsel* has decided that KPMG Audit Plc and KPMG LLP are liable for *Enforcement Action*, having made the *Adverse Findings* against each of them that are set out in this *Final Decision Notice*.
- 1.4. This *Final Decision Notice* is issued pursuant to Rule 18 of the AEP in respect of the conduct of:
- 1.4.1. KPMG Audit Plc in relation to the FY2013 Audit. KPMG Audit Plc was the *Statutory Audit Firm* for the FY2013 Audit.
- 1.4.2. KPMG LLP in relation to the FY2014, and FY2015 Audits. KPMG LLP was the *Statutory Audit Firm* for the FY2014 and FY2015 Audits.
- 1.5. In accordance with Rule 17 and Rule 18 of the AEP this *Final Decision Notice*:

- 1.5.1. outlines the *Adverse Findings* with reasons;
 - 1.5.2. proposes a *Sanction* with reasons;
 - 1.5.3. proposes an amount payable in respect of *Executive Counsel's* costs of the matter; and
 - 1.5.4. is issued following the Respondents' written agreement to the *Decision Notice* issued under Rule 17.
- 1.6. This *Final Decision Notice* is divided into the following sections:
- 1.6.1. Section 2: Executive Summary of the *Adverse Findings*;
 - 1.6.2. Section 3: Background;
 - 1.6.3. Section 4: *Relevant Requirements* to which the *Adverse Findings* relate;
 - 1.6.4. Section 5: *Adverse Findings*;
 - 1.6.5. Section 6: *Sanctions*; and
 - 1.6.6. Section 7: Costs.

2. EXECUTIVE SUMMARY OF THE ADVERSE FINDINGS

- 2.1. The Company is and was at all material times:
- 2.1.1. an investment company (as defined in section 833 of the Companies Act 2006); and
 - 2.1.2. an approved venture capital trust (in accordance with the requirements of Part 6 of the Income Tax Act 2007).
- 2.2. The Company was admitted to the Main Market of the LSE on 16 March 1998.
- 2.3. The Company's primary business activity is and was at all material times to make investments in unquoted or Alternative Investment Market listed companies in the United Kingdom. Investors in the Company obtain returns from its investment portfolio via a combination of dividends, interest received from investments and the distribution of capital gains arising from trade sales or company flotations. The availability of distributable reserves was therefore a key metric for the Company's business.
- 2.4. The Respondent is (in the case of KPMG LLP) or was (in the case of KPMG Audit Plc) a member firm of the Institute of Chartered Accountants in England and Wales, and they were the *Statutory Audit Firm* of the Company during the Relevant Period. In this regard:
- 2.4.1. KPMG Audit Plc was the *Statutory Audit Firm* for FY2013; and

- 2.4.2. KPMG LLP was the *Statutory Audit Firm* for FY2014 and FY2015.
- 2.5. As is set out in this *Final Decision Notice*, there were failures by the Respondent in the manner in which they conducted the FY2013 Audit, FY2014 Audit and FY2015 Audit in relation to their audit work concerning the share premium account and capital redemption reserve (in FY2013) and distributable reserves (for FY2013 to FY2015).
- 2.6. The *Adverse Findings* in this *Final Decision Notice* relate to two areas of audit work:
- 2.6.1. Audit evidence; and
 - 2.6.2. Audit documentation.
- 2.7. Section 5 of this *Final Decision Notice* sets out the detail of the *Adverse Findings*.
- 2.8. This *Final Decision Notice* records the following *Sanctions* in respect of the Respondent:
- 2.8.1. a published statement in the form of a reprimand; and
 - 2.8.2. an order for the Respondent to take action to reduce the likelihood of recurrence of the breaches of Relevant Requirements.

3. BACKGROUND

The Respondents and their responsibilities

- 3.1. During the Relevant Period, KPMG Audit Plc / KPMG LLP was one of the largest audit firms in the UK. KPMG LLP is the successor entity of KPMG Audit Plc for provision of audit services.
- 3.2. The Respondents' statutory responsibility was to form an opinion as to whether the Company's financial statements showed a true and fair view and had been properly prepared in accordance with UK accounting standards and the Companies Act 2006.
- 3.3. An auditor must obtain sufficient appropriate audit evidence about the amounts and disclosures in the financial statements to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.
- 3.4. Audit evidence is defined in ISA 500 as "*information used by the auditor in arriving at the conclusions on which the auditor's opinion is based*". Audit evidence is primarily obtained from audit procedures performed during the course of the audit.
- 3.5. An auditor must properly document the audit procedures performed and the audit evidence obtained. Audit documentation is required by ISA 230 to evidence the basis

for the auditor's conclusions in relation to its statutory responsibility and to evidence that the audit was planned and performed in accordance with the relevant legal and regulatory framework. The documentation must be sufficient to enable an experienced auditor, with no previous connection to the audit, to understand those matters.

The Company's share premium account and capital redemption reserve

- 3.6. A company's share premium account and capital redemption reserve form part of its non-distributable reserves and can only lawfully be used for a limited number of purposes, in accordance with section 610 and 733 of the Companies Act 2006.
- 3.7. On 29 November 2012, the Company had, pursuant to an order made by the High Court on 28 November 2012, completed a cancellation of amounts standing to the credit of the share premium account and capital redemption reserve.
- 3.8. The cancellation of the share premium account and capital redemption reserve should have been accounted for by reducing the balance of the share premium account and capital redemption reserve and increasing the profit and loss reserve by the same amount. This was not reflected in the FY2013 financial statements (the year in which the cancellation was effected) or subsequently in the FY2014 or FY2015 financial statements.
- 3.9. On 29 July 2016 the Company approved and published the FY2016 financial statements. The FY2016 financial statements included a restatement of reserves. The restatement decreased the amounts previously reported for FY2015 for the share premium account by £30,963,251 and the capital redemption reserve by £1,750,587. There was a corresponding increase in profit and loss reserve of £32,713,838.

The Company's distributable reserves

- 3.10. There is no requirement under accounting standards, or in law, for financial statements to distinguish between realised profits and unrealised profits or between distributable and non-distributable reserves. The FY2013 and FY2014 financial statements did not include any breakdown of distributable and non-distributable reserves. However, the FY2015 financial statements disclosed that the "*realised and distributable*" amount of the profit and loss reserve was £4,951,000 as at 31 March 2015 (out of a total of £14,451,000) and £12,323,000 as at 31 March 2014 (out of a total of £7,342,000¹). This disclosure was incorrect.

¹ It is noted that the realised and distributable amount as at 31 March 2014 was higher than the total profit and loss account reserve. There is no explanation for this on the face of the FY2015 financial statements. The total profit and loss account reserve figure was subsequently restated to be £40,056,000 in the FY2016 accounts.

- 3.11. In 2016, following the restatement of the financial statements to reflect the cancellation of the share premium account and the capital redemption reserve, the financial statements disclosed realised and distributable profits of £20,949,000 and £37,665,000 for 2016 and 2015 respectively.
- 3.12. The financial statements for FY2018 disclose a further restatement in respect of realised and distributable profits, increasing the amount disclosed as at 31 March 2017 by £3,441,000 to £17,490,000. The financial statements disclose that the restatement arose from “*a misallocation in the historical records between realised and unrealised gains on investments*”. The FY2018 financial statements further explained that this misallocation had also caused the realised and distributable reserves as at 31 March 2015 and 31 March 2016 to be incorrectly disclosed by the same amount.

Audit work in respect of the share premium account and the capital redemption reserve for FY2013

- 3.13. The audit strategy memorandum prepared by the Respondent for FY2013 sets out the planned audit procedure in relation to the area of “*capital, funding and expenses*”.
- 3.14. It noted that, whilst share capital and reserves had been assigned a low level of audit risk, there was a specific audit test to be performed, which included inspecting the documents submitted to Companies House. The memorandum stated:
- “We will obtain evidence over share capital by inspecting documents submitted to Companies House and will consider whether there have been any share buybacks during the year and if applicable ensure they have been correctly accounted for”.*
- 3.15. The audit file for FY2013 contains evidence that the audit team vouched movements in the share capital account relating to share issues and share buy-backs by reference to the publicly available information on the LSE website detailing equity transactions, an alternative, but acceptable procedure. The share premium account was recalculated based on shares issued and price of shares on the issue date, and this was compared to the movement in the share premium account reflected in the financial statements. The increase in the capital redemption reserve was attributed to the share buy-backs detailed in the LSE announcements. The LSE announcements detailed the share issues and share buy-backs during the year, but did not refer to the court order which resulted in the cancellation of the share premium account and capital redemption reserve.
- 3.16. The audit team reviewed the Company’s board minutes as part of the FY2013 Audit and prepared a summary of the minutes for the audit file (although the board minutes

themselves were not retained on the audit file). The summary document does not refer to the cancellation of the share premium account and the capital redemption reserve. It is not clear whether this is because the board minutes did not refer to the cancellation of the share premium account and the capital redemption reserve or this was overlooked by the audit team.

- 3.17. The documents regarding the cancellation of share premium account and the capital redemption reserve had been filed at Companies House on 29 November 2012 and these included the court order itself, the certificate of registration of the court order and a statement of capital on the cancellation of the share premium account and the capital redemption reserve. Inspection of Companies House records therefore could have identified the cancellation of share premium account and the capital redemption reserve. However, notwithstanding the proposed approach set out in the audit strategy memorandum relating to movements in share capital, there is no evidence on the audit file that the audit team inspected documents submitted to Companies House, choosing instead to perform alternative procedures for the audit of share capital movements (i.e. with reference to the LSE website). There is no evidence that the audit team performed any other testing on equity transactions in FY2013 that would have identified the cancellation of the share premium account and the capital redemption reserve or the Company's failure to account for this.
- 3.18. As a result of not reviewing documents lodged at Companies House, the Respondent did not identify the cancellation of the share premium account and capital redemption reserve and the fact that this cancellation had not been correctly accounted for in the FY2013 financial statements.
- 3.19. The Respondent therefore breached paragraph 6 of ISA 500 because it did not perform the audit procedures that had been designed to obtain sufficient appropriate audit evidence in respect of share capital balances. The alternative audit procedures which were performed resulted in audit evidence being obtained in respect of share capital balances but, as a result of the changed procedures, the audit team did not obtain sufficient audit evidence in respect of movements in the share premium account and capital redemption reserve.

Audit documentation and evidence in respect of distributable reserves for FY2013, FY2014 and FY2015

- 3.20. The Company holds investments in companies at fair value through profit or loss. The Company therefore has unrealised gains and losses within the profit and loss reserve. Unrealised profits cannot lawfully be distributed as dividends (s.830 of the Companies Act 2006).
- 3.21. The Respondent's "entity and its environment" working paper for the FY2013, FY2014 and FY2015 Audits documented the audit team's understanding that the Company's objective was to deliver capital growth and tax-free dividends to shareholders.
- 3.22. Accordingly, the availability of distributable reserves should have been a key metric for the Company and the audit work in respect of them should have been clearly documented.
- 3.23. There is no requirement for a company to disclose the amount of distributable reserves in its financial statements. In this regard:
- 3.23.1. The FY2013 and FY2014 financial statements did not disclose the amount of distributable reserves.
 - 3.23.2. However, the FY2015 financial statements disclosed realised and distributable reserves of £4,951,000 as at 31 March 2015 (out of a total profit and loss reserve of £14,451,000) and £12,323,000 as at 31 March 2014 (out of a total profit and loss reserve of £7,342,000).
- 3.24. There is no evidence that the audit team performed any testing on the amount of distributable and non-distributable reserves in the FY2013, FY2014 or FY2015 Audits.
- 3.25. It would have been possible to determine the sufficiency of distributable reserves based on a review of a) the figure for unrealised investment gains / losses; and b) the figures contained in previous years' financial statements. However, there is no evidence on the audit files of the audit team's consideration of whether the level of distributable reserves was sufficient to ensure that any distributions were lawful.
- 3.26. There is also no evidence that the audit team performed any testing of whether the disclosure of distributable reserves in the FY2015 financial statements was correct. (It is noted that no dividends were paid in that year, but a distribution was made). There is no evidence as to whether or how the disclosure in the FY2015 financial statements was audited.

3.27. Accordingly, the Respondent breached paragraph 8 of ISA 230 in respect of FY2013 and FY2014 because the audit documentation was insufficient to enable an experienced auditor, having no previous connection with the audit, to understand:

3.27.1. The nature, timing and extent of the audit procedures performed to comply with the ISAs and applicable legal and regulatory requirements (and, in particular, to determine whether there were sufficient distributable reserves to support the distributions made by the Company in FY2013 and FY2014).

3.27.2. The results of any such audit procedures and the audit evidence obtained;
and

3.27.3. The conclusions reached by the audit team on these matters.

3.28. The Respondent also breached paragraph 6 of ISA 500 in respect of FY2015 because it failed to obtain sufficient appropriate audit evidence to support the figures disclosed in the FY2015 financial statements in relation to realised and distributable reserves. Had the Respondent sought to obtain sufficient appropriate evidence to support these figures, the error which was the subject of the FY2018 restatement might have been identified earlier.

4. RELEVANT REQUIREMENTS TO WHICH THE ADVERSE FINDINGS RELATE

4.1. Rule 1 of the AEP states that *Relevant Requirements* has the meaning set out in regulation 5(11) of the Statutory Auditors and Third Country Auditors Regulations 2016. The *Relevant Requirements* include, but are not limited to, the International Standards on Auditing (UK and Ireland) (“ISAs”) issued by the International Auditing and Assurance Standards Board. The ISAs relevant to this *Final Decision Notice* are those effective for audits of financial statements for periods ending on or after 15 December 2010.

4.2. The *Relevant Requirements* referred to in this *Final Decision Notice* are the following:

4.2.1. ISA 230 (Audit Documentation); and

4.2.2. ISA 500 (Audit Evidence);

4.3. Extracts from the ISAs setting out those parts which are of particular relevance to the *Adverse Findings* are set out in Appendix 1 hereto.

5. ADVERSE FINDINGS

Adverse Finding 1 against KPMG Audit Plc – Audit evidence in respect of the share premium account and the capital redemption reserve for FY2013

- 5.1. The audit strategy memorandum stated that the audit team planned to obtain evidence of share capital balances by inspecting documents submitted to Companies House. The audit team did not do so and as a consequence the Respondent did not identify the cancellation of the share premium account and capital redemption reserve or the misstatement of these balances and the profit and loss reserve in the FY2013 financial statements, which it could have identified if it had inspected documents submitted to Companies House. These errors were carried forward to the FY2014 and FY2015 financial statements until the figures were restated in FY2016.
- 5.2. Therefore, the Respondent breached paragraph 6 of ISA 500 by failing to perform the audit procedures that had been designed to obtain sufficient appropriate audit evidence in respect of share capital balances. The alternative audit procedures which were performed resulted in that audit evidence being obtained to support the objective of the test but, as a result of the changed procedures, the audit team did not obtain sufficient audit evidence in respect of movements in the share premium account and capital redemption reserve.

Adverse Finding 2 against KPMG Audit Plc – Audit documentation in respect of distributable reserves for FY2013

- 5.3. The Respondent did not document any consideration of the sufficiency of distributable reserves in FY2013.
- 5.4. Therefore, the Respondent breached paragraph 8 of ISA 230 by failing to prepare audit documentation that was sufficient to enable an experienced auditor, having no previous connection with the audit, to understand (a) the nature, timing and extent of any audit procedures that were performed to consider the sufficiency of distributable reserves, (b) the results of any such audit procedures and the audit evidence obtained, and (c) any conclusions reached as to the sufficiency of distributable reserves.

Adverse Finding 3 against KPMG LLP – Audit documentation in respect of distributable reserves for FY2014

- 5.5. The Respondent did not document any consideration of the sufficiency of distributable reserves in FY2014.
- 5.6. Therefore, the Respondent breached paragraph 8 of ISA 230 by failing to prepare audit documentation that was sufficient to enable an experienced auditor, having no previous connection with the audit, to understand (a) the nature, timing and extent of any audit procedures that were performed to consider the sufficiency of distributable reserves, (b) the results of any such audit procedures and the audit evidence obtained, and (c) any conclusions reached as to the sufficiency of distributable reserves.

Adverse Finding 4 against KPMG LLP – Audit evidence in respect of distributable reserves for FY2015

- 5.7. The Respondent failed to obtain sufficient appropriate audit evidence to support the figures disclosed in the financial statements for FY2015 in relation to realised and distributable reserves.
- 5.8. Therefore, the Respondent breached paragraph 6 of ISA 500 by failing to design and/or perform audit procedures that were appropriate for the purpose of obtaining sufficient appropriate audit evidence supporting the figures for realised and distributable reserves.

6. SANCTIONS

- 6.1. Paragraph 10 of the FRC's Sanctions Policy (Audit Enforcement Procedure) (the "**Policy**") provides that *Sanctions* are intended to be effective, proportionate and dissuasive. The reasons for imposing *Sanctions* are identified in paragraph 11 of the Policy as the following:
 - 6.1.1. to declare and uphold proper standards of conduct amongst *Statutory Auditors* and *Statutory Audit Firms* and to maintain and enhance the quality and reliability of future audits;
 - 6.1.2. to maintain and promote public and market confidence in *Statutory Auditors* and *Statutory Audit Firms* and the quality of their audits and in the regulation or the accountancy profession;
 - 6.1.3. to protect the public from *Statutory Auditors* and *Statutory Audit Firms* whose conduct has fallen short of the *Relevant Requirements*; and

- 6.1.4. to deter *Statutory Auditors* and *Statutory Audit Firms* from breaching the *Relevant Requirements* relating to *Statutory Audit*.
- 6.2. Paragraph 12 of the Policy provides that the primary purpose of imposing Sanctions for breaches of the *Relevant Requirements* is not to punish, but to protect the public and the wider public interest.
- 6.3. *Executive Counsel* has agreed the following *Sanctions* against the Respondent:
- 6.3.1. a published statement in the form of a reprimand; and
- 6.3.2. an order for the Respondent to take action to reduce the likelihood of recurrence of the breaches of *Relevant Requirements*. The Respondent shall:
- 6.3.2.1. monitor its audit teams' adherence to its audit procedure on company capital and distributions (described further below in paragraph 6.13 and such procedure having been put in place since the breaches occurred) for the period from 1 April 2020 – 31 March 2021); and
- 6.3.2.2. provide a report to *Executive Counsel* setting out the results of such monitoring on or around 1 June 2021.
- 6.4. In reaching this decision, *Executive Counsel* has, in summary, considered the following matters in accordance with the Policy.

Nature, seriousness, gravity and duration of the breaches

- 6.5. The *Adverse Findings* relate to failures by the Respondent concerning audit evidence and audit documentation. The *Relevant Requirements* that have been breached are designed to ensure the quality and effectiveness of the audit.
- 6.6. The breaches of *Relevant Requirements*:
- 6.6.1. were in some respects repeated and ongoing;
- 6.6.2. occurred in three consecutive financial years; and
- 6.6.3. may have led to the Respondent not identifying misstatements in the Company's financial statements which were not corrected until the point of the restatements.
- 6.7. The breaches of *Relevant Requirements*:
- 6.7.1. could have harmed investor, market and public confidence in the truth and fairness of the financial statements published by *Statutory Auditors* or *Statutory Audit Firms*. The Company's shares are listed on the Main Market of the LSE; and

- 6.7.2. undermine confidence in the standards of conduct in general of *Statutory Auditors* and *Statutory Audit Firms*, and/or in *Statutory Audit*.
- 6.8. It is noted that distributions were made in FY2013 to FY2015. As set out in paragraph 3.25 the sufficiency of distributable reserves was readily identifiable from a review of a) the figure for unrealised investment gains / losses; and b) the figures contained in previous years' financial statements. It is not suggested that any distributions made during the Relevant Period were unlawful as at all times it was clear that sufficient distributable reserves existed to cover the distributions made.
- 6.9. *Executive Counsel* acknowledges that the misallocation of reserves between the share premium account/capital redemption reserve and the profit and loss account and/or between distributable and non-distributable reserves did not affect the Company's profits in any financial year or net asset value for any financial year.
- 6.10. The breach of the Relevant Requirements did not adversely affect, or potentially adversely affect, a significant number of people in the United Kingdom.
- 6.11. During the Relevant Period, KPMG Audit Plc / KPMG LLP was one of the largest audit firms in the UK.
- 6.12. The breaches were neither intentional, dishonest, deliberate nor reckless.
- 6.13. *Executive Counsel* has noted that during 2018, as part of the Respondent's Audit Quality Transformation Programme, the Respondent issued a standard audit work paper on company capital and distributions. This sets out the audit work to be performed in relation to this area including inspection of board minutes, Companies House filings and RNS announcements as well as procedures for testing the adequacy of distributable profits for a lawful distribution to be made. *Executive Counsel* considers that, in the event of adherence by the Respondent to this audit work paper, these breaches of *Relevant Requirements* are unlikely to be repeated.

Identification of Sanction

- 6.14. Having assessed the nature, seriousness, gravity and duration of the breaches, *Executive Counsel* has identified the following combination of *Sanctions* as appropriate:
- 6.14.1. a published statement in the form of a reprimand; and
- 6.14.2. an order for the Respondent to take action to reduce the likelihood of recurrence of the breaches of *Relevant Requirements*.

6.15. *Executive Counsel* has then taken into account any aggravating and mitigating factors that exist (to the extent that they have not already been taken into account in relation to the nature, seriousness, gravity and duration of the breaches).

Aggravating factors

6.16. The Respondent has a poor recent disciplinary record. It was sanctioned in five cases in the last four years. In particular, two of these cases relate to a failure to obtain sufficient appropriate audit evidence.

Mitigating factors

6.17. KPMG has sought to take remedial steps, by the adoption of a new standard audit work paper on company capital and distributions (as set out in paragraph 6.13 above).

6.18. The Respondent did not stand to gain any profit or benefit, beyond the fees chargeable for the FY2013, FY2014 and FY2015 Audits, from the breaches of the *Relevant Requirements*.

Deterrence

6.19. Having considered the matters set out at paragraphs 72 and 73 of the Policy, *Executive Counsel* considers that no adjustment for deterrence is required in this case.

Cooperation

6.20. The Respondent provided a good level of cooperation as required during the investigation into this matter.

7. COSTS

7.1. The Respondent has agreed to pay the costs in full in this matter, being £49,644. Such costs shall be paid no later than 28 days after the date of this *Final Decision Notice*.

Signed: 

DEPUTY EXECUTIVE COUNSEL

Date: 31 March 2020

APPENDIX 1 – EXTRACTS OF RELEVANT REQUIREMENTS

Extracts from ISAs in force during the Relevant Period

1. ISA 230: Documentation of the Audit Procedures Performed and Audit Evidence Obtained

1.1. Paragraph 8 states as follows:

“The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:

(a) The nature, timing and extent of the audit procedures performed to comply with the ISAs (UK and Ireland) and applicable legal and regulatory requirements;

(b) The results of the audit procedures performed, and the audit evidence obtained; and

(c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.

2. ISA 500: Audit Evidence

2.1. Paragraph 6 states as follows:

“The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.”